Student name:\_\_\_\_\_\_\_\_\_\_

**1)** Determine the missing amounts for each independent case below. Assume the amounts shown are at the end of the company's first year of operation.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Company Name** | **Total Revenue** | **Total Assets** | **Total Expenses** | **Total Liabilities** | **Net Income (Loss)** | **Stockholders' Equity** |
| **Randolph** | $ 600,000 | $ 450,000 | $ 350,000 | $ 130,000 |  |  |
| **Newman** | $ 105,000 |  |  | $ 80,000 | $ 10,000 | $ 75,000 |
| **Wiseman** |  | $ 190,000 | $ 70,000 |  | $(30,000) | $ 100,000 |
| **Martin** | $ 180,000 | $ 215,000 | $ 115,000 | $ 75,000 |  |  |
| **VanTassel** |  |  | $ 55,000 | $ 75,000 | $ 19,000 | $ 79,000 |

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Bloom's : Apply  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Gradable : manual

**2)** Frank’s Flower Company, a small retail store that sells flowers, started business on January 1, 2022. At the end of January 2022, the following information was available:

|  |  |
| --- | --- |
| **Sales of flowers for cash** | $ 150,000 |
| **Sales of flowers for credit (not yet collected)** | 30,000 |
| **Cost of flowers which were sold and paid for during January** | 90,000 |

Expenses during January incurred, and paid for, during January unless otherwise noted:

|  |  |
| --- | --- |
| **Salaries** | $ 10,000 |
| **Telephone** | 500 |
| **Office supplies (all used)** | 300 |
| **Electricity** | 600 |
| **Rent on the store for January, 2022 (will not be paid until February, 2022)** | 2,000 |

**Required:**A.Using the above information, prepare the income statement for Frank’s Flower Company for the month ended January 31, 2022.  
B.What is the amount of cash flows provided by operating activities to be presented on the statement of cash flows?

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Bloom's : Apply  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 3 Hard  
Gradable : manual

**3)** Indicate on which financial statement you would expect to find each of the following. If an item can be found on more than one statement, list each statement.

|  |  |
| --- | --- |
| **Example: Cash** | Balance Sheet and Statement of Cash Flows |
| **Notes payable** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Salaries expense** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Cost of goods sold** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Sales revenue** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Inventory** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Income tax expense** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Dividends declared** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Retained earnings** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Accounts payable** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Equipment** | \_\_\_\_\_\_\_\_\_\_\_blank |

**Question Details**AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Distinguish different financial statements  
Type : Static  
AACSB : Reflective Thinking  
Difficulty : 1 Easy  
Bloom's : Remember  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Gradable : manual

**4)** For each of the following items that appear on the balance sheet, identify each as an asset (A), liability (L), or element of stockholders' equity (SE). For any item that would not appear on the balance sheet, write the letter, N.

|  |  |
| --- | --- |
| **Retained earnings** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Accounts payable** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Selling expense** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Common stock** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Accounts receivable** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Income tax expense** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Dividends** | \_\_\_\_\_\_\_\_\_\_\_blank |
| **Property and equipment** | \_\_\_\_\_\_\_\_\_\_\_blank |

**Question Details**AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
AACSB : Reflective Thinking  
Difficulty : 1 Easy  
Bloom's : Remember  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Financial statements-Balance sheet  
Gradable : manual

**5)** Rose Corporation began operations on January 2, 2022. During 2022, Rose made cash and credit sales totaling $500,000 and collected $420,000 in cash from its customers. Rose purchased inventory costing $250,000, paid $15,000 for dividends and the cost of goods sold was $210,000. Also, the corporation incurred the following expenses during 2022:

|  |  |
| --- | --- |
| **Salary expense** | $ 80,000 |
| **Interest expense** | 5,000 |
| **Insurance expense** | 4,000 |
| **Supplies expense** | 6,000 |
| **Income tax expense** | 34,000 |

**Required:**1.Prepare an income statement showing revenues, expenses, income before income taxes, income tax expense, and net income for the year ended December 31, 2022.  
2.Based on the above information, what is the amount of accounts receivable on the balance sheet prepared as of December 31, 2022?  
3.Based on the above information, what is the amount of retained earnings on the balance sheet prepared as of December 31, 2022?

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Bloom's : Apply  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 3 Hard  
Gradable : manual

**6)** Cosmos Corporation was established on December 31, 2021, by a group of investors who invested a total of $1,000,000 for shares of the new corporation's common stock. During the month of January 2022, Cosmos provided services to customers for which the total revenue was $100,000. Of this amount, $10,000 had not been collected by the end of January. Cosmos recorded salary expense of $20,000, of which 90% had been paid by the end of the month; rent expense of $5,000, which had been paid on January 1; and other expenses of $12,000, which had been paid by check. On January 31, 2022, Cosmos purchased a van by paying cash of $30,000. There were no other transactions that affected cash.  
**Required:**1.In which section of the statement of cash flows would the amount of cash paid for rent be reported?  
2.In which section of the statement of cash flows would the amount of cash paid for the van purchase be reported?  
3.By how much did Cosmos's cash increase or decrease during January 2022?  
4.What was Cosmos's net income or net loss (after income tax expense) for the month of January 2022? The income tax expense was $18,900.  
5.Explain why the net increase or decrease in cash for a business generally will be different than the net income, or net loss, for the same period.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Bloom's : Apply  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 3 Hard  
AACSB : Communication  
Gradable : manual

**7)** Parker Pool Supply, Incorporated reported the following items for the year ended December 31, 2022:

|  |  |
| --- | --- |
| **Salaries and salary expense** | $ 685,100 |
| **Cost of goods sold** | 1,461,200 |
| **Rent expense** | 513,500 |
| **Sales revenue** | 3,333,200 |
| **Interest expense** | 39,000 |
| **Income tax expense** | 157,300 |
| **Accounts receivable** | 35,100 |

**Required:** Prepare an income statement for the year ended December 31, 2022.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Topic : Financial statements-Income statement  
Gradable : manual

**8)** National Shops, Incorporated reported the following amounts on its balance sheet as of December 31, 2022:

|  |  |
| --- | --- |
| **Inventory** | $ 325,000 |
| **Notes payable** | 100,000 |
| **Cash** | 150,000 |
| **Common stock** | 750,000 |
| **Net property, plant and equipment** | 600,000 |
| **Accounts receivable** | 30,000 |
| **Accounts payable** | 45,000 |
| **Retained earnings** | ? |

**Required:**1.What is the amount of National's total assets as of December 31, 2022?  
2.Identify the items listed above that are liabilities.  
3.What is the amount of National's retained earnings as of December 31, 2022?  
4.Prepare a balance sheet for National at December 31, 2022.  
5.National wishes to purchase merchandise from your company on account. The amount of the purchases would probably be about $10,000 per month, and the terms would require National to make payment in full within 30 days. Would you recommend that your company grant credit to National under these terms? Explain the reasoning for your response.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Bloom's : Apply  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Financial statements-Balance sheet  
Difficulty : 3 Hard  
AACSB : Communication  
AACSB : Analytical thinking  
AICPA : FN Decision Making  
Bloom's : Analyze  
Gradable : manual

**9)** During 2022, Winterset Company performed services for which customers paid or promised to pay a total of $587,000. Of this amount, $552,000 had been collected by year-end. Winterset paid $340,000 in cash for employee salaries and owed the employees $15,000 at the end of the year for work that had been done but had not paid for. Winterset paid interest expense of $3,000 and $195,000 for other service expenses. The income tax rate was 35%, and income taxes had not yet been paid at the end of the year. Winterset declared and paid dividends of $20,000. There were no other transactions that affected cash.  
**Required:**1.What was the amount of the increase or decrease in cash during the year?  
2.Prepare an income statement for Winterset for the year 2022.  
3.At the beginning of 2022, Winterset's retained earnings were $90,000. Prepare a statement of stockholders' equity with only a column for retained earnings.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Bloom's : Apply  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 3 Hard  
Gradable : manual

**10)** Alfred Company manufactures men's clothing. During the current year, the company reported the following items that affected cash. Indicate whether each of these items is a cash flow from operating activities (O), investing activities (I), or financing activities (F).

|  |  |
| --- | --- |
| **Purchased equipment by paying cash:** | \_\_\_blank |
| **Collected cash on account from customers:** | \_\_\_blank |
| **Paid dividends to stockholders:** | \_\_\_blank |
| **Paid cash for supplies:** | \_\_\_blank |
| **Paid suppliers for fabric:** | \_\_\_blank |
| **Borrowed money from bank on a note payable:** | \_\_\_blank |
| **Paid interest to bank on the note payable:** | \_\_\_blank |
| **Paid salaries to employees:** | \_\_\_blank |
| **Sold shares of common stock to new stockholders:** | \_\_\_blank |

**Question Details**AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Topic : Financial statements-Cash flows  
Gradable : manual

**11)** Fulton Company was established at the beginning of 2022 when several investors paid a total of $200,000 to purchase Fulton common stock. No additional investments in common stock were made during the year. By December 31, 2022, Fulton had cash on hand of $45,000, office equipment of $40,000, inventory of $156,000, and accounts payable of $10,000. Sales for the year were $812,000. Of this amount, customers still owed $20,000. Fulton declared and paid dividends of $25,000 to its stockholders during 2022.  
**Required:**1.Based on the information above, prepare a balance sheet for Fulton Company at December 31, 2022. In the process of preparing the balance sheet, you must calculate the ending balance in retained earnings.  
2.Prepare a statement of stockholders' equity for the year ended December 31, 2022.  
3.Was Fulton successful during its first year in operation? Explain your answer.  
4.What was the amount of Fulton's net income for 2022?

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Bloom's : Apply  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 3 Hard  
AACSB : Communication  
AACSB : Analytical thinking  
Bloom's : Analyze  
Gradable : manual

**12)** For Ocean Company, the following information is available for the year ended December 31, 2022:

|  |  |
| --- | --- |
| **Sales revenue** | $ 6,300,000 |
| **Cost of goods sold** | 3,975,000 |
| **Salaries expense** | 750,000 |
| **Rent expense** | 450,000 |
| **Administrative expense** | 375,000 |

Dividends declared $15,000  
The income tax expense is $225,000.  
**Required:** Prepare an income statement for Ocean Company.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Topic : Financial statements-Income statement  
Gradable : manual

**13)** Baseline Corporation was formed two years ago to manufacture fitness equipment. It has been profitable and is growing rapidly. It currently has 150 stockholders and 90 employees; most of the employees own at least a few shares of Baseline's common stock. The company has received financing from two banks. It will sell additional shares of common stock within the next three months and will also seek additional loans and hire new employees to support its continued growth.  
**Required:**1.Explain who relies on the information in financial statements prepared by Baseline Corporation.   
2.Why is compliance with generally accepted accounting principles and accuracy in accounting important for Baseline?

**Question Details**AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AACSB : Communication  
Bloom's : Understand  
AICPA : FN Risk Analysis  
Topic : Accounting communication process-Accuracy  
Topic : Accounting system-Information users  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Gradable : manual

**14)** A new accountant who prepared the financial statements for Saltech Company at the end of its first year of operations made several errors. For each of the following items, indicate whether the income statement and balance sheet are affected by the error, and also the amount by which the respective financial statement is affected. (For example, an error might cause revenues and net income on the income statement and retained earnings and accounts receivable and assets on the balance sheet to be overstated by x dollars). Ignore the effects of income taxes.  
a.The company had sales for cash of $3,000,000. It also had sales on account of $1,800,000 that had been collected by the end of the year, and sales on account of $200,000 that are expected to be collected early the following year. The accountant reported total sales revenue of $4,800,000.  
b.The company had total inventories of $600,000 at the end of the year. Of this amount, inventory reported at $30,000 was obsolete and will have to be scrapped. The balance sheet prepared by the accountant showed total inventories of $600,000.  
c.The company has a bank loan for which interest expense during the year of $10,000 will be paid early in January of the next year. The accountant recorded neither the interest expense nor the interest payable.  
d.An insurance policy was listed as an asset of $6,000 at the beginning of the year. The entire amount of the policy was for the current year and the policy has expired. The accountant took no action to recognize the expiration of the policy.  
For the above items, determine which financial statement is affected, the error amount, and whether the account is overstated or understated:

**Question Details**AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 3 Hard  
AACSB : Communication  
AACSB : Analytical thinking  
Bloom's : Analyze  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Gradable : manual

**15)** Larson Company ends its recent year of operations with $3,500,000 in retained earnings. During the year Larson's net income exceeded its dividend declarations by $200,000. Larson's dividend declarations were $25,000 greater than the dividend payments.  
**Required:**How much was Larson Company's beginning retained earnings?

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Bloom's : Apply  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 3 Hard  
Topic : Financial statements-Stockholders equity  
Gradable : manual

**16)** As of January 1, 2022, a corporation had assets of $340,000 and liabilities of $120,000. During 2022, assets increased $45,000 and liabilities increased $15,000.  
**Required:**Calculate stockholders' equity at December 31, 2022.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Financial statements-Balance sheet  
Bloom's : Understand  
Gradable : manual

**17)** Laker Company has provided the following information for its most recent year of operation:  
Cash collected from customers totaled $99,300.  
Cash borrowed from banks totaled $42,700.  
Cash paid to employees totaled $23,300.  
Cash paid for rent totaled $3,100.  
Cash received from selling an investment in Husky stock totaled $73,000.  
Cash payments to banks for repayment of money borrowed totaled $9,700.  
Cash paid for operating expenses totaled $11,200.  
Land costing $75,000 was sold for $75,000 cash.  
Cash paid for dividend payments to stockholders totaled $7,700.  
Calculate Laker's net cash flow from financing activities.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Topic : Financial statements-Cash flows  
Gradable : manual

**18)** Laker Company has provided the following information for its most recent year of operation:  
Cash collected from customers totaled $99,300.  
Cash borrowed from banks totaled $42,700.  
Cash paid to employees totaled $23,300.  
Cash paid for rent totaled $3,100.  
Cash received from selling an investment in Husky stock totaled $73,000.  
Cash payments to banks for repayment of money borrowed totaled $9,700.  
Cash paid for operating expenses totaled $11,200.  
Land costing $75,000 was sold for $75,000 cash.  
Cash paid for dividend payments to stockholders totaled $7,700.  
Calculate Laker's net cash flow from investing activities.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Topic : Financial statements-Cash flows  
Gradable : manual

**19)** Laker Company has provided the following information for its most recent year of operation:  
Cash collected from customers totaled $99,300.  
Cash borrowed from banks totaled $42,700.  
Cash paid to employees totaled $23,300.  
Cash paid for rent totaled $3,100.  
Cash received from selling an investment in Husky stock totaled $73,000.  
Cash payments to banks for repayment of money borrowed totaled $9,700.  
Cash paid for operating expenses totaled $11,200.  
Land costing $75,000 was sold for $75,000 cash.  
Cash paid for dividend payments to stockholders totaled $7,700.  
Calculate Laker's net cash flow from operating activities.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Topic : Financial statements-Cash flows  
Gradable : manual

**20)** During the current year, Rock Company's cash balance increased from $57,000 to $94,300. Rock's net cash flow from operating activities was $26,900 and its net cash flow from financing activities was $13,700.  
**Required:**Calculate Rock's net cash flow from investing activities.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Topic : Financial statements-Cash flows  
Gradable : manual

**21)** Sierra Company has provided the following data:  
2022 revenues were $140,000.  
2022 expenses were $70,240.  
Dividends declared and paid by Moss during 2022 totaled $25,120.  
Total assets on December 31, 2022 were $363,200.  
Total stockholders' equity on December 31, 2022 was $212,800.  
Common stock on December 31, 2022 was $148,800.  
**Required:**Calculate the beginning retained earnings balance.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Difficulty : 2 Medium  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Gradable : manual

**22)** Describe the roles of the Securities and Exchange Commission and The Financial Accounting Standards Board with respect to the development of Generally Accepted Accounting Principles.

**Question Details**AICPA : FN Measurement  
Type : Static  
Difficulty : 1 Easy  
Bloom's : Remember  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AACSB : Communication  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
AICPA : BB Legal  
Topic : Accounting communication process—GAAP  
Gradable : manual

**23)** Describe the elements of the balance sheet equation.

**Question Details**AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Difficulty : 1 Easy  
Bloom's : Remember  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Financial statements-Balance sheet  
AACSB : Communication  
Gradable : manual

**24)** Describe the role of a company's management and the external auditors in the accounting communication process.

**Question Details**AICPA : BB Critical Thinking  
Type : Static  
Difficulty : 1 Easy  
Bloom's : Remember  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AACSB : Communication  
AICPA : FN Risk Analysis  
Topic : Accounting communication process-Accuracy  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Gradable : manual

**25)** What is the objective of the cash flow statement? Describe the three cash flow classifications that are reported within the cash flow statement.

**Question Details**AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Type : Static  
Difficulty : 1 Easy  
Bloom's : Remember  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AACSB : Communication  
Topic : Financial statements-Cash flows  
Gradable : manual

**26)** How is net income in the income statement different from the cash flow from operating activities in the cash flow statement?

**Question Details**AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Distinguish different financial statements  
Type : Static  
Difficulty : 1 Easy  
Bloom's : Remember  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AACSB : Communication  
Gradable : manual

**27)** Which of the following describes the primary objective of the balance sheet?

27) \_\_\_\_\_\_

A) To measure the net income of a business up to a particular point in time.   
 B) To report the difference between cash inflows and cash outflows for the period.  
 C) To report the financial position of the reporting entity at a particular point in time.  
 D) To report changes in common stock and retained earnings for the period.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**28)** During the current fiscal year, a company had revenues of $500,000, cost of goods sold of $360,000, and an income tax rate of 35 percent on income before income taxes. What was the company's current year net income?

28) \_\_\_\_\_\_

A) $175,000   
 B) $49,000  
 C) $91,000  
 D) $500,000

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**29)** During the current fiscal year, a company had revenues of $400,000, cost of goods sold of $280,000, and an income tax rate of 30 percent on income before income taxes. What was the company's current year net income?

29) \_\_\_\_\_\_

A) $120,000   
 B) $36,000  
 C) $84,000  
 D) $400,000

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Type : Static  
Accessibility : Screen Reader Compatible

**30)** Beacon, Incorporated reported the following amounts at the end of the first year of operations:

|  |  |
| --- | --- |
| **Common stock** | $ 306,000 |
| **Sales revenue** | $ 1,224,000 |
| **Total assets** | $ 918,000 |
| **Dividends declared** | $ 63,000 |
| **Total liabilities** | $ 495,000 |

What are the retained earnings of Beacon at the end of the year, and what amount of expenses were incurred during the year?

30) \_\_\_\_\_\_

A) Retained earnings are $117,000 and expenses incurred totaled $1,044,000.   
 B) Retained earnings are $117,000 and expenses incurred totaled $1,107,000.  
 C) Retained earnings are $423,000 and expenses incurred totaled $801,000.  
 D) Retained earnings are $423,000 and expenses incurred totaled $729,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Topic : Distinguish different financial statements  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**31)** Beacon, Incorporated reported the following amounts at the end of the first year of operations:

|  |  |
| --- | --- |
| **Common stock** | $ 300,000 |
| **Sales revenue** | $ 1,200,000 |
| **Total assets** | $ 900,000 |
| **Dividends declared** | $ 60,000 |
| **Total liabilities** | $ 480,000 |

What are the retained earnings of Beacon at the end of the year, and what amount of expenses were incurred during the year?

31) \_\_\_\_\_\_

A) Retained earnings are $120,000 and expenses incurred totaled $1,020,000.   
 B) Retained earnings are $120,000 and expenses incurred totaled $1,080,000.  
 C) Retained earnings are $420,000 and expenses incurred totaled $720,000.  
 D) Retained earnings are $420,000 and expenses incurred totaled $780,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**32)** Which of the following best describes the balance sheet?

32) \_\_\_\_\_\_

A) It includes the amount of revenues minus expenses for the period.   
 B) It includes three primary categories of cash flows.  
 C) It provides information pertaining to a company's economic resources and the sources of financing for those resources.  
 D) It provides information pertaining to a company's liabilities for a period of time.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**33)** Which of the following statements is correct?

33) \_\_\_\_\_\_

A) Assets on the balance sheet include retained earnings.   
 B) Retained earnings includes common stock.  
 C) The balance sheet equation states that assets equal liabilities.  
 D) A corporation's net income does not necessarily equal its net cash flow from operations.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**34)** Which of the following correctly describes the various financial statements?

34) \_\_\_\_\_\_

A) An income statement covers a period of time.   
 B) The cash flow statement is a financial statement at a specific point in time.  
 C) The balance sheet is a financial statement that covers a period of time.  
 D) The statement of stockholders' equity is a financial statement at a specific point in time.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**35)** Which of the following accounts would **not** be reported on the balance sheet?

35) \_\_\_\_\_\_

A) Retained earnings   
 B) Inventory  
 C) Accounts payable  
 D) Dividends

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**36)** Which of the following would **not** be found on the statement of cash flows?

36) \_\_\_\_\_\_

A) Cost flow from manufacturing activities.   
 B) Cash flow from operating activities.  
 C) Cash flow from investing activities.  
 D) Cash flow from financing activities.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Cash flows  
Type : Static  
Accessibility : Screen Reader Compatible

**37)** Which of the following accounts is **not** a liability on the balance sheet?

37) \_\_\_\_\_\_

A) Retained earnings   
 B) Notes payable  
 C) Accounts payable  
 D) Interest payable

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**38)** What financial statement would you look at to determine the dividends declared by a business?

38) \_\_\_\_\_\_

A) Income statement   
 B) Statement of stockholders' equity  
 C) Statement of cash flows  
 D) Balance sheet

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**39)** Which financial statement would you utilize to determine whether a company will be able to pay liabilities which are due in 30 days?

39) \_\_\_\_\_\_

A) Income statement   
 B) Balance sheet  
 C) Statement of stockholders' equity  
 D) Statement of cash flows

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**40)** Which of the following is an expense on the income statement?

40) \_\_\_\_\_\_

A) Accounts payable   
 B) Notes payable  
 C) Salaries payable  
 D) Cost of goods sold

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Type : Static  
Accessibility : Screen Reader Compatible

**41)** Which of the following best describes assets?

41) \_\_\_\_\_\_

A) They are equal to liabilities minus stockholders' equity.   
 B) They are the economic resources of the business.  
 C) They are all reported on the cash flow statement because they can be converted into cash.  
 D) They equal financing provided by creditors.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**42)** Which of the following accounts would be reported as assets on the balance sheet?

42) \_\_\_\_\_\_

A) Cash, accounts payable, and notes payable.   
 B) Cash, retained earnings, and accounts receivable.  
 C) Cash, accounts receivable, and inventories.  
 D) Inventories, property and equipment, and common stock.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**43)** Which of the following statements describes the balance sheet?

43) \_\_\_\_\_\_

A) It reports a company's revenues and expenses.   
 B) Assets are generally reported on the balance sheet at the cost incurred to acquire them.  
 C) Stockholders' equity includes only retained earnings.  
 D) It reports a company's cash flow from operations.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**44)** Which of the following best describes liabilities and stockholders' equity?

44) \_\_\_\_\_\_

A) They are the sources of financing an entity's assets.   
 B) They are the economic resources owned by a business entity.  
 C) They are reported on the income statement.  
 D) They both increase when assets increase.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Difficulty : 2 Medium  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**45)** Which of the following equations is the balance sheet equation?

45) \_\_\_\_\_\_

A) Assets + Liabilities = Stockholders' Equity   
 B) Assets + Stockholder's Equity = Liabilities  
 C) Assets = Liabilities + Stockholders' Equity  
 D) Assets = Liabilities + Common Stock

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**46)** Duck Corporation's retained earnings increased $43,000 during the current year. What was Duck's current year net income or loss given that Duck declared $53,000 of dividends during this year?

46) \_\_\_\_\_\_

A) Net income was $10,000.   
 B) Net income was $96,000.  
 C) Net loss was $96,000.  
 D) Net loss was $10,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**47)** Duck Corporation's retained earnings increased $40,000 during the current year. What was Duck's current year net income or loss given that Duck declared $50,000 of dividends during this year?

47) \_\_\_\_\_\_

A) Net income was $10,000.   
 B) Net income was $90,000.  
 C) Net loss was $90,000.  
 D) Net loss was $10,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**48)** Which of the following are the components of stockholders' equity on the balance sheet?

48) \_\_\_\_\_\_

A) Common stock and liabilities   
 B) Common stock and assets  
 C) Retained earnings and dividends  
 D) Common stock and retained earnings

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**49)** The statement of stockholders' equity:

49) \_\_\_\_\_\_

A) reports the amount of the three primary cash flows of a business.   
 B) measures the company’s performance and the amount of profit generated.  
 C) reports issuances and repurchases of common stock during the period.  
 D) reports the changes in financing provided from creditors and stockholders.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**50)** Which financial statement would you use to determine a company's earnings performance during an accounting period?

50) \_\_\_\_\_\_

A) Balance sheet   
 B) Statement of stockholders' equity  
 C) Income statement  
 D) Statement of cash flows

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Understand  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**51)** Which of the following equations best describes the income statement?

51) \_\_\_\_\_\_

A) Assets − Liabilities = Stockholders' Equity   
 B) Net income = Revenues + Expenses  
 C) Net income = Revenues − Expenses  
 D) Retained earnings = Net Income + Dividends

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Type : Static  
Accessibility : Screen Reader Compatible

**52)** Sugar Industries has provided the following data for its 2022 operations (ignore income taxes):  
2022 revenues were $150,600.  
2022 expenses were $75,900.  
Dividends declared and paid during 2022 totaled $15,300.  
Total assets at December 31, 2022 were $286,500.  
Total liabilities at December 31, 2022 were $175,500.  
Common stock at December 31, 2022 was $63,000.  
Which of the following is correct?

52) \_\_\_\_\_\_

A) 2022 net income was $59,400.   
 B) Total stockholders' equity at December 31, 2022 was $351,900.  
 C) Retained earnings at December 31, 2022 were $48,000.  
 D) Retained earnings at December 31, 2022 were $59,400.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Topic : Distinguish different financial statements  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**53)** Sugar Industries has provided the following data for its 2022 operations (ignore income taxes):  
2022 revenues were $148,500.  
2022 expenses were $71,700.  
Dividends declared and paid during 2022 totaled $14,250.  
Total assets at December 31, 2022 were $265,500.  
Total liabilities at December 31, 2022 were $133,500.  
Common stock at December 31, 2022 was $42,000.  
Which of the following is correct?

53) \_\_\_\_\_\_

A) 2022 net income was $62,550.   
 B) Total stockholders' equity at December 31, 2022 was $354,000.  
 C) Retained earnings at December 31, 2022 were $90,000.  
 D) Retained earnings at December 31, 2022 were $62,550.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**54)** Lorenta Company has provided the following data (ignore income taxes):  
2022 revenues were $116,500.  
2022 expenses were $48,200.  
Dividends declared and paid during 2022 totaled $7,300.  
Total assets at December 31, 2022 were $181,000.  
Total liabilities at December 31, 2022 were $97,000.  
Common stock at December 31, 2022 was $23,000.  
Which of the following is **not** correct?

54) \_\_\_\_\_\_

A) 2022 net income was $68,300.   
 B) Total stockholders' equity at December 31, 2022 was $84,000.  
 C) Total liabilities and stockholders' equity at December 31, 2022 was $181,000.  
 D) Retained earnings on December 31, 2022 were $181,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Topic : Distinguish different financial statements  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**55)** Lorenta Company has provided the following data (ignore income taxes):  
2022 revenues were $117,300.  
2022 expenses were $47,800.  
Dividends declared and paid during 2022 totaled $9,500.  
Total assets at December 31, 2022 were $177,000.  
Total liabilities at December 31, 2022 were $89,000.  
Common stock at December 31, 2022 was $28,000.  
Which of the following is **not** correct?

55) \_\_\_\_\_\_

A) 2022 net income was $69,500.   
 B) Total stockholders' equity at December 31, 2022 was $88,000.  
 C) Total liabilities and stockholders' equity at December 31, 2022 was $177,000.  
 D) Retained earnings on December 31, 2022 were $41,700.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**56)** Madrid Company has provided the following data (ignore income taxes):  
2022 revenues were $81,500.  
2022 net income was $34,600.  
Dividends declared and paid during 2022 totaled $6,400.  
Total assets at December 31, 2022 were $224,000.  
Total stockholders' equity at December 31, 2022 was $132,000.  
Retained earnings at December 31, 2022 were $86,000.  
Which of the following is **not** correct?

56) \_\_\_\_\_\_

A) 2022 expenses were $46,900.   
 B) Total liabilities at December 31, 2022 were $92,000.  
 C) Retained earnings increased $34,600 during 2022.  
 D) Common stock at December 31, 2022 was $46,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Topic : Distinguish different financial statements  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**57)** Madrid Company has provided the following data (ignore income taxes):  
2022 revenues were $77,500.  
2022 net income was $33,900.  
Dividends declared and paid during 2022 totaled $5,700.  
Total assets at December 31, 2022 were $217,000.  
Total stockholders' equity at December 31, 2022 was $123,000.  
Retained earnings at December 31, 2022 were $83,000.  
Which of the following is **not** correct?

57) \_\_\_\_\_\_

A) 2022 expenses were $43,600.   
 B) Total liabilities at December 31, 2022 were $94,000.  
 C) Retained earnings increased $33,900 during 2022.  
 D) Common stock at December 31, 2022 was $40,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**58)** Madrid Company has provided the following data (ignore income taxes):  
2022 revenues were $85,500.  
2022 net income was $35,000.  
Dividends declared and paid during 2022 totaled $6,800.  
Total assets at December 31, 2022 were $228,000.  
Total stockholders' equity at December 31, 2022 was $140,000.  
Retained earnings at December 31, 2022 were $70,000.  
Which of the following is correct?

58) \_\_\_\_\_\_

A) 2022 expenses were $43,700.   
 B) Total liabilities at December 31, 2022 were $18,000.  
 C) Retained earnings increased $28,200 during 2022.  
 D) Common stock at December 31, 2022 was $210,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Topic : Distinguish different financial statements  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**59)** Madrid Company has provided the following data (ignore income taxes):  
2022 revenues were $77,500.  
2022 net income was $33,900.  
Dividends declared and paid during 2022 totaled $5,700.  
Total assets at December 31, 2022 were $217,000.  
Total stockholders' equity at December 31, 2022 was $123,000.  
Retained earnings at December 31, 2022 were $83,000.  
Which of the following is correct?

59) \_\_\_\_\_\_

A) 2022 expenses were $37,900.   
 B) Total liabilities at December 31, 2022 were $11,000.  
 C) Retained earnings increased $28,200 during 2022.  
 D) Common stock at December 31, 2022 was $206,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**60)** Which of the following is the amount of revenue reported on the income statement of a retail company?

60) \_\_\_\_\_\_

A) The cash collected from customers during the current period.   
 B) Both cash and credit sales for the period.  
 C) Cash sales for the period and collections from customers.  
 D) Cash sales and stockholders' investments.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Industry  
Type : Static  
Accessibility : Screen Reader Compatible

**61)** On January 1, 2022, Teton Corporation had retained earnings of $11,480,000. During 2022, Teton reported net income of $2,170,000, declared dividends of $770,000, and issued common stock for $1,540,000. What were Teton's retained earnings on December 31, 2022?

61) \_\_\_\_\_\_

A) $13,650,000   
 B) $12,880,000  
 C) $9,940,000  
 D) $10,710,000

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**62)** On January 1, 2022, Teton Corporation had retained earnings of $11,200,000. During 2022, Teton reported net income of $2,100,000, declared dividends of $700,000, and issued common stock for $1,400,000. What were Teton's retained earnings on December 31, 2022?

62) \_\_\_\_\_\_

A) $9,800,000   
 B) $13,300,000  
 C) $12,600,000  
 D) $7,500,000

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**63)** What are the categories of cash flows that appear on a statement of cash flows?

63) \_\_\_\_\_\_

A) Cash flows from investing, financing, and service activities.   
 B) Cash flows from operating, production, and internal activities.  
 C) Cash flows from financing, production, and growth activities.  
 D) Cash flows from operating, investing, and financing activities.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Cash flows  
Type : Static  
Accessibility : Screen Reader Compatible

**64)** When would a company report a net loss on the income statement?

64) \_\_\_\_\_\_

A) When revenues are less than the sum of expenses plus dividends during an accounting period.   
 B) If assets decreased during an accounting period.  
 C) If liabilities increased during an accounting period.  
 D) When expenses exceeded revenues for an accounting period.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Type : Static  
Accessibility : Screen Reader Compatible

**65)** Which of the following describes the amount of insurance expense reported on the income statement?

65) \_\_\_\_\_\_

A) The amount of cash paid for insurance in the current period.   
 B) The amount of cash paid for insurance in the current period less any unpaid insurance at the end of the period.  
 C) The amount of insurance used (incurred) in the current period to help generate revenue.  
 D) The amount of cash paid for insurance that is reported within the statement of cash flows.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**66)** Which of the following would immediately cause a change in a corporation's retained earnings?

66) \_\_\_\_\_\_

A) Net income or net loss and declaration of dividends.   
 B) Declaration of dividends and issuance of common stock to new stockholders.  
 C) Net income and issuance of stock to new stockholders.  
 D) Declaration of dividends and purchase of new machinery.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**67)** Which of the following describes the operating activities section of a cash flow statement?

67) \_\_\_\_\_\_

A) It provides information about how operations have been financed.   
 B) It provides information pertaining to dividend payments to stockholders.  
 C) It provides information with respect to a company's ability to generate cash flows that are directly related to earning income.  
 D) It provides the net increase or decrease in cash during the period.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Cash flows  
Type : Static  
Accessibility : Screen Reader Compatible

**68)** Which of the following statements is correct?

68) \_\_\_\_\_\_

A) Dollar signs (or other monetary unit signs) are included beside each item listed on a financial statement.   
 B) Assets are listing on the income statement by ease of conversion to cash.  
 C) Liabilities are listed on the balance sheet by their maturity date.  
 D) A double underline is used below the last item in a group before a total or subtotal.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Notes  
Type : Static  
Accessibility : Screen Reader Compatible

**69)** At the beginning of 2022, Ironwood Company had assets of $248,000 and liabilities of $160,000. During 2022, assets increased $28,000 and liabilities increased $7,200. What was stockholders' equity at December 31, 2022?

69) \_\_\_\_\_\_

A) $139,200   
 B) $108,800  
 C) $167,200  
 D) $52,800

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Bloom's : Understand  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**70)** At the beginning of 2022, Ironwood Company had assets of $216,000 and liabilities of $128,000. During 2022, assets increased $20,000 and liabilities increased $4,000. What was stockholders' equity at December 31, 2022?

70) \_\_\_\_\_\_

A) $112,000   
 B) $104,000  
 C) $152,000  
 D) $64,000

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**71)** During 2022, Grover Company's assets increased $194,600 and the liabilities decreased $36,400. Grover Company’s stockholders’ equity at December 31, 2022 was $432,000. What amount was stockholders’ equity at January 1, 2022?

71) \_\_\_\_\_\_

A) $201,000   
 B) $663,000  
 C) $273,800  
 D) $590,200

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**72)** During 2022, Grover Company's assets increased $191,000 and the liabilities decreased $34,600. Grover Company's stockholders' equity at December 31, 2022 was $423,000. What amount was stockholders' equity at January 1, 2022?

72) \_\_\_\_\_\_

A) $197,400   
 B) $648,600  
 C) $266,600  
 D) $579,400

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Type : Static  
Accessibility : Screen Reader Compatible

**73)** Sources of financing for the company’s economic resources include:

73) \_\_\_\_\_\_

A) Assets and liabilities.   
 B) Common stock and retained earnings.  
 C) Liabilities and stockholders’ equity.  
 D) Cash inflows and cash outflows.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Difficulty : 2 Medium  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**74)** In what order would the items on the balance sheet appear?

74) \_\_\_\_\_\_

A) Assets, retained earnings, liabilities, and common stock.   
 B) Common stock, retained earnings, liabilities, and assets.  
 C) Assets, liabilities, common stock, and retained earnings.  
 D) Common stock, assets, liabilities, and retained earnings.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**75)** Which of the following would most likely increase retained earnings?

75) \_\_\_\_\_\_

A) An increase in expenses.   
 B) An increase in revenues.  
 C) Declaring a cash dividend.  
 D) Issuing additional common stock.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Stockholders equity  
Type : Static  
Accessibility : Screen Reader Compatible

**76)** Francis Corporation’s retained earnings increased $190,000 last year and its assets increased $489,000. Francis declared a $42,000 cash dividend during the year. What was last year's net income?

76) \_\_\_\_\_\_

A) $148,000   
 B) $190,000  
 C) $232,000  
 D) $257,000

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**77)** Francis Corporation’s retained earnings increased $187,500 last year and its assets increased $486,500. Francis declared a $39,500 cash dividend during the year. What was last year's net income?

77) \_\_\_\_\_\_

A) $148,000   
 B) $187,500  
 C) $227,000  
 D) $259,500

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**78)** Which of the following items is **not** reported as an expense on the income statement?

78) \_\_\_\_\_\_

A) Interest expense   
 B) Dividends paid  
 C) Selling, general, and administrative expenses  
 D) Cost of goods sold

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Difficulty : 2 Medium  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**79)** Which of the following has primary responsibility to develop Generally Accepted Accounting Principles?

79) \_\_\_\_\_\_

A) Financial Accounting Standards Board   
 B) Company Executives  
 C) Securities and Exchange Commission  
 D) Public Company Accounting Oversight Board

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
AICPA : BB Legal  
Type : Static  
Accessibility : Screen Reader Compatible  
Topic : Accounting communication process—GAAP

**80)** Which of the following has the legal authority to determine financial reporting in the United States?

80) \_\_\_\_\_\_

A) Financial Accounting Standards Board   
 B) American Accounting Association  
 C) Securities and Exchange Commission  
 D) Public Company Accounting Oversight Board

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
AICPA : BB Legal  
Type : Static  
Accessibility : Screen Reader Compatible

**81)** Which of the following is **not** reported as a liability on a balance sheet?

81) \_\_\_\_\_\_

A) Income taxes payable   
 B) Common stock  
 C) Accounts payable  
 D) Dividends payable

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**82)** Which of the following transactions increases both cash and net income?

82) \_\_\_\_\_\_

A) Cash receipts from a bank loan.   
 B) Cash receipts from sale of common stock.  
 C) Cash receipts from customers for services provided.  
 D) Cash payments for cost of goods sold.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Topic : Financial statements—Relationships  
AACSB : Analytical Thinking  
Type : Static  
Accessibility : Screen Reader Compatible

**83)** Which of the following is **not** an alternate title for the financial statement that reports revenues and expenses?

83) \_\_\_\_\_\_

A) Income Statement   
 B) Statement of Net Income  
 C) Statement of Operations  
 D) Statement of Income

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Difficulty : 2 Medium  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**84)** A calendar year reporting company preparing its annual financial statements should use the phrase "At December 31, 2022" in the heading of which financial statements?

84) \_\_\_\_\_\_

A) On all of the required financial statements.   
 B) On the income statement only.  
 C) On the income statement and balance sheet, but not the statement of cash flows.  
 D) On the balance sheet only.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**85)** Which of the following properly describes the impact on the financial statements when a company borrows $36,000 from a local bank?

85) \_\_\_\_\_\_

A) Net income increases $36,000.   
 B) Assets decrease $36,000.  
 C) Stockholders' equity increases $36,000.  
 D) Liabilities increase $36,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Distinguish different financial statements  
AACSB : Analytical Thinking  
Bloom's : Analyze  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**86)** Which of the following properly describes the impact on the financial statements when a company borrows $20,000 from a local bank?

86) \_\_\_\_\_\_

A) Net income increases $20,000.   
 B) Assets decrease $20,000.  
 C) Stockholders' equity increases $20,000.  
 D) Liabilities increase $20,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Distinguish different financial statements  
AACSB : Analytical Thinking  
Bloom's : Analyze  
Type : Static  
Accessibility : Screen Reader Compatible

**87)** Which of the following would **not** be reported in the operating activities section of a cash flow statement?

87) \_\_\_\_\_\_

A) Cash paid for dividends to stockholders.   
 B) Cash paid for interest expense.  
 C) Cash paid for employee salaries.  
 D) Cash received from customers.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Financial statements—Cash flows  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**88)** Which of the following would be reported in the financing activities section of a cash flow statement?

88) \_\_\_\_\_\_

A) Cash paid for dividends to stockholders.   
 B) Cash paid for interest expense.  
 C) Cash paid to acquire equipment.  
 D) Cash received from sale of investments.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Financial statements—Cash flows  
Type : Static  
Accessibility : Screen Reader Compatible

**89)** Which of the following would be reported in the investing activities section of a cash flow statement?

89) \_\_\_\_\_\_

A) Cash received from customers.   
 B) Cash received from the issue of common stock.  
 C) Cash paid to repay a bank loan.  
 D) Cash paid to acquire common stock of another company.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Financial statements—Cash flows  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**90)** Which of the following statements is correct?

90) \_\_\_\_\_\_

A) The payment of a cash dividend reduces net income.   
 B) Cash received from issuing common stock to stockholders is reported as a financing activity cash flow within the statement of cash flows.  
 C) Providing services to a customer on account does not impact net income.  
 D) The purchase of manufacturing equipment is reported within the statement of cash flows as a financing activity.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**91)** Husky Company has provided the following information for its most recent year of operation:  
Cash collected from customers totaled $90,500.  
Cash borrowed from banks totaled $34,100.  
Cash paid to employees for salaries totaled $33,300.  
Cash received from selling Husky common stock to stockholders totaled $53,000.  
Cash payments to banks for repayment of money borrowed totaled $8,700.  
Cash paid to suppliers totaled $13,700.  
Land costing $31,000 was sold for $31,000 cash.  
Cash paid for dividends to stockholders totaled $4,500.  
How much was Husky's cash flow from operating activities?

91) \_\_\_\_\_\_

A) $48,100   
 B) $43,500  
 C) $38,300  
 D) $34,100

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Difficulty : 3 Hard  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**92)** Husky Company has provided the following information for its most recent year of operation:  
Cash collected from customers totaled $89,300.  
Cash borrowed from banks totaled $31,700.  
Cash paid to employees for salaries totaled $32,100.  
Cash received from selling Husky common stock to stockholders totaled $41,000.  
Cash payments to banks for repayment of money borrowed totaled $7,500.  
Cash paid to suppliers totaled $12,500.  
Land costing $25,000 was sold for $25,000 cash.  
Cash paid for dividends to stockholders totaled $3,300.  
How much was Husky's cash flow from operating activities?

92) \_\_\_\_\_\_

A) $47,600   
 B) $44,700  
 C) $41,400  
 D) $37,200

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Difficulty : 3 Hard  
Type : Static  
Accessibility : Screen Reader Compatible

**93)** Husky Company has provided the following information for its most recent year of operation:  
Cash collected from customers totaled $89,500.  
Cash borrowed from banks totaled $32,100.  
Cash paid to employees for salaries totaled $32,300.  
Cash received from selling Husky common stock to stockholders totaled $43,000.  
Cash payments to banks for repayment of money borrowed totaled $7,700.  
Cash paid to suppliers totaled $12,700.  
Land costing $21,000 was sold for $21,000 cash.  
Cash paid for dividends to stockholders totaled $3,500.  
How much was Husky's cash flow from financing activities?

93) \_\_\_\_\_\_

A) $75,100   
 B) $60,600  
 C) $67,400  
 D) $63,900

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Difficulty : 3 Hard  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**94)** Husky Company has provided the following information for its most recent year of operation:  
Cash collected from customers totaled $89,300.  
Cash borrowed from banks totaled $31,700.  
Cash paid to employees for salaries totaled $32,100.  
Cash received from selling Husky common stock to stockholders totaled $41,000.  
Cash payments to banks for repayment of money borrowed totaled $7,500.  
Cash paid to suppliers totaled $12,500.  
Land costing $25,000 was sold for $25,000 cash.  
Cash paid for dividends to stockholders totaled $3,300.  
How much was Husky's cash flow from financing activities?

94) \_\_\_\_\_\_

A) $72,700   
 B) $59,000  
 C) $65,200  
 D) $61,900

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Difficulty : 3 Hard  
Type : Static  
Accessibility : Screen Reader Compatible

**95)** Anchor Corporation has provided the following information for its most recent year of operation:  
Revenues earned were $60,900, of which $6,300 were uncollected at the end of the year.  
Operating expenses incurred were $24,300, of which $5,100 were unpaid at the end of the year.  
Dividends declared were $7,500, of which $2,700 were unpaid at the end of the year.  
Income tax expense is $10,980.  
What is the amount of net income reported on Anchor's income statement?

95) \_\_\_\_\_\_

A) $20,370   
 B) $24,840  
 C) $21,420  
 D) $25,620

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Bloom's : Understand  
AICPA : FN Reporting  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**96)** Anchor Corporation has provided the following information for its most recent year of operation:  
Revenues earned were $58,200, of which $5,400 were uncollected at the end of the year.  
Operating expenses incurred were $23,400, of which $4,200 were unpaid at the end of the year.  
Dividends declared were $6,600, of which $1,800 were unpaid at the end of the year.  
Income tax expense is $10,440.  
What is the amount of net income reported on Anchor's income statement?

96) \_\_\_\_\_\_

A) $19,740   
 B) $23,580  
 C) $20,160  
 D) $24,360

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**97)** Which of the following statements is correct?

97) \_\_\_\_\_\_

A) Revenues are reported on the income statement regardless of whether the customer has paid for the goods or services.   
 B) Expenses are reported on the income statement during the period they are paid for.  
 C) Net income includes a deduction for dividend payments made to stockholders.  
 D) Net income normally equals the net cash generated by operations.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Difficulty : 2 Medium  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**98)** During the current year, Rock Company’s cash balance increased from $76,000 to $92,000. Rock’s net cash flow from operating activities was $38,000 and its net cash flow from financing activities was $12,500. How much was Rock’s net cash flow from investing activities?

98) \_\_\_\_\_\_

A) A net cash flow of $41,500.   
 B) A net cash flow of ($34,500).  
 C) A net cash flow of $66,500.  
 D) A net cash flow of ($66,500).

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Apply  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
AICPA : FN Reporting  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**99)** During the current year, Rock Company's cash balance increased from $79,000 to $91,300. Rock's net cash flow from operating activities was $37,300 and its net cash flow from financing activities was $11,100. How much was Rock's net cash flow from investing activities?

99) \_\_\_\_\_\_

A) A net cash flow of $42,900.   
 B) A net cash flow of ($36,100).  
 C) A net cash flow of $60,700.  
 D) A net cash flow of ($60,700).

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**100)** Which of the following statements is **false**?

100) \_\_\_\_\_\_

A) A positive net income results in an increase in retained earnings.   
 B) The ending retained earnings balance from the retained earnings portion of the statement of stockholders' equity is reported on the balance sheet.  
 C) The change in the cash balance on the statement of cash flows added to the beginning cash balance equals the ending cash balance.  
 D) The dividends reported on the statement of stockholders' equity are also reported as dividend expense on the income statement.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Topic : Financial statements—Relationships  
Type : Static  
Accessibility : Screen Reader Compatible

**101)** Which of the following is **not** a consequence to a company resulting from the issuance of their financial statements?

101) \_\_\_\_\_\_

A) The effect on the selling price of their stock.   
 B) The providing of information to their competitors.  
 C) The effect of bonus payments to its employees.  
 D) The providing of information to their auditors.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
AICPA : FN Risk Analysis  
Type : Static  
Accessibility : Screen Reader Compatible  
Topic : Accounting communication process—GAAP

**102)** Which of the following statements pertaining to the audit function is **incorrect**?

102) \_\_\_\_\_\_

A) The primary responsibility for the information in the financial statements lies with the auditors.   
 B) The audit report describes the auditor's opinion of the fairness of the financial statements.  
 C) An audit ensures that the financial statements conform to generally accepted accounting principles.  
 D) The auditor is a person who is independent of the reporting company.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : FN Reporting  
Learning Objective : 01-Supplement B Employment in the Accounting Profession Today  
Topic : Employment in accounting—Supp B  
Type : Static  
Accessibility : Screen Reader Compatible

**103)** The International Accounting Standards Board has worked to develop global accounting standards known as:

103) \_\_\_\_\_\_

A) generally accepted accounting principles.   
 B) globally accepted financial standards.  
 C) international financial reporting standards.  
 D) generally accepted international financial standards.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—IFRS  
AACSB : Diversity  
AICPA : BB Global  
Type : Static  
Accessibility : Screen Reader Compatible

**104)** An examination of the financial statements of a business to ensure that they conform to generally accepted accounting principles is called:

104) \_\_\_\_\_\_

A) a certification.   
 B) an audit.  
 C) a verification.  
 D) a validation.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : FN Reporting  
Learning Objective : 01-Supplement B Employment in the Accounting Profession Today  
Topic : Employment in accounting—Supp B  
Type : Static  
Accessibility : Screen Reader Compatible

**105)** Which of the following best describes the purpose of an audit?

105) \_\_\_\_\_\_

A) To prove the accuracy of an entity's financial statements.   
 B) To lend credibility to an entity's financial statements.  
 C) To audit every transaction that an entity entered into.  
 D) To establish that a corporation's stock is a sound investment.

**Question Details**AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : FN Reporting  
Learning Objective : 01-Supplement B Employment in the Accounting Profession Today  
Topic : Employment in accounting—Supp B  
Type : Static  
Accessibility : Screen Reader Compatible

**106)** Why does a company hire independent auditors?

106) \_\_\_\_\_\_

A) To guarantee the accuracy of both annual and quarterly financial statements.   
 B) To verify the accounting accuracy of every transaction entered into.  
 C) To report on the fairness of financial statement presentation.  
 D) The auditors are responsible for the content of the financial statements.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : FN Reporting  
Learning Objective : 01-Supplement B Employment in the Accounting Profession Today  
Topic : Employment in accounting—Supp B  
Type : Static  
Accessibility : Screen Reader Compatible

**107)** Why is the CPA's role in performing audits important to our economic system?

107) \_\_\_\_\_\_

A) The auditors provide direct financial advice to potential investors.   
 B) The auditors have the primary responsibility for the information contained in financial statements.  
 C) The auditors issue reports on the accuracy of each financial transaction.  
 D) The audit of financial statements helps investors and others to know that they can rely on the information presented in the financial statements.

**Question Details**AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : FN Reporting  
Learning Objective : 01-Supplement B Employment in the Accounting Profession Today  
Topic : Employment in accounting—Supp B  
Type : Static  
Accessibility : Screen Reader Compatible

**108)** Which of the following is **not** one of the three steps taken by a corporation to assure the accuracy of its records?

108) \_\_\_\_\_\_

A) Implementing a system of controls over the company's records and assets.   
 B) Hiring an independent auditor to report on the fairness of the financial statements.  
 C) Hiring a financial analyst to ensure the actual results of operations are similar to planned results.  
 D) Forming a committee made up of board of directors' members to oversee the integrity of the corporation's system of controls and the hiring of the independent auditors.

**Question Details**AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : FN Risk Analysis  
Type : Static  
Accessibility : Screen Reader Compatible

**109)** Which of the following groups has primary responsibility for the information contained in the financial statements?

109) \_\_\_\_\_\_

A) The company's management   
 B) The company's auditors  
 C) The company's investors  
 D) SEC

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : BB Legal  
AICPA : FN Risk Analysis  
Type : Static  
Accessibility : Screen Reader Compatible

**110)** Since 2002, more than 140 jurisdictions have adopted International Financial Reporting Standards (IFRS) issued by the:

110) \_\_\_\_\_\_

A) Financial Accounting Standards Board.   
 B) Securities and Exchange Commission.  
 C) International Accounting Standards Board.  
 D) American Institute of Certified Public Accountants.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—IFRS  
AACSB : Diversity  
AICPA : BB Global  
Type : Static  
Accessibility : Screen Reader Compatible  
Topic : Accounting communication process—GAAP

**111)** Which of the following is **not** a formal requirement to become a licensed certified public accountant (CPA)?

111) \_\_\_\_\_\_

A) A college education   
 B) Professional experience  
 C) Membership in the American Institute of Certified Public Accountants (AICPA)  
 D) A professional examination

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
Accessibility : Keyboard Navigation  
Gradable : automatic  
AICPA : FN Reporting  
AICPA : BB Legal  
Learning Objective : 01-Supplement B Employment in the Accounting Profession Today  
Topic : Employment in accounting—Supp B  
AACSB : Ethics  
Type : Static  
Accessibility : Screen Reader Compatible

**112)** Which of the following is a disadvantage of a corporation when compared to a partnership?

112) \_\_\_\_\_\_

A) The stockholders have limited liability.   
 B) The corporation is treated as a separate legal entity from the stockholders.  
 C) The corporation and its stockholders are subject to double taxation.  
 D) The corporation must account for the transactions of the business as separate and apart from those of the owners.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
AICPA : BB Legal  
AICPA : FN Risk Analysis  
Learning Objective : 01-Supplement A Types of Business Entities  
Topic : Types of business entities—Supp A  
Type : Static  
Accessibility : Screen Reader Compatible

**113)** Which of the following statements is true about a sole proprietorship?

113) \_\_\_\_\_\_

A) The owner and the business are separate legal entities but not separate accounting entities.   
 B) The owner and the business are separate accounting entities but not separate legal entities.  
 C) The owner and the business are separate legal entities and separate accounting entities.  
 D) Most large businesses in this country are organized as sole proprietorships.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
AICPA : BB Legal  
AICPA : FN Risk Analysis  
Learning Objective : 01-Supplement A Types of Business Entities  
Topic : Types of business entities—Supp A  
Type : Static  
Accessibility : Screen Reader Compatible

**114)** For a business organized as a general partnership, which statement is true?

114) \_\_\_\_\_\_

A) The owners and the business are separate legal entities.   
 B) Each partner is potentially responsible for the debts of the business.  
 C) Formation of a partnership requires getting a charter from the state of incorporation.  
 D) A partnership is not considered to be a separate accounting entity.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
AICPA : BB Legal  
AICPA : FN Risk Analysis  
Learning Objective : 01-Supplement A Types of Business Entities  
Topic : Types of business entities—Supp A  
Type : Static  
Accessibility : Screen Reader Compatible

**115)** Which of the following would **not** be reported on a statement of stockholders' equity?

115) \_\_\_\_\_\_

A) Dividend payments   
 B) Net income  
 C) Beginning retained earnings  
 D) Ending retained earnings

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Financial statements—Stockholders equity  
Type : Static  
Accessibility : Screen Reader Compatible

**116)** Which of the following statements is **true**?

116) \_\_\_\_\_\_

A) Expenses reported on the income statement are equal to the cash paid for operating activities on the statement of cash flows.   
 B) The statement of cash flows has a relationship with the balance sheet.  
 C) Dividends paid are reported on the statement of cash flows as an operating cash flow and on the income statement as a financing cash flow.  
 D) Net income is reported on the income statement but not on the statement of stockholders' equity.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Topic : Financial statements—Relationships  
Type : Static  
Accessibility : Screen Reader Compatible

**117)** The declaration of a $5,000 dividend by JLH Company would be reported on which of JLH's financial statements?

117) \_\_\_\_\_\_

A) The income statement only   
 B) The statement of stockholders' equity  
 C) The balance sheet only  
 D) The statement of cash flows

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Distinguish different financial statements  
Type : Static  
Accessibility : Screen Reader Compatible

**118)** Which of the following transactions affects both retained earnings and net income?

118) \_\_\_\_\_\_

A) The payment of a cash dividend.   
 B) The recording of revenue for services provided.  
 C) The issuance of stock in exchange for cash.  
 D) The borrowing of money from a bank.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Financial statements—Relationships  
AACSB : Analytical Thinking  
Bloom's : Analyze  
Type : Static  
Accessibility : Screen Reader Compatible

**119)** Which of the following transactions affects both the income statement and the statement of cash flows?

119) \_\_\_\_\_\_

A) Selling stock in exchange for cash.   
 B) Declaring and paying a cash dividend.  
 C) Selling a product to a customer which creates an account receivable.  
 D) Paying employee salaries as they are earned.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Topic : Financial statements—Relationships  
AACSB : Analytical Thinking  
Type : Static  
Accessibility : Screen Reader Compatible

**120)** With regard to relationships among financial statements, which of the following is true?

120) \_\_\_\_\_\_

A) The results of the statement of stockholders' equity affect the income statement.   
 B) The income statement affects the results of the statement of stockholders' equity.  
 C) The statement of cash flows affects the income statement.  
 D) The results of the statement of cash flows affect the statement of stockholders' equity.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Relationships  
Difficulty : 3 Hard  
AACSB : Analytical Thinking  
Bloom's : Analyze  
Type : Static  
Accessibility : Screen Reader Compatible

**121)** Which of the following would **not** be found within the investing activities section of the statement of cash flows?

121) \_\_\_\_\_\_

A) Cash paid to purchase a building for manufacturing facilities.   
 B) Cash received from the sale of common stock to stockholders.  
 C) Cash received from the sale of equipment used in manufacturing a product.  
 D) Cash paid to purchase land.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Financial statements—Cash flows  
Type : Static  
Accessibility : Screen Reader Compatible

**122)** Which of the following is primarily responsible for the information provided in the financial statements?

122) \_\_\_\_\_\_

A) Chief Executive Officer   
 B) External Auditors  
 C) Board of Directors  
 D) Internal Accounting Staff

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : FN Risk Analysis  
Type : Static  
Accessibility : Screen Reader Compatible

**123)** Which of the following does **not** represent a professional accounting certification?

123) \_\_\_\_\_\_

A) Certified Management Accountant   
 B) Certified Public Accountant  
 C) Certified Internal Auditor  
 D) Certified Tax Accountant

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
AICPA : FN Reporting  
Learning Objective : 01-Supplement B Employment in the Accounting Profession Today  
Topic : Employment in accounting—Supp B  
Type : Static  
Accessibility : Screen Reader Compatible

**124)** Bayside Company began the current year with assets of $454,000 and liabilities of $276,000. By the end of the year, assets had increased by $42,000 and liabilities had increased by $10,000. What was Bayside’s stockholders' equity at the end of the year?

124) \_\_\_\_\_\_

A) $220,000   
 B) $210,000  
 C) $178,000  
 D) $168,000

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Bloom's : Understand  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**125)** Bayside Company began the current year with assets of $432,000 and liabilities of $256,000. By the end of the year, assets had increased by $40,000 and liabilities had increased by $8,000. What was Bayside’s stockholders' equity at the end of the year?

125) \_\_\_\_\_\_

A) $216,000   
 B) $208,000  
 C) $176,000  
 D) $168,000

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**126)** During 2022, Well Corporation’s assets decreased $7,200 and liabilities increased $25,800. Well's stockholders' equity at December 31, 2022 was $228,500. What amount was stockholders' equity at January 1, 2022?

126) \_\_\_\_\_\_

A) $261,500   
 B) $195,500  
 C) $209,900  
 D) $247,100

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**127)** During 2022, Well Corporation’s assets decreased $5,500 and liabilities increased $17,300. Well's stockholders' equity at December 31, 2022 was $211,500. What amount was stockholders' equity at January 1, 2022?

127) \_\_\_\_\_\_

A) $234,300   
 B) $188,700  
 C) $199,700  
 D) $223,300

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Bloom's : Apply  
AACSB : Knowledge Application  
Difficulty : 3 Hard  
Type : Static  
Accessibility : Screen Reader Compatible

**128)** Defalco Incorporated’s retained earnings increased $123,500 during the current year. Defalco declared $157,000 of dividends during the current year. What was Defalco's current year net income or loss?

128) \_\_\_\_\_\_

A) Net income was $33,500.   
 B) Net income was $280,500.  
 C) Net loss was $280,500.  
 D) Net loss was $33,500.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**129)** Defalco Incorporated’s retained earnings increased $120,000 during the current year. Defalco declared $150,000 of dividends during the current year. What was Defalco's current year net income or loss?

129) \_\_\_\_\_\_

A) Net income was $30,000.   
 B) Net income was $270,000.  
 C) Net loss was $270,000.  
 D) Net loss was $30,000.

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**130)** Promenade Company’s retained earnings decreased $8,200 last year and its assets decreased $7,200. Promenade declared a $43,000 cash dividend during the year. What was last year's net income?

130) \_\_\_\_\_\_

A) $42,000   
 B) $58,400  
 C) $34,800  
 D) $44,000

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**131)** Promenade Company’s retained earnings decreased $7,500 last year and its assets decreased $6,500. Promenade declared a $39,500 cash dividend during the year. What was last year's net income?

131) \_\_\_\_\_\_

A) $38,500   
 B) $53,500  
 C) $32,000  
 D) $40,500

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**132)** Shingle Industries has provided the following information for its most recent year of operation:

|  |  |
| --- | --- |
| **Cash collected from customers** | $ 196,600 |
| **Cash borrowed from banks** | 65,200 |
| **Cash paid to employees for salaries** | 66,000 |
| **Cash received from selling Shingle common stock to stockholders** | 91,000 |
| **Cash payments to banks for repayment of money borrowed** | 16,800 |
| **Cash paid to suppliers** | 28,600 |
| **Land costing $38,000 was sold for** | 59,000 |
| **Cash paid for dividends to stockholders** | 8,400 |

How much was Shingle's cash flow from operating activities?

132) \_\_\_\_\_\_

A) $107,800   
 B) $102,000  
 C) $93,600  
 D) $85,200

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Difficulty : 3 Hard  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**133)** Shingle Industries has provided the following information for its most recent year of operation:

|  |  |
| --- | --- |
| **Cash collected from customers** | $ 178,600 |
| **Cash borrowed from banks** | 63,400 |
| **Cash paid to employees for salaries** | 64,200 |
| **Cash received from selling Shingle common stock to stockholders** | 82,000 |
| **Cash payments to banks for repayment of money borrowed** | 15,000 |
| **Cash paid to suppliers** | 25,000 |
| **Land costing $20,000 was sold for** | 50,000 |
| **Cash paid for dividends to stockholders** | 6,600 |

How much was Shingle's cash flow from operating activities?

133) \_\_\_\_\_\_

A) $95,200   
 B) $89,400  
 C) $82,800  
 D) $74,400

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Difficulty : 3 Hard  
Type : Static  
Accessibility : Screen Reader Compatible

**134)** Shingle Industries has provided the following information for its most recent year of operation:

|  |  |
| --- | --- |
| **Cash collected from customers** | $ 185,600 |
| **Cash borrowed from banks** | 64,100 |
| **Cash paid to employees for salaries** | 64,900 |
| **Cash received from selling Shingle common stock to stockholders** | 85,500 |
| **Cash payments to banks for repayment of money borrowed** | 15,700 |
| **Cash paid to suppliers** | 26,400 |
| **Land costing $27,000 was sold for** | 53,500 |
| **Cash paid for dividends to stockholders** | 7,300 |

How much was Shingle's cash flow from financing activities?

134) \_\_\_\_\_\_

A) $149,600   
 B) $120,100  
 C) $133,900  
 D) $126,600

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Difficulty : 3 Hard  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**135)** Shingle Industries has provided the following information for its most recent year of operation:

|  |  |
| --- | --- |
| **Cash collected from customers** | $ 178,600 |
| **Cash borrowed from banks** | 63,400 |
| **Cash paid to employees for salaries** | 64,200 |
| **Cash received from selling Shingle common stock to stockholders** | 82,000 |
| **Cash payments to banks for repayment of money borrowed** | 15,000 |
| **Cash paid to suppliers** | 25,000 |
| **Land costing $20,000 was sold for** | 50,000 |
| **Cash paid for dividends to stockholders** | 6,600 |

How much was Shingle's cash flow from financing activities?

135) \_\_\_\_\_\_

A) $145,400   
 B) $118,000  
 C) $130,400  
 D) $123,800

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Apply  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Difficulty : 3 Hard  
Type : Static  
Accessibility : Screen Reader Compatible

**136)** Shingle Industries has provided the following information for its most recent year of operation:

|  |  |
| --- | --- |
| **Cash collected from customers** | $ 183,600 |
| **Cash borrowed from banks** | 63,900 |
| **Cash paid to employees for salaries** | 64,700 |
| **Cash received from selling Shingle common stock to stockholders** | 84,500 |
| **Cash payments to banks for repayment of money borrowed** | 15,500 |
| **Cash paid to suppliers** | 26,000 |
| **Land costing $25,000 was sold for** | 52,500 |
| **Cash paid for dividends to stockholders** | 7,100 |

How much was Shingle's cash flow from investing activities?

136) \_\_\_\_\_\_

A) $137,000   
 B) $116,250  
 C) $31,000  
 D) $52,500

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Bloom's : Understand  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**137)** Shingle Industries has provided the following information for its most recent year of operation:

|  |  |
| --- | --- |
| **Cash collected from customers** | $ 178,600 |
| **Cash borrowed from banks** | 63,400 |
| **Cash paid to employees for salaries** | 64,200 |
| **Cash received from selling Shingle common stock to stockholders** | 82,000 |
| **Cash payments to banks for repayment of money borrowed** | 15,000 |
| **Cash paid to suppliers** | 25,000 |
| **Land costing $20,000 was sold for** | 50,000 |
| **Cash paid for dividends to stockholders** | 6,600 |

How much was Shingle's cash flow from investing activities?

137) \_\_\_\_\_\_

A) $132,000   
 B) $112,000  
 C) $30,000  
 D) $50,000

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**138)** Orange Company has provided the following information for its most recent year of operation:  
Revenues earned were $60,000, of which $6,300 were uncollected at the end of the year.  
Operating expenses incurred were $24,300, of which $5,100 were unpaid at the end of the year.  
Dividends declared were $7,500, of which $2,700 were unpaid at the end of the year.  
Income tax expense is $12,240, all of which was paid during the current year.  
What is the amount of cash flow from operating activities reported on Orange's statement of cash flows?

138) \_\_\_\_\_\_

A) $17,160   
 B) $29,400  
 C) $24,660  
 D) $22,260

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Bloom's : Understand  
Type : Algorithmic  
Accessibility : Screen Reader Compatible

**139)** Orange Company has provided the following information for its most recent year of operation:  
Revenues earned were $58,200, of which $5,400 were uncollected at the end of the year.  
Operating expenses incurred were $23,400, of which $4,200 were unpaid at the end of the year.  
Dividends declared were $6,600, of which $1,800 were unpaid at the end of the year.  
Income tax expense is $10,440, all of which was paid during the current year.  
What is the amount of cash flow from operating activities reported on Orange's statement of cash flows?

139) \_\_\_\_\_\_

A) $18,960   
 B) $29,400  
 C) $25,560  
 D) $23,160

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
AACSB : Knowledge Application  
Topic : Financial statements—Cash flows  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**140)** A business entity's accounting system creates financial accounting reports which are provided to external decision makers.

140) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Accounting system—Information users  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Type : Static  
Accessibility : Screen Reader Compatible

**141)** Business managers utilize internal management reports to plan and manage the daily operations.

141) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Topic : Accounting system—Information users  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Type : Static  
Accessibility : Screen Reader Compatible

**142)** Borrowing money is an investing activity.

142) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Accounting system—Information conveyed  
Type : Static  
Accessibility : Screen Reader Compatible

**143)** The balance sheet includes assets, liabilities, and stockholders' equity at a point in time.

143) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**144)** Revenue is recognized within the income statement during the period in which cash is collected.

144) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Type : Static  
Accessibility : Screen Reader Compatible

**145)** Total assets are $37,500, total liabilities are $20,000 and common stock is $10,000; therefore, retained earnings are $7,500.

145) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Difficulty : 2 Medium  
Bloom's : Apply  
AACSB : Knowledge Application  
Type : Static  
Accessibility : Screen Reader Compatible

**146)** For the current year, net income of Carol Company is $20,000 and dividends declared are $6,000; therefore, retained earnings have increased $26,000 during the year.

146) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
AACSB : Knowledge Application  
Topic : Financial statements—Stockholders equity  
Type : Static  
Accessibility : Screen Reader Compatible

**147)** The income statement is a measure of an entity's economic performance for a period of time.

147) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Income statement  
Type : Static  
Accessibility : Screen Reader Compatible

**148)** The accounting equation states that Assets = Liabilities + Stockholders' Equity.

148) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**149)** A decision maker who wants to understand a company's financial statements must carefully read the notes to the financial statements because these disclosures provide useful supplemental information.

149) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Notes  
Type : Static  
Accessibility : Screen Reader Compatible

**150)** The balance sheet shows what the company owns and what the company owes to creditors and owners.

150) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**151)** Stockholders' equity on the balance sheet includes common stock and retained earnings.

151) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Balance sheet  
Type : Static  
Accessibility : Screen Reader Compatible

**152)** The amount of cash paid by a business for dividends would be reported as an operating activity cash flow on the statement of cash flows.

152) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Cash flows  
Type : Static  
Accessibility : Screen Reader Compatible

**153)** A company's retained earnings balance increased $50,000 last year; therefore, net income last year must have been $50,000.

153) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Topic : Financial statements—Stockholders equity  
Bloom's : Understand  
Type : Static  
Accessibility : Screen Reader Compatible

**154)** Due to the relationships among financial statements, the statement of stockholders' equity links the income statement to the balance sheet.

154) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Bloom's : Understand  
Topic : Financial statements—Relationships  
Type : Static  
Accessibility : Screen Reader Compatible

**155)** The statement of stockholders' equity explains the change in the retained earnings balance caused by stockholder investments and dividend declarations.

155) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Recognize the information conveyed in each of the four basic financial sta  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Topic : Financial statements—Stockholders equity  
Type : Static  
Accessibility : Screen Reader Compatible

**156)** The Financial Accounting Standards Board (FASB) has been given the authority by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles.

156) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Type : Static  
Accessibility : Screen Reader Compatible  
Topic : Accounting communication process—GAAP

**157)** If a U.S. domestic company does business in a foreign country, the Securities and Exchange Commission (SEC) requires the use of International Financial Reporting Standards (IFRS) for the company's financial reporting in the U.S.

157) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Difficulty : 2 Medium  
Bloom's : Understand  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—IFRS  
AACSB : Diversity  
AICPA : BB Global  
Type : Static  
Accessibility : Screen Reader Compatible

**158)** In the United States, generally accepted accounting principles are published in the FASB Accounting Standards Codification.

158) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
AICPA : FN Measurement  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Type : Static  
Accessibility : Screen Reader Compatible  
Topic : Accounting communication process—GAAP

**159)** The primary responsibility for the content of the financial statements lies with the external auditor.

159) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
AICPA : BB Critical Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : FN Reporting  
Type : Static  
Accessibility : Screen Reader Compatible

**160)** An audit is an examination of the financial statements to ensure that they represent what they claim and to make sure that they are in compliance with generally accepted accounting principles.

160) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : FN Reporting  
AICPA : BB Legal  
Type : Static  
Accessibility : Screen Reader Compatible

**161)** Auditors can be held legally liable for fraudulent financial statements.

161) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
Learning Objective : 01-02 Identify the role of generally accepted accounting principles (GAAP) in de  
Topic : Accounting communication process—Accuracy  
AICPA : BB Legal  
AICPA : FN Risk Analysis  
Type : Static  
Accessibility : Screen Reader Compatible

**162)** One of the advantages of a corporation when compared to a partnership is the limited liability of the owners.

162) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Gradable : automatic  
AICPA : BB Legal  
Learning Objective : 01-Supplement A Types of Business Entities  
Topic : Types of business entities—Supp A  
AICPA : FN Decision Making  
Type : Static  
Accessibility : Screen Reader Compatible

**Answer Key**Test name: chapter 1

1)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Company Name** | **Total Revenue** | **Total Assets** | **Total Expenses** | **Total Liabilities** | **Net Income (Loss)** | **Stockholders' Equity** |
| **Randolph** |  |  |  |  | $ 250,000 | $ 320,000 |
| **Newman** |  | $ 155,000 | $ 95,000 |  |  |  |
| **Wiseman** | $ 40,000 |  |  | $ 90,000 |  |  |
| **Martin** |  |  |  |  | $ 65,000 | $ 140,000 |
| **VanTassel** | $ 74,000 | $ 154,000 |  |  |  |  |

2)A.

|  |  |  |
| --- | --- | --- |
| Frank’s Flower Company | | |
| Income Statement | | |
| For the Month Ended January 31, 2022 | | |
| **Revenue ($150,000 + $30,000)** |  | $ 180,000 |
| **Expenses:** |  |  |
| **Cost of goods sold** | $ 90,000 |  |
| **Salaries** | 10,000 |  |
| **Telephone** | 500 |  |
| **Office supplies** | 300 |  |
| **Electricity** | 600 |  |
| **Rent** | 2,000 |  |
| **Total expenses** |  | 103,400 |
| **Net income** |  | $ 76,600 |

B.$76,600 − 30,000 + 2,000 = $48,600; or, alternatively, $150,000 − 90,000 − 10,000 − 500 − 300 − 600 = $48,600

3)

|  |  |
| --- | --- |
| **Cash** | Balance Sheet and Statement of Cash Flows |
| **Notes payable** | Balance Sheet |
| **Salaries expense** | Income Statement |
| **Cost of goods sold** | Income Statement |
| **Sales revenue** | Income Statement |
| **Inventory** | Balance Sheet |
| **Income tax expense** | Income Statement |
| **Dividends declared** | Statement of Stockholders’ Equity |
| **Retained earnings** | Balance sheet and Statement of Stockholders’ Equity |
| **Accounts payable** | Balance Sheet |
| **Equipment** | Balance Sheet |

4)

|  |  |
| --- | --- |
| **Retained earnings** | Stockholders' equity |
| **Accounts payable** | Liability |
| **Selling expense** | N |
| **Common stock** | Stockholders' equity |
| **Accounts receivable** | Asset |
| **Income tax expense** | N |
| **Dividends** | N |
| **Property and equipment** | Asset |

5)1.

|  |  |  |
| --- | --- | --- |
| Rose Corporation | | |
| Income Statement | | |
| For the Year Ended December 31, 2022 | | |
| **Revenues:** |  |  |
| **Sales revenue** | $ 500,000 |  |
| **Total revenues** |  | $ 500,000 |
| **Expenses:** |  |  |
| **Cost of goods sold** | $ 210,000 |  |
| **Salary expense** | 80,000 |  |
| **Interest expense** | 5,000 |  |
| **Insurance expense** | 4,000 |  |
| **Supplies expense** | 6,000 |  |
| **Total expenses** |  | 305,000 |
| **Income before income taxes** |  | $ 195,000 |
| **Income tax expense** |  | 34,000 |
| **Net income** |  | $ 161,000 |

2.$500,000 − 420,000 = $80,000 Accounts receivable at the end of the year.   
3.$0 beginning balance + $161,000 net income − $15,000 dividends = $146,000 Retained earnings at the end of the year.

6)1.Cash used in operating activities.  
2.Cash used in investing activities.  
3.

|  |  |
| --- | --- |
| **Amount collected from customers** | $ 90,000 |
| **Payment of salaries** | (18,000) |
| **Payment of rent** | (5,000) |
| **Payment of other expenses** | (12,000) |
| **Payment for van** | (30,000) |
| **Increase in cash** | $ 25,000 |

4.

|  |  |  |
| --- | --- | --- |
| **Revenues** |  | $ 100,000 |
| **Less expenses:** |  |  |
| **Salaries expense** | $ 20,000 |  |
| **Rent expense** | 5,000 |  |
| **Other expenses** | 12,000 |  |
| **Total expenses** |  | 37,000 |
| **Income before income taxes** |  | $63,000 |
| **Income tax expense** |  | 18,900 |
| **Net income** |  | $ 44,100 |

5. Net income or net loss for a period is equal to revenues minus expenses; it is not equal to the change in cash. Revenues are reported on the income statement when earned (or when the goods or services are sold to the customer), which may be before or after the period in which cash is received from the customer. Expenses are reported on the income statement when incurred (or in the period they are used to earn revenues). Again, the payment of cash may occur before or after the period when an expense appears on the income statement.

7)

|  |  |  |
| --- | --- | --- |
| Parker Pool Supply, Incorporated | | |
| Income Statement | | |
| For the Year Ended December 31, 2022 | | |
| **Revenue:** |  |  |
| **Sales revenue** | $ 3,333,200 |  |
| **Total revenues** |  | $ 3,333,200 |
| **Expenses:** |  |  |
| **Cost of goods sold** | 1,461,200 |  |
| **Salaries and salary expense** | 685,100 |  |
| **Rent expense** | 513,500 |  |
| **Interest expense** | 39,000 |  |
| **Total expenses** |  | 2,698,800 |
| **Pretax income** |  | 634,400 |
| **Income tax expense** |  | 157,300 |
| **Net income** |  | $ 477,100 |

Accounts receivable of $35,100 would appear on the balance sheet, not the income statement.

8)1.Total assets = $1,105,000 = Inventory ($325,000) + Cash ($150,000) + Net property, plant and equipment ($600,000) + Accounts receivable ($30,000).  
2.Liabilities include Accounts payable and Notes payable.  
3.Assets = Liabilities + Stockholders’ equity = Assets ($1,105,000) = Liabilities $145,000 (Notes payable + Accounts payable) + Stockholders’ equity = $960,000; Stockholders’ equity ($960,000) = Common stock ($750,000) + Retained earnings. Solve for Retained earnings = $210,000.   
4.

|  |  |
| --- | --- |
| National Shops, Incorporated | |
| Balance Sheet | |
| At December 31, 2022 | |
| **Assets** |  |
| **Cash** | $ 150,000 |
| **Accounts receivable** | 30,000 |
| **Inventory** | 325,000 |
| **Property, plant, and equipment** | 600,000 |
| **Total assets** | $ 1,105,000 |
| **Liabilities** |  |
| **Accounts payable** | $ 45,000 |
| **Notes payable** | 100,000 |
| **Total liabilities** | $ 145,000 |
| **Stockholders’ equity** |  |
| **Common stock** | $ 750,000 |
| **Retained earnings** | 210,000 |
| **Total stockholders’ equity** | 960,000 |
| **Total liabilities and stockholders’ equity** | $ 1,105,000 |

5.The balance sheet of National Shops shows that the company is capable of paying its short-term liabilities. There is cash of $150,000, more than enough to settle the accounts payable of $45,000. I would recommend that my company grant credit to National Shops.

9)1.

|  |  |
| --- | --- |
| **Amount of increase or decrease in cash:** | |
| $ 552,000 | Collected from customers |
| (340,000) | Paid to employees |
| (3,000) | Interest expense |
| (195,000) | Other service expense |
| (20,000) | Dividends |
| ( $6,000) | Decrease in cash |

2.

|  |  |  |
| --- | --- | --- |
| Winterset Company | | |
| Income Statement | | |
| For the Year Ended December 31, 2022 | | |
| **Revenues:** |  |  |
| **Service revenue** | $ 587,000 |  |
| **Total revenues** |  | $ 587,000 |
| **Expenses:** |  |  |
| **Salaries expense** | 355,000 |  |
| **Service expense** | 195,000 |  |
| **Interest expense** | 3,000 |  |
| **Total expenses** |  | 553,000 |
| **Pretax income** |  | 34,000 |
| **Income tax expense** |  | 11,900 |
| **Net income** |  | $ 22,100 |

3.

|  |  |
| --- | --- |
| Winterset Company | |
| Statement of Stockholders’ Equity | |
| For the Year Ended December 31, 2022 | |
| **Retained earnings, January 1, 2022** | $ 90,000 |
| **Net income** | 22,100 |
| **Dividends** | (20,000) |
| **Retained earnings, December 31, 2022** | $ 92,100 |

10)

|  |  |
| --- | --- |
| **Purchased equipment by paying cash:** | Investing activities |
| **Collected cash on account from customers:** | Operating activities |
| **Paid dividends to stockholders:** | Financing activities |
| **Paid cash for supplies:** | Operating activities |
| **Paid suppliers for fabric:** | Operating activities |
| **Borrowed money from bank on a note payable:** | Financing activities |
| **Paid interest to bank on the note payable:** | Operating activities |
| **Paid salaries to employees:** | Operating activities |
| **Sold shares of common stock to new stockholders:** | Financing activities |

11)1.

|  |  |  |
| --- | --- | --- |
| Fulton Company | | |
| Balance Sheet | | |
| At December 31, 2022 | | |
| **Assets** |  |  |
| **Cash** |  | $ 45,000 |
| **Accounts receivable** |  | 20,000 |
| **Inventory** |  | 156,000 |
| **Office equipment (net)** |  | 40,000 |
| **Total assets** |  | $ 261,000 |
| **Liabilities** |  |  |
| **Accounts payable** |  | $ 10,000 |
| **Stockholders’ equity** |  |  |
| **Common stock** | $ 200,000 |  |
| **Retained earnings** | 51,000 |  |
| **Total stockholders’ equity** |  | 251,000 |
| **Total liabilities and stockholders’ equity** |  | $ 261,000 |

2.

|  |  |  |
| --- | --- | --- |
| Fulton Company | | |
| Statement of Stockholders’ Equity | | |
| For the Year Ended December 31, 2022 | | |
|  | **Common Stock** | **Retained Earnings** |
| **Balance, January 1, 2022** | $-0- | $-0- |
| **Issue common stock** | 200,000 |  |
| **Net income** |  | 76,000\* |
| **Dividends to stockholders** |  | (25,000) |
| **Balance, December 31, 2022** | $ 200,000 | $ 51,000 |

\*Assets = Liabilities + Stockholders’ equity = $261,000 = $10,000 + Stockholders’ equity; Solve for stockholders’ equity = $251,000; Stockholders’ equity = Common stock + Retained earnings; Solve for Retained earnings = $51,000.  
3.$76,000 (see statement of stockholders’ equity above)  
4.Yes, Fulton’s first year was successful. The company earned net income whereas many new companies have losses during early years of operations. Also, Fulton was able to pay dividends to its stockholders. At the end of the first year, the company has just $10,000 in liabilities. It appears to be in sound financial condition.

12)

|  |  |  |
| --- | --- | --- |
| Ocean Company | | |
| Income Statement | | |
| For the Year Ended December 31, 2022 | | |
| **Revenue:** |  |  |
| **Sales revenue** | $ 6,300,000 |  |
| **Total revenues** |  | $ 6,300,000 |
| **Expenses:** |  |  |
| **Cost of goods sold** | 3,975,000 |  |
| **Salaries expense** | 750,000 |  |
| **Rent expense** | 450,000 |  |
| **Administrative expense** | 375,000 |  |
| **Total expenses** |  | 5,550,000 |
| **Income before income taxes** |  | 750,000 |
| **Less income tax expense** |  | 225,000 |
| **Net income** |  | $ 525,000 |

13)1. Various external decision makers rely on the financial statements of a corporation. For Baseline, these decision makers include the bankers who have loaned money to the company. These creditors would monitor the performance of Baseline to estimate the likelihood that Baseline will be able to repay existing loans when they come due, and to decide whether to make additional loans to Baseline in the future. Current stockholders would want to review Baseline's financial statements to decide whether they wanted to continue to own Baseline's stock. Potential stockholders and creditors would use the information to decide whether they wanted to purchase Baseline's common stock or loan money to the company in the future. Supply chain managers analyze the financial statements to determine whether suppliers have resources to meet demand and to invest in future developments that may be needed by Baseline Corporation. Baseline anticipates hiring additional workers in the near future; potential employees might use information in the financial statements to evaluate the company as an employer.  
   
2. Compliance with generally accepted accounting principles and accuracy in accounting are important to Baseline because they are important to the people in part (1) above who rely on the information in Baseline's financial statements. To maintain the credibility of its financial statements, Baseline must comply with GAAP in applying the content and measurement rules for financial statements and must ensure the accuracy of its accounting records in doing so.

14)a.On the income statement, revenues and net income are understated by $200,000. On the balance sheet, accounts receivable and retained earnings are understated by $200,000.  
b.On the balance sheet, inventory and retained earnings are overstated by $30,000. On the income statement, expenses are understated and the net income is overstated by $30,000.  
c.On the income statement, expenses are understated and net income is overstated by $10,000. On the balance sheet, interest payable is understated and retained earnings are overstated by $10,000.  
d.On the balance sheet, prepaid insurance and retained earnings are overstated by $6,000. On the income statement, expenses are understated and net income is overstated by $6,000.

15)Beginning retained earnings = $3,300,000 = Ending retained earnings ($3,500,000) minus the change in retained earnings during the year ($200,000).  
The change in retained earnings during the year = Net income minus dividends declared, not dividends paid.  
Net income minus dividends declared is provided as the amount of $200,000.

16)Assets at December 31, 2022 = $385,000 = Beginning assets ($340,000) plus increase in assets during 2022 ($45,000).  
Liabilities at December 31, 2022 = $135,000 = Beginning liabilities ($120,000) plus increase in liabilities during 2022 ($15,000).  
At December 31, 2022:  
Assets ($385,000) = Liabilities ($135,000) + Stockholders' equity.  
Solve for Stockholders' equity = $250,000.

17)Net cash flow from financing activities = $25,300 = Cash borrowed from banks ($42,700) minus cash payments to banks for repayment of money borrowed ($9,700) minus cash paid for dividend payments to stockholders ($7,700).

18)Net cash flow from investing activities = $148,000 = Cash received from selling an investment in Husky stock ($73,000) plus cash received from selling land ($75,000).

19)Net cash flow from operating activities = $61,700 = Cash collected from customers ($99,300) minus cash paid to employees ($23,300) minus cash paid for rent ($3,100) minus cash paid for operating expenses ($11,200).

20)The change in cash = $37,300 = the ending balance of cash ($94,300) minus the beginning balance of cash ($57,000).  
$37,300 change in cash = Net cash flow from operating activities ($26,900) +/− Net cash flow from investing activities (X) + Net cash flow from financing activities ($13,700).  
$37,300 = $26,900 +/− X + $13,700.  
X = Investing activities = ($3,300) cash used in investing activities.

21)Stockholders' equity ($212,800) = Common stock ($148,800) + Ending retained earnings (X).  
Solve for ending retained earnings = $64,000.  
Beginning retained earnings = $19,360 = Ending retained earnings ($64,000) − Net income (Revenues $140,000 − Expenses $70,240) + Dividends ($25,120).

22)The SEC was created by Congress in 1933 develop accounting guidelines for publicly traded companies. The SEC has given the FASB the responsibility to develop GAAP.

23)The balance sheet equation states that assets equal liabilities plus stockholders' equity. Assets are a firm's economic resources such as cash, supplies, inventory, and equipment. Liabilities are a firm's debts such as accounts payable and notes payable. Stockholders' equity consists of common stock and retained earnings.

24)Management is primarily responsible for the content of their company's financial reporting. The external auditors' opinion reports on the fairness of the financial statements while reasonably assuring that they represent what they claim to represent and that they conform to GAAP.

25)The objective of the cash flow statement is to explain the change in the cash balance during a particular time period. The operating activities section describes the cash flows that resulted from normal profit seeking activities. The investing activities section describes cash flows resulting from acquisition and disposition of long-term assets and investments. The financing activities section describes the cash flows resulting from issuance and retirement of long-term debt and equity.

26)Net income is comprised of revenues expected to be received for goods and services delivered to a customer less expenses used to earn revenue during the period; it is not based on cash flows or cash basis accounting. This means that revenues and expenses are recognized even if they were paid in cash in a prior period or have not yet been paid by the end of the reporting period. Cash flow from operating activities is cash flow based on actual cash receipts and cash payments during the accounting period.

27) C

The balance sheet reports the amount of assets, liabilities, and stockholders' equity (financial position) of an accounting entity at a particular point in time.

28) C

($500,000 − $360,000) = Income before income taxes $140,000.  
Income tax expense = 35% × $140,000 = $49,000.  
Net income = $140,000 − $49,000 = $91,000

29) C

($400,000 − $280,000) = Income before income taxes, $120,000.  
Income tax expense = 30% × $120,000 = $36,000.  
Net income = $120,000 − $36,000 = $84,000.

30) A

Stockholders' equity = $423,000 (Total assets $918,000 – Total liabilities $495,000).  
Stockholders' equity ($423,000) = Common stock ($306,000) + Retained earnings ($117,000).  
Retained earnings ($117,000) = Net income – Dividends declared ($63,000).  
Net income = $180,000.  
Sales Revenue ($1,224,000) – Expenses = Net income ($180,000).  
Expenses = $1,044,000.

31) A

Stockholders' equity = $420,000 (Total assets $900,000 − Total liabilities $480,000).  
Stockholders' equity ($420,000) = Common stock ($300,000) + Retained earnings ($120,000).  
Retained earnings ($120,000) = Net income − Dividends declared ($60,000).  
Net income = $180,000.  
Sales Revenue ($1,200,000) − Expenses = Net income ($180,000).  
Expenses = $1,020,000.

32) C

The balance sheet reports the economic resources (assets), and the liabilities and stockholders' equity (financing sources).

33) D

Revenue is recorded as it is earned, not necessarily when the cash from the sales is collected. Expenses are recorded when incurred in generating revenue regardless of when cash is expended.

34) A

The income statement reports the performance of a business during the accounting period.

35) D

Dividends are reported on the statement of stockholders' equity.

36) A

The statement of cash flows includes cash flows from operating, investing, and financing activities.

37) A

Retained earnings is reported on the balance sheet as a component of stockholders' equity.

38) B

Beginning retained earnings + net income − dividends = ending retained earnings. Note that the statement of cash flows reports the dividends paid by the company (which may have been declared in an earlier period).

39) B

The balance sheet includes the current assets and current liabilities account balances.

40) D

Income statements begin with sales less cost of goods sold.

41) B

Assets are the economic resources of a business. Cash, accounts receivable, and inventories (inventory) are all considered to be economic resources.

42) C

Assets include but are not limited to cash, accounts receivable, and inventories. They are economic resources of a business.

43) B

The balance sheet generally reports assets, liabilities, and stockholders’ equity at the initial cost incurred to acquire them.

44) A

Liabilities are a source of financing from creditors. Stockholders' equity is a source of financing from stockholders.

45) C

A balance sheet has two sides: the left side is assets and the right side has both liabilities and stockholders' equity. The total balance from each side must equal each other. Thus, Assets = Liabilities + Stockholders' Equity.

46) B

Net income is equal to $96,000, calculated as the increase in retained earnings, $43,000, plus dividends of $53,000.

47) B

Net income is equal to $90,000, calculated as the increase in retained earnings, $40,000, plus dividends of $50,000.

48) D

Stockholders' equity represents investments by owners (common stock) and the amount of earnings reinvested in the business (retained earnings).

49) C

The statement of stockholders' equity reports the change during a year in the amount of financing provided by owners of the business (issuances and repurchases of common stock) and earnings not distributed to owners.

50) C

The income statement reports the company's financial performance over an accounting period.

51) C

The income statement equation is revenues − expenses = net income

52) C

Stockholders’ equity = $111,000 (Total assets $286,500 – Total liabilities $175,500).  
Stockholders’ equity ($111,000) = Common stock ($63,000) + Retained earnings.  
Retained earnings = $48,000.

53) C

Stockholders' equity = $132,000 (Total assets $265,500 − Total liabilities $133,500).  
Stockholders' equity ($132,000) = Common stock ($42,000) + Retained earnings.  
Retained earnings = $90,000.

54) D

Total assets ($181,000) = Total liabilities + stockholders’ equity.  
Stockholders’ equity = Total assets ($181,000) − Total liabilities ($97,000) = $84,000.  
Stockholders’ equity ($84,000) = Common stock ($23,000) + Retained earnings ($61,000).  
Retained earnings ($61,000) = Net income − Dividends declared ($7,300).  
Net income = $68,300 = Revenue ($116,500) − Expenses ($48,200).

55) D

Total assets ($177,000) = Total liabilities + stockholders' equity.  
Stockholders' equity = Total assets ($177,000) − Total liabilities ($89,000) = $88,000.  
Stockholders' equity ($88,000) = Common stock ($28,000) + Retained earnings ($60,000).  
Retained earnings ($60,000) = Net income − Dividends declared ($9,500).  
Net income = $69,500 = Revenue ($117,300) − Expenses ($47,800).

56) C

Total assets ($224,000) = Total liabilities + stockholders’ equity.  
Total liabilities = Total assets ($224,000) − Stockholders’ equity ($132,000) = $92,000.  
Stockholders’ equity ($132,000) = Common stock + Retained earnings ($86,000).  
Solve for Common stock = $46,000.  
Net income ($34,600) = Revenues ($81,500) − Expenses.  
Solve for Expenses = $46,900.  
Retained earnings increased by net income ($34,600) − dividends ($6,400).  
Retained earnings increased by $28,200.

57) C

Total assets ($217,000) = Total liabilities + stockholders' equity.  
Total liabilities = Total assets ($217,000) − Stockholders' equity ($123,000) = $94,000.  
Stockholders' equity ($123,000) = Common stock + Retained earnings ($83,000).  
Solve for Common stock = $40,000.  
Net income ($33,900) = Revenues ($77,500) − Expenses.  
Solve for Expenses = $43,600.  
Retained earnings increased by net income ($33,900) − dividends ($5,700).  
Retained earnings increased by $28,200.

58) C

Retained earnings increased by net income ($35,000) – dividends ($6,800).  
Retained earnings increased by $28,200.  
Total assets ($228,000) = Total liabilities + stockholders’ equity.  
Total liabilities = Total assets ($228,000) – Stockholders’ equity ($140,000) = $88,000.  
Stockholders’ equity ($140,000) = Common stock + Retained earnings ($70,000).  
 Solve for Common stock = $70,000.Net income ($35,000) = Revenues ($85,500) – Expenses.  
Solve for Expenses = $50,500.

59) C

Retained earnings increased by net income ($33,900) − dividends ($5,700).  
Retained earnings increased by $28,200.  
Total assets ($217,000) = Total liabilities + stockholders' equity.  
Total liabilities = Total assets ($217,000) − Stockholders' equity ($123,000) = $94,000.  
Stockholders' equity ($123,000) = Common stock + Retained earnings ($83,000).  
Solve for Common stock = $40,000.  
Net income ($33,900) = Revenues ($77,500) − Expenses.  
Solve for Expenses = $43,600.

60) B

Revenue for a retail company includes all sales earned during the accounting period, both cash and credit.

61) B

Ending retained earnings ($12,880,000) = Beginning retained earnings ($11,480,000) + Net income ($2,170,000) − Dividends ($770,000). The issuance of common stock does not impact retained earnings.

62) C

Ending retained earnings ($12,600,000) = Beginning retained earnings ($11,200,000) + Net income ($2,100,000) − Dividends ($700,000). The issuance of common stock does not impact retained earnings.

63) D

The statement of cash flows has three sections: cash flows from 1) Operating activities 2) Investing activities and 3) Financing activities.

64) D

Net income or loss is equal to revenues less expenses. If expenses exceed revenues, a business will report a net loss.

65) C

The income statement reports expenses, as they are incurred, to generate revenue for the accounting period.

66) A

Beginning retained earnings + net income − dividends = ending retained earnings.

67) C

Cash flows from operating activities are cash flows directly related to earning income.

68) C

On the balance sheet, assets are listed by ease of conversion to cash and liabilities are listed by due date (maturity date).

69) B

Assets at December 31, 2022 = Beginning assets ($248,000) + Increase in assets during 2022 ($28,000) = $276,000.  
Liabilities at December 31, 2022 = Beginning liabilities ($160,000) + Increase in liabilities ($7,200) = $167,200.  
Assets ($276,000) = Liabilities ($167,200) + Stockholders’ equity.  
Solve for Stockholders’ equity at December 31, 2022 = $108,800.

70) B

Assets at December 31, 2022 = Beginning assets ($216,000) + Increase in assets during 2022 ($20,000) = $236,000.  
Liabilities at December 31, 2022 = Beginning liabilities ($128,000) + Increase in liabilities ($4,000) = $132,000.  
Assets ($236,000) = Liabilities ($132,000) + Stockholders' equity.  
Solve for Stockholders’ equity at December 31, 2022 = $104,000.

71) A

Stockholders’ equity = $201,000 at January 1, 2022.  
The increase in stockholders’ equity = the increase in assets ($194,600) minus the decrease in liabilities (−$36,400) during 2022 = $194,600 + $36,400 = $231,000.  
Ending stockholders’ equity ($432,000) − the increase in stockholders’ equity ($231,000) = beginning stockholders’ equity = $201,000.

72) A

Stockholders' equity = $197,400 at January 1, 2022.  
The increase in stockholders' equity = the increase in assets ($191,000) minus the decrease in liabilities (−$34,600) during 2022 = $191,000 + $34,600 = $225,600.  
Ending stockholders' equity ($423,000) − the increase in stockholders' equity ($225,600) = beginning stockholders' equity = $197,400.

73) C

Liabilities and Stockholders' Equity are the sources of financing for the firm's economic resources. Creditors' claims are reported as liabilities while investors' claims are reported as stockholders' equity.

74) C

The balance sheet order is assets, liabilities, and stockholders' equity. Stockholders' equity includes common stock and retained earnings.

75) B

Net income increases retained earnings. Increased revenue, given a fixed expense amount, would increase net income. An increase in expenses and declaring a cash dividend both decrease retained earnings.

76) C

The $190,000 increase in retained earnings = Net income of $232,000 − Dividends of $42,000 or, alternatively, $190,000 + $42,000 = $232,000.

77) C

The $187,500 increase in retained earnings = Net income of $227,000 − Dividends of $39,500 or, alternatively, $187,500 + $39,500 = $227,000.

78) B

Interest expense, selling, general and administrative expenses, and cost of goods sold are all reported as expenses on the income statement. Dividends paid is not an expense.

79) A

The Securities and Exchange Commission has charged the Financial Accounting Standards Board with developing Generally Accepted Accounting Principles.

80) C

The Securities and Exchange Commission is the government agency that determines the financial statements that public companies must provide to stockholders.

81) B

Common stock is a component of stockholders' equity on the balance sheet.

82) C

Net income is the result of revenues less cost of goods sold and other expenses. Cash receipts from customers increase revenue, which flows through to an increase in net income. Cash receipts also increase the cash account.

83) B

Statement of Net Income is not among the alternative titles used for the financial statement that reports revenues and expenses.

84) D

The balance sheet is a snapshot of a company's assets, liabilities, and stockholders' equity at a specific point in time.

85) D

The amount borrowed needs to be repaid, and the local bank is a creditor; therefore, liabilities are increased by the amount of the loan.

86) D

The amount borrowed needs to be repaid, and the local bank is a creditor; therefore, liabilities are increased by the amount of the loan.

87) A

Cash paid for dividends to stockholders is not a cash flow directly related to earning income; it is a financing activity and is not reported in the operating activities section of the cash flow statement.

88) A

The financing activities section of the statement of cash flows reflects cash received and paid out as a result of financing the business. Cash paid for dividends to stockholders is part of this section because stockholders are a component of the financing of a business.

89) D

Cash flows from investing include cash flows related to the purchase and sale of a company's assets. Acquiring common stock of another company is considered an investment, which is an asset.

90) B

Issuing common stock is a financing activity and the cash received from issuing the common stock is reported in the financing section of the statement of cash flows.

91) B

$43,500 = Cash collected from customers ($90,500) − cash paid to employees for salaries ($33,300) − cash paid to suppliers ($13,700).

92) B

$44,700 = Cash collected from customers ($89,300) − cash paid to employees for salaries ($32,100) − cash paid to suppliers ($12,500).

93) D

$63,900 = Cash borrowed from banks ($32,100) plus cash received from selling Husky common stock to stockholders ($43,000) minus cash payments to banks for repayment of money borrowed ($7,700) minus cash paid for dividends to stockholders ($3,500).

94) D

$61,900 = Cash borrowed from banks ($31,700) plus cash received from selling Husky common stock to stockholders ($41,000) minus cash payments to banks for repayment of money borrowed ($7,500) minus cash paid for dividends to stockholders ($3,300).

95) D

$25,620 = Revenues earned ($60,900) minus operating expenses ($24,300) minus income tax expense ($10,980).

96) D

$24,360 = Revenues earned ($58,200) minus operating expenses ($23,400) minus income tax expense ($10,440).

97) A

Accrual accounting requires revenues to be reported in the period of delivering goods or services, whether or not the customer has paid for the goods or services.

98) B

The change in cash is ending balance $92,000 − beginning balance $76,000 = $16,000.  
$16,000 = Net cash flow from operating activities ($38,000) +/− Net cash flow from investing activities (X) + Net cash flow from financing activities ($12,500).  
$16,000 = $38,000 +/− X + $12,500.  
Solve for X = Investing activities = −$34,500.

99) B

The change in cash is ending balance $91,300 − beginning balance $79,000 = $12,300.  
$12,300 = Net cash flow from operating activities ($37,300) +/− Net cash flow from investing activities (X) + Net cash flow from financing activities ($11,100).  
$12,300 = $37,300 +/− X + $11,100.  
Solve for X = Investing activities = −$36,100.

100) D

Dividends are not an expense and therefore are not reported on the income statement.

101) D

Providing information to their auditors is a step towards the issuance of a company's financial statements and not a consequence of issuing their financial statements.

102) A

The primary responsibility for the information in the financial statements lies with management.

103) C

Global convergence of accounting standards is being facilitated by the adoption of international financial reporting standards. These standards are developed by the International Accounting Standards Board.

104) B

The technical term for the examination of the financial statements to ensure that they represent what they claim to, and conform with generally accepted accounting principles, is an audit.

105) B

An audit is an independent review of an entity's financial statements. The result of an audit is an audit report that lends credibility to these financial statements.

106) C

The role of auditors is to review the financial statements and issue an opinion on the fairness of these statements.

107) D

The CPA conducting the audit, and issuing the report, is independent of the reporting entity and offers credibility for the users of financial statements to rely on these statements.

108) C

The three steps to ensure the accuracy of records include implementing a system of controls, hiring external auditors, and having a board of directors with an audit committee. A financial analyst does not provide services that help a corporation assure the accuracy of its records.

109) A

The primary responsibility for the information in the financial statements lies with management.

110) C

The International Accounting Standards Board issues International Financial Reporting Standards (IFRS).

111) C

The American Institute of Certified Public Accountants requires all of its members to adhere to a professional code of ethics and professional auditing standards. A CPA may be a member but membership is not required in order to become a CPA. To become a licensed CPA, one needs a college degree, successful completion of the CPA exam, and professional experience, as regulated by each licensing jurisdiction.

112) C

A corporation's income is subject to double taxation; it is taxed when it is earned and again when it is distributed to stockholders as dividends.

113) B

A sole proprietorship is an unincorporated business owned by one person. Legally, the business and the owner are not separate entities; however, the owner and business are separate accounting entities.

114) B

Legally, each partner in a general partnership is responsible for the debts of the business. In this case, each general partner has unlimited liability.

115) A

The statement of stockholders' equity reports dividends *declared*. The statement of cash flows reports dividend payments.

116) B

The change in cash on the statement of cash flows is added to the beginning balance of cash on the balance sheet. The result will equal the end-of-year balance in cash.

117) B

Dividends declared are reported on the statement of stockholders' equity, as a component of retained earnings.

118) B

Recording of revenue increases net income, which in turn increases retained earnings.

119) D

Paying an employee salaries as they are earned results in an expense being recognized (income statement) and a cash outflow (statement of cash flows).

120) B

The statement of stockholders’ equity explains changes in stockholders’ equity accounts, including the change in the retained earnings balance caused by net income.

121) B

Cash received from the sale of common stock is a financing activity. Investing activities involve the purchase of the company's productive assets.

122) A

Primary responsibility for the information in the financial statements lies with management. Management is represented by the highest officer of the company and the highest financial officer.

123) D

There is no professionally recognized accounting certification known as a Certified Tax Accountant.

124) B

Assets at the end of the year = Beginning assets ($454,000) + Increase in assets during the current year ($42,000) = $496,000.  
Liabilities at the end of the year = Beginning liabilities ($276,000) + Increase in liabilities ($10,000) = $286,000.  
Assets ($496,000) = Liabilities ($286,000) + Stockholders' equity.  
Solve for Stockholders’ equity at the end of the year = $210,000.

125) B

Assets at the end of the year = Beginning assets ($432,000) + Increase in assets during the current year ($40,000) = $472,000.  
Liabilities at the end of the year = Beginning liabilities ($256,000) + Increase in liabilities ($8,000) = $264,000.  
Assets ($472,000) = Liabilities ($264,000) + Stockholders' equity.  
Solve for Stockholders’ equity at the end of the year = $208,000.

126) A

Stockholders' equity = $261,500 at January 1, 2022.  
The decrease in stockholders' equity = the decrease in assets ($7,200) plus the increase in liabilities ($25,800) during 2022 = $7,200 + $25,800 = $33,000.  
Ending stockholders' equity ($228,500) + the decrease in stockholders' equity ($33,000) = beginning stockholders' equity = $261,500.

127) A

Stockholders' equity = $234,300 at January 1, 2022.  
The decrease in stockholders' equity = the decrease in assets ($5,500) plus the increase in liabilities ($17,300) during 2022 = $5,500 + $17,300 = $22,800.  
Ending stockholders' equity ($211,500) + the decrease in stockholders' equity ($22,800) = beginning stockholders' equity = $234,300.

128) B

Net income is equal to $280,500, calculated as the increase in retained earnings, $123,500, plus dividends of $157,000.

129) B

Net income is equal to $270,000, calculated as the increase in retained earnings, $120,000, plus dividends of $150,000.

130) C

The $8,200 decrease in retained earnings = Net income of $34,800 − Dividends of $43,000 or, alternatively, ($8,200) + $43,000 = $34,800.

131) C

The $7,500 decrease in retained earnings = Net income of $32,000 − Dividends of $39,500 or, alternatively, ($7,500) + $39,500 = $32,000.

132) B

$102,000 = Cash collected from customers ($196,600) − cash paid to employees for salaries ($66,000) − cash paid to suppliers ($28,600).

133) B

$89,400 = Cash collected from customers ($178,600) − cash paid to employees for salaries ($64,200) − cash paid to suppliers ($25,000).

134) D

$126,600 = Cash borrowed from banks ($64,100) plus cash received from selling Shingle common stock to stockholders ($85,500) minus cash payments to banks for repayment of money borrowed ($15,700) minus cash paid for dividends to stockholders ($7,300).

135) D

$123,800 = Cash borrowed from banks ($63,400) plus cash received from selling Shingle common stock to stockholders ($82,000) minus cash payments to banks for repayment of money borrowed ($15,000) minus cash paid for dividends to stockholders ($6,600).

136) D

$52,500 = Cash received from sale of land ($52,500).

137) D

$50,000 = Cash received from sale of land ($50,000).

138) D

$22,260 = Cash collected from customers of $53,700 ($60,000 − $6,300) minus cash paid for operating expenses of $19,200 ($24,300 − $5,100) minus cash paid for income tax expense $12,240.

139) D

$23,160 = Cash collected from customers of $52,800 ($58,200 − $5,400) minus cash paid for operating expenses of $19,200 ($23,400 − $4,200) minus cash paid for income tax expense $10,440.

140) TRUE

The accounting system collects financial data and produces reports used by both internal decision makers and external decision makers.

141) TRUE

Internal management reports are for internal use to assist managers with day-to-day operations. Unlike external financial reports, internal management reports are for internal use.

142) FALSE

Borrowing money is a form of financing and therefore is a financing activity.

143) TRUE

The balance sheet reports the amount of assets, liabilities, and stockholders' equity of an entity at a point in time.  
The balance sheet is referred to as a financial position statement; listing assets, liabilities, and equity accounts as of a specific date.

144) FALSE

Revenues normally are amounts expected to be received for goods or services that have been delivered to a customer, whether or not the customer has paid for the goods or services.

145) TRUE

$37,500 = $20,000 + $10,000 + X; X = $7,500

146) FALSE

Retained earnings = Net income *less* dividends declared. Therefore, retained earnings have increased by $20,000 less $6,000 = $14,000.

147) TRUE

The income statement reports the performance of a business during the accounting period.

148) TRUE

The accounting equation, also known as the balance sheet equation, states that Assets = Liabilities + Stockholders' Equity.

149) TRUE

The notes provide supplemental information necessary to fully understand the financial statements.

150) TRUE

The balance sheet has three major captions: assets (what the company owns), liabilities (what the company owes to creditors), and stockholders' equity (what the company owes to owners).

151) TRUE

The stockholders' equity section of the balance sheet represents financing provided by owners of the business (common stock) and earnings (retained earnings).

152) FALSE

Dividends are reported on the statement of stockholders' equity. On the statement of cash flows, dividends are reported as a financing activity.

153) FALSE

Retained earnings is increased by net income and decreased by dividends. Therefore, we would need to know the dividend amount was zero in this situation to make the above statement true.

154) TRUE

Net income is reported on the statement of stockholders' equity as an increase in retained earnings. The ending retained earnings balance is reported on the balance sheet.

155) FALSE

Beginning retained earnings + net income − dividends = ending retained earnings; stockholder investments in common stock are not part of retained earnings.

156) TRUE

Previously the Securities and Exchange Commission worked with organizations of professional accountants to develop generally accepted accounting principles; today this is a responsibility of the Financial Accounting Standards Board.

157) FALSE

In the United States, the Securities and Exchange Commission now allows foreign companies whose stock is traded in the United States to use IFRS. However, U.S. domestic companies must use GAAP for their financial reports.

158) TRUE

The official literature of GAAP is found in the FASB Accounting Standards Codification®.

159) FALSE

Primary responsibility for the information in the financial statements lies with management.

160) TRUE

This is the definition of an audit.

161) TRUE

Users will have confidence in the accuracy of financial statement numbers only if the people associated with their preparation and audit have reputations for ethical behavior and competence. Management and auditors also can be held legally liable for fraudulent financial statements.

162) TRUE

In a partnership each partner has unlimited liability; in a corporation the stockholders have limited liability.