

Survey of Accounting 9th edition Warren Test Bank

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TRUE/FALSE

1 : The basic elements of a financial accounting system include a framework for preparing financial statements.

A : true

B : false

Correct Answer : A

2 : The accounting equation is expressed as follows: Assets = Liabilities + Stockholders' Equity.

A : true

B : false

Correct Answer : A

3 : Any given transaction must affect at least two different parts of the accounting equation.

A : true

B : false

Correct Answer : B

4 : The accounting equation can be expressed as: Assets ? Liabilities = Revenues.

A : true

B : false

Correct Answer : B

5 : On a statement of cash flows, each cash transaction is recorded and classified as an operating, investing, or financing activity.

A : true

B : false

Correct Answer : A

6 : Equality of the accounting equation means that no errors have occurred.

A : true

B : false

Correct Answer : B

7 : Dividends are an example of an expense.

A : true

B : false

Correct Answer : B

8 : Retained earnings will be increased by the amount in the dividend account.

A : true

B : false

Correct Answer : B

9 : By keeping a running total of the effects of transactions, the accounting equation provides a framework for summarizing the effects of a series of transactions.

A : true

B : false

Correct Answer : A

10 : A business receives \$10,000 cash for a sale of merchandise and records this receipt of cash as an increase in accounts receivable by mistake. The accounting equation is still in balance.

A : true

B : false

Correct Answer : A

11 : The effect of every transaction is an increase or a decrease in one or more of the accounting equation elements.

A : true

B : false

Correct Answer : A

12 : When a notes payable account is paid in cash, the stockholders' equity in the business increases.

A : true

B : false

Correct Answer : B

13 : When an account receivable is collected in cash, the total assets of the business increase.

A : true

B : false

Correct Answer : B

14 : It is possible for a transaction to change the makeup of assets but not affect assets in total.

A : true

B : false

Correct Answer : A

15 : When common stock is issued by a corporation for cash, both the income statement and the balance sheet are affected.

A : true

B : false

Correct Answer : B

16 : Fees earned and received in cash will increase cash flows from operating activity as well as retained earnings.

A : true

B : false

Correct Answer : A

17 : Miscellaneous expenses are expenses that have an undetermined amount to be paid.

A : true

B : false

Correct Answer : B

18 : The payment of utilities expense in cash would affect the operating activities in the statement of cash flows and the income statement but not the balance sheet.

A : true

B : false

Correct Answer : B

19 : The integrated financial statement approach has built-in controls to ensure that all transactions are correctly analyzed, recorded, and summarized.

A : true

B : false

Correct Answer : A

20 : Accounts receivable is less liquid than furniture, so it is listed after furniture on a balance sheet.

A : true

B : false

Correct Answer : B

21 : When comparing operating performance across companies within the same industry, companies prefer common-sized income statements prepared using net income rather than those prepared using operating income. This is because other income and expenses are influenced by a variety of factors that are independent of operations and that can vary significantly across companies.

A : true

B : false

Correct Answer : B

SHORT RESPONSE

22 : What are the basic elements of a financial accounting system?

Correct Answer : A financial accounting system is designed to produce financial statements. The basic elements of a financial accounting system include(1)A set of rules for determining what, when, and the amount that should be recorded(2)A framework for preparing financial statements(3)One or more controls to determine whether errors may have arisen in the recording process

23 : The accounting equation "Assets = Liabilities + Stockholders' Equity" is affected by transactions. Is it possible to have a transaction that only impacts one financial element of the equation? Can a transaction impact two elements of the equation? Give examples.

Correct Answer : Yes to both questions. Examples include (1) increasing cash and decreasing

equipment; (2) increasing cash and increasing stockholders' equity.

24 : The accounting equation "Assets = Liabilities + Stockholders' Equity" is affected by transactions. Is it possible to have a transaction that only impacts one financial element of the equation? Can a transaction impact two elements of the equation? Give examples.

Correct Answer : 1.c2.b3.b4.a5.e6.c7.e8.e9.e10.e

25 : Explain how the four financial statements are linked.

Correct Answer : A financial accounting system is designed to produce four financial statements. The income statement, statement of stockholders' equity, and statement of cash flows are linked to an element of the balance sheet.(1)The income statement shows the net effects of revenues and expenses, which affects the retained earnings on the balance sheet.(2)The statement of stockholders' equity reflects the net income and dividends paid and shows how retained earnings in the balance sheet moves from the beginning balance to the ending balance.(3)The statement of cash flows explains how the cash balance in the balance sheet moves from the beginning balance to the ending balance by looking at the cash effects of operating, investing, and financing activities.

26 : How can a company earn a large net income and have a small balance in retained earnings?

Correct Answer : The company may pay out most of its earnings in dividends.

27 : How can a company earn a large net income and have a small balance in retained earnings?

Correct Answer : (a)\$44,750 (\$6,000 + \$42,500 - \$3,750)(b)\$31,250 (\$11,500 + \$28,000 - \$8,250)

28 : On May 1, the cash account balance was \$72,600. During May, cash receipts totaled \$345,600 and the May 31 balance was \$95,230. Determine the cash payments made during May.

Correct Answer : $\$95,230 = \$72,600 + \$345,600 - \text{Cash payments} = \$322,970$

29 : On May 1, the cash account balance was \$72,600. During May, cash receipts totaled \$345,600 and the May 31 balance was \$95,230. Determine the cash payments made during May.

Correct Answer :
Assets = Liabilities + Stockholders' Equity
50,000 100,000
60,000 40,000 130,000 70,000 Bal. 12/31/ 20Y7 340,000 110,000 230,000
Assets = Liabilities + Stockholders' Equity
90,000 100,000 150,000 60,000 130,000 50,000
Bal. 12/31/ 20Y8 470,000 110,000 360,000
Stockholders' Equity ending balance \$360,000
Stockholders' Equity beginning balance 230,000
Change - Net income \$130,000

30 : Refer to Coke's balance sheet and/or Statement of Shareowners' Equity and answer the following questions:

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31,	2018	2017
(In millions except par value)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,926	\$ 6,006
Short-term investments	2,025	9,352
TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	10,951	15,358
Marketable securities	5,013	5,317
Trade accounts receivable, less allowances of \$489 and \$477, respectively	3,396	3,667
Inventories	2,766	2,655
Prepaid expenses and other assets	1,962	2,000
Assets held for sale	—	219
Assets held for sale — discontinued operations	6,546	7,329
TOTAL CURRENT ASSETS	30,634	36,545
EQUITY METHOD INVESTMENTS	19,407	20,856
OTHER INVESTMENTS	867	1,096
OTHER ASSETS	4,139	4,230
DEFERRED INCOME TAX ASSETS	2,667	330
PROPERTY, PLANT AND EQUIPMENT — net	8,232	8,203
TRADEMARKS WITH INDEFINITE LIVES	6,682	6,729
BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES	51	138
GOODWILL	10,263	9,401
OTHER INTANGIBLE ASSETS	274	368
TOTAL ASSETS	\$ 83,216	\$ 87,896
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 8,932	\$ 8,748
Loans and notes payable	13,194	13,205
Current maturities of long-term debt	4,997	3,298
Accrued income taxes	378	410
Liabilities held for sale	—	37
Liabilities held for sale — discontinued operations	1,722	1,496
TOTAL CURRENT LIABILITIES	29,223	27,194
LONG-TERM DEBT	25,364	31,182
OTHER LIABILITIES	7,638	8,021
DEFERRED INCOME TAX LIABILITIES	1,933	2,522
THE COCA-COLA COMPANY SHAREOWNERS' EQUITY		
Common stock, \$0.25 par value; Authorized — 11,200 shares; Issued — 7,040 and 7,040 shares, respectively	1,760	1,760
Capital surplus	16,520	15,864
Reinvested earnings	63,234	60,430
Accumulated other comprehensive income (loss)	(12,814)	(10,305)
Treasury stock, at cost — 2,772 and 2,781 shares, respectively	(51,719)	(50,677)
EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	16,981	17,072
EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	2,077	1,905
TOTAL EQUITY	19,058	18,977
TOTAL LIABILITIES AND EQUITY	\$ 83,216	\$ 87,896

Refer to Notes to Consolidated Financial Statements.

- (a) Did Coke issue any common stock in 2018? If so, how many shares of common stock (in millions) were issued?
- (b) Did Coke purchase any common treasury stock in 2018? If so, what was the dollar amount (in millions) repurchased?
- (c) Did Coke issue any treasury stock in 2018? If so, for what purpose?
- ????

Correct Answer : (a)No, for both 2018 and 2017, Coke had 7,040,000,000 shares issued.(b)Yes, Coke purchased \$1,746,000,000 worth of its common stock. Per the Consolidated Statements of Shareowners' Equity, purchases of stock for treasury (in millions) were \$(1,746).(c)Yes, for the purpose of employee stock compensation plans.?

MULTIPLE CHOICE

31 : The basic financial statements include the _____.

- A : trial balance
- B : bank reconciliation statement
- C : balance sheet
- D : ledger account

Correct Answer : C

32 : Which of the following is a control that is built into the integrated financial statement approach?

A : Assets + Liabilities = Stockholders equity.

B : Cash from operating activities is equal to cash on the balance sheet.

C : Net income on the income statement must equal the net effects of revenues and expenses on retained earnings.

D : Total assets on the balance sheet should equal income from investing activities on the statement of cash flows.

Correct Answer : C

33 : If a \$15,000 purchase of equipment for cash is incorrectly recorded as an increase to equipment and as an increase to cash, at the end of the period assets will _____.

A : exceed liabilities and stockholders equity by \$15,000

B : equal liabilities and stockholders equity

C : exceed liabilities and stockholders equity by \$30,000

D : exceed liabilities and stockholders equity by \$40,000

Correct Answer : C

34 : Which of the following is considered to be a liability?

A : Prepaid expenses

B : Investments

C : Unearned revenues

D : Accrued revenues

Correct Answer : C

35 : Which of the following group of accounts are all assets?

A : Cash, Accounts Payable, Buildings

B : Accounts Receivable, Revenue, Cash

C : Prepaid Expenses, Buildings, Patents

D : Unearned Revenues, Prepaid Expenses, Cash

Correct Answer : C

36 : Expenses can be defined as _____.

A : assets consumed

B : services used in the process of generating revenues

C : costs that have been incurred during the normal course of business

D : all of these

Correct Answer : D

37 : The gross increases in stockholders' equity attributable to business activities are called _____.

A : assets

B : liabilities

C : revenues

D : net income

Correct Answer : C

38 : The payment of \$20,000 for expenses was incorrectly recorded by Elite Co. as an increase in cash of \$20,000 and a decrease in retained earnings of \$20,000. What is the effect of this error on the accounting equation?

A : Total assets will exceed total liabilities and stockholders equity by \$20,000.

- B : Total assets will exceed total liabilities and stockholders equity by \$40,000.
- C : Total assets will be less than total liabilities and stockholders equity by \$40,000.
- D : The error will not affect the accounting equation.

Correct Answer : B

39 : The stockholders' equity will increase as a result of the _____.

- A : issue of common stock
- B : repayment of long-term debt
- C : buyback of common stock
- D : [issue of long-term debt](#)

Correct Answer : A

40 : A _____ is an economic event that under generally accepted accounting principles affects an element of the financial statements and must be recorded.

- A : framework
- B : control
- C : set of rules
- D : transaction

Correct Answer : D

41 : The statement of cash flows is integrated with the balance sheet because _____.

- A : the cash at the beginning of the period plus or minus the cash flows from operating, investing, and financing activities equals the end of period cash reported on the balance sheet
- B : the cash at the beginning of the period plus or minus the net income equals the end of period cash reported on the balance sheet
- C : the cash at the beginning of the period plus or minus assets and liabilities equals the end of period cash reported on the balance sheet
- D : the cash at the beginning of the period plus or minus the cash flows from operating activities equals the end of period cash reported on the balance sheet

Correct Answer : A

42 : Which of the following statements is true about liabilities?

- A : Liabilities include insurance premium paid in advance.
- B : Liabilities arise when a company sells goods on account.
- C : Liabilities equal assets plus stockholders equity.
- D : Liabilities are the debt owed by a company.

Correct Answer : D

43 : Which of the following situations increase stockholders' equity?

- A : Supplies are purchased on account.
- B : Services are provided on account.
- C : Cash is received from customers.
- D : Utility bill will be paid next month.

Correct Answer : B

44 : Which of the following transactions changes the mix of only liabilities?

- A : Paying off accounts payables by increasing a short-term loan

- B : Writing off accounts receivable as bad debt
- C : Financing the purchase of land with a long-term loan
- D : [Paying accounts receivable with cash](#)

Correct Answer : A

45 : Which of the following transactions changes the mix of only liabilities?

- A : \$32,000
- B : \$22,800
- C : \$86,800
- D : Cannot be determined with this information

Correct Answer : B

46 : Which of the following transactions changes the mix of only liabilities?

- A : (\$1,450)
- B : \$1,450
- C : \$7,250
- D : (\$7,250)

Correct Answer : B

47 : Rush Corporation borrowed \$25,000 from the bank. Which of the following accurately shows the effects of the transaction?

- A : Increase cash \$25,000 and decrease notes payable \$25,000
- B : Increase cash \$25,000 and increase notes payable \$25,000
- C : Decrease cash \$25,000 and decrease notes payable \$25,000
- D : Decrease cash \$25,000 and increase notes payable \$25,000

Correct Answer : B

48 : Flow Inc. received cash from fees earned. How does this transaction affect the Statement of Cash Flows?

- A : Increase cash from Operating Activities
- B : Increase cash from Investing Activities
- C : Increase cash from Financing Activities
- D : No effect on the Statement of Cash Flows

Correct Answer : A

49 : Yuan Corporation purchased office equipment on account. What is the effect of this transaction?

- A : Cash will decrease and office equipment will increase.
- B : Total assets will increase, and shareholders equity will decrease.
- C : Total assets and total liabilities will increase.
- D : Cash flow from financing activities will decrease.

Correct Answer : C

50 : Johnson, Inc., paid rent expense of \$3,500 for the month of October. How are the accounts affected due to this transaction?

- A : Increase in cash \$3,500 and increase in retained earnings \$3,500
- B : Increase in cash \$3,500 and decrease in retained earnings \$3,500
- C : Decrease in cash \$3,500 and decrease in retained earnings \$3,500

D : Decrease in cash \$3,500 and increase in retained earnings \$3,500

Correct Answer : C

51 : Johnson, Inc., purchased land for cash. What effect does this transaction have?

- A : Increase in Cash and decrease in Land
- B : Decrease in Cash and decrease in Land
- C : Increase in Cash and increase in Land
- D : Decrease in Cash and increase in Land

Correct Answer : D

52 : Johnson, Inc., issued \$15,000 in common stock in exchange for cash. What is the effect of this transaction?

- A : Total assets remain unchanged.
- B : Cash flow from Financing Activities will increase.
- C : Net Income will increase.
- D : Total Retained Earnings will increase.

Correct Answer : B

53 : Johnson, Inc., receives \$5,000 cash for fees earned. What is the effect of this transaction?

- A : Total assets remain unchanged.
- B : Cash flow from Financing Activities will increase.
- C : Net income will increase.
- D : Retained earnings will remain unchanged.

Correct Answer : C

54 : Stockholders' equity will be reduced by _____.

- A : a payment of dividends
- B : an increase in revenues
- C : an owners investments
- D : an issuance of bonds

Correct Answer : A

55 : ABC Company deposited \$20,000 in a bank account in return for issuing shares in the corporation. This transaction would affect which two financial statement elements?

- A : Assets and stockholders equity
- B : Assets and liabilities
- C : Liabilities and stockholders equity
- D : None of these

Correct Answer : A

56 : JNC Company sells its products for cash, at a profit of 20%. Which of the following financial statement elements are affected as a result of this transaction?

- A : Assets
- B : Assets and liabilities
- C : Liabilities and stockholders equity
- D : Assets and stockholders equity

Correct Answer : D

57 : Lazer Company paid a utility bill of \$12,000 and paid rent of \$20,000. As a result of these transactions, the stockholders' equity _____.

- A : increases by \$8,000
- B : decreases by \$32,000
- C : increases by \$20,000
- D : decreases by \$12,000

Correct Answer : B

58 : WFC Company paid wages of \$50,000 and received interest of \$60,000. As a result of these transactions, the stockholders' equity _____.

- A : increases by \$ 60,000
- B : decreases by \$110,000
- C : increases by \$10,000
- D : decreases by \$50,000

Correct Answer : C

59 : If liabilities have a balance of \$10,000 and stockholders' equity has a balance of \$60,000, then assets must have a balance of _____.

- A : \$50,000
- B : \$60,000
- C : \$70,000
- D : \$10,000

Correct Answer : C

60 : Which of the following transactions changes the mix of assets only?

- A : Paid for supplies with cash
- B : Borrowed money from Second National Bank
- C : Received money for fees earned
- D : Received a utility bill

Correct Answer : A

61 : If assets have a balance of \$80,000 and stockholders' equity has a balance of \$60,000, then liabilities must have a balance of _____.

- A : \$140,000
- B : \$60,000
- C : \$80,000
- D : \$20,000

Correct Answer : D

62 : Dim Co. issues common stock of \$15,000. Which of the following statements regarding the effect of this transaction on the company's liquidity and profitability metric is true?

- A : The transaction increases the liquidity and decreases the profitability of the company.
- B : The transaction decreases the liquidity and increases the profitability of the company.
- C : The transaction increases the liquidity and has no effect on the profitability of the company.
- D : The transaction has no effect on the liquidity and increases the profitability of the company.

Correct Answer : C

63 : Dim Co. issues common stock of \$15,000. Which of the following statements regarding the effect of this transaction on the company's liquidity and profitability metric is true?

- A : increases by \$75,000
- B : increases by \$10,000
- C : decreases by \$25,000
- D : decreases by \$50,000

Correct Answer : B

64 : Jade Inc. paid rent of \$25,000 for the current month. This transaction _____.

- A : decreases the profitability of the company
- B : has no effect on the profitability of the company
- C : increases the liquidity of the company
- D : has no effect on the liquidity of the company

Correct Answer : A

65 : Blue Lilly Co. paid \$50,000 of dividends to stockholders. As a result of this transaction, _____.

- A : the liquidity of Blue Lilly Co. increases
- B : the profitability of Blue Lilly Co. remains unchanged
- C : the profitability of Blue Lilly Co. decreases
- D : the liquidity of Blue Lilly Co. remains unchanged

Correct Answer : B

66 : JNC Co. buys equipment for \$1,500,000 cash. This transaction _____.

- A : decreases JNC Co.s liquidity and has no effect on its profitability metric
- B : has no effect on JNC Co.s liquidity and profitability
- C : increases JNC Co.s liquidity and profitability
- D : has no effect on JNC Co.s liquidity and decreases its profitability

Correct Answer : A

67 : ABC Inc. borrows \$50,000 from a bank to finance its operations. Which of the following statements regarding the effect of this transaction on the company's liquidity and profitability metric is true?

- A : The transaction decreases the liquidity and increases the profitability of ABC Inc.
- B : The transaction increases the liquidity and decreases the profitability of ABC Inc.
- C : The transaction has no effect on the liquidity and profitability of ABC Inc.
- D : The transaction increases the liquidity and has no effect on the profitability of ABC Inc.

?

Correct Answer : D

68 : The statement of stockholders' equity is prepared _____.

- A : before the preparation of the income statement
- B : after the preparation of the statement of cash flows
- C : before the preparation of the balance sheet
- D : after the audit of the financial statements

Correct Answer : C

69 : The statement of stockholders' equity is prepared _____.

- A : \$70,000
- B : \$200,000
- C : \$60,000
- D : \$130,000

Correct Answer : C

70 : If total assets increased by \$500,000 during a period and total liabilities increased by \$420,000 during the same period, determine the net income (or loss) for the period, assuming no common stock was issued and dividends of \$40,000 were paid.

- A : \$40,000
- B : \$210,000
- C : \$120,000
- D : \$290,000

Correct Answer : C

71 : If total assets increased by \$500,000 during a period and total liabilities increased by \$420,000 during the same period, determine the net income (or loss) for the period, assuming no common stock was issued and dividends of \$40,000 were paid.

- A : \$140,000
- B : (\$20,000)
- C : \$160,000
- D : (\$60,000)

Correct Answer : B

72 : Glocal Inc. has retained earnings of \$60,000, common stock of \$110,000, and liabilities of \$35,000. The total assets of the company are worth _____.

- A : \$205,000
- B : \$145,000
- C : \$95,000
- D : \$170,000

Correct Answer : A

73 : Lewis Company has \$25,000 in retained earnings, \$40,000 in assets, and \$11,000 in liabilities. How much is in common stock?

- A : \$29,000
- B : \$25,000
- C : \$14,000
- D : \$4,000

Correct Answer : D

74 : A to Z Corporation paid a \$10,000 cash dividend. On the Statement of Cash Flows, the transaction would be classified as _____.

- A : Cash Flows from Operating Activities
- B : Cash Flows from Investing Activities
- C : Cash Flows from Financing Activities
- D : Noncash transaction

Correct Answer : C

75 : A to Z Corporation purchased a building for \$80,000 cash. On the Statement of Cash Flows, the transaction would be classified as _____.

- A : Cash Flows from Operating Activities
- B : Cash Flows from Investing Activities
- C : Cash Flows from Financing Activities
- D : Noncash transaction

Correct Answer : B

76 : A to Z Corporation issued a \$30,000 note payable to borrow cash from the bank. On the Statement of Cash Flows, the transaction would be classified as _____.

- A : Cash Flows from Operating Activities
- B : Cash Flows from Investing Activities
- C : Cash Flows from Financing Activities
- D : Noncash transaction

Correct Answer : C

77 : An increase in Stockholders' Equity from revenues earned will also result in an increase in _____.

- A : liabilities
- B : assets
- C : expenses
- D : cash flow from financing activities

Correct Answer : B

78 : For EFG Co., the transaction "payment to creditors" would _____.

- A : increase total assets
- B : decrease total assets
- C : have no effect on total assets
- D : decrease stockholders equity

Correct Answer : B

79 : For EFG Co., the transaction "cash sales to customers at a profit" would _____.

- A : increase total assets
- B : decrease total assets
- C : have no effect on total assets
- D : decrease stockholders equity

Correct Answer : A

80 : For EFG Co., the transaction "payment of interest expense" would _____.

- A : increase total assets

- B : decrease total assets
- C : have no effect on total assets
- D : increase stockholders equity

Correct Answer : B

81 : For EFG Co., the transaction "purchase of store equipment with cash" would _____.

- A : increase total assets
- B : decrease total assets
- C : have no effect on total assets
- D : decrease stockholders equity

Correct Answer : C

82 : For EFG Co., the transaction "payment of dividends" would _____.

- A : increase total assets
- B : decrease total assets
- C : have no effect on total assets
- D : increase stockholders equity

Correct Answer : B

83 : For EFG Co., the transaction "purchase of store equipment with a note payable" would _____.

- A : increase total assets
- B : decrease total assets
- C : have no effect on total assets
- D : decrease total liabilities

Correct Answer : A

84 : For EFG Co., the transaction "payment of quarterly taxes" would _____.

- A : increase total assets
- B : decrease total assets
- C : have no effect on total assets
- D : increase stockholders equity

Correct Answer : B

85 : For EFG Co., the transaction "receipt of interest income" would _____.

- A : increase total assets
- B : decrease total assets
- C : have no effect on total assets
- D : decrease total liabilities

Correct Answer : A

86 : For EFG Co., the transaction "receipt of a utility bill" would _____.

- A : increase total assets
- B : decrease total assets
- C : have no effect on total assets
- D : decrease total liabilities

Correct Answer : C

87 : For EFG Co., the transaction "billed a customer for fees earned" would _____.

- A : increase total assets
- B : decrease total assets
- C : have no effect on total assets
- D : increase total liabilities

Correct Answer : A

88 : The income statement for August indicates net income of \$100,000. The corporation also paid \$25,000 in dividends during the same period. If the company is in operation for only one month and has no beginning balance in retained earnings, what is the ending balance in retained earnings?

- A : \$75,000
- B : \$100,000
- C : \$20,000
- D : \$125,000

Correct Answer : A

89 : Anthony, Inc., buys land for \$50,000 cash. The net effect on assets is _____.

- A : \$50,000 increase
- B : \$0
- C : \$50,000 decrease
- D : \$25,000 increase

Correct Answer : B

90 : Declaring and paying cash dividends affects which account(s)?

- A : Cash only
- B : Common stock only
- C : Cash and retained earnings
- D : Cash and common stock

Correct Answer : C

91 : Buying equipment for cash affects which account(s)?

- A : Cash only
- B : Retained earnings only
- C : Equipment and retained earnings
- D : Cash and equipment

Correct Answer : D

92 : Inventory is less liquid than _____.

- A : accounts receivable
- B : land
- C : plant and equipment
- D : patents

Correct Answer : A

93 : Paying expenses affects which financial statement elements?

- A : Assets only
- B : Stockholders equity only
- C : Assets and stockholders equity
- D : Assets and liabilities

Correct Answer : C

94 : Paying expenses affects which financial statement elements?

- A : increases by \$340,000
- B : decreases by \$300,000
- C : increases by \$290,000
- D : decreases by \$640,000

Correct Answer : A

95 : Navy Inc. buys land for \$500,000 cash in the month of March. In March, it also paid wages of \$100,000. Which of the following statements is true with regards to the above transactions?

- A : Navy Inc.s profitability decreases by \$500,000, and liquidity decreases by \$100,000.
- B : Navy Inc.s liquidity decreases by \$600,000, and profitability remains unchanged.
- C : Navy Inc.s liquidity and profitability decrease by \$600,000.
- D : Navy Inc.s liquidity decreases by \$600,000, and profitability decreases by \$100,000.

Correct Answer : D

96 : The payment of a liability _____.

- A : decreases assets and stockholders equity
- B : increases assets and decreases liabilities
- C : decreases assets and increases liabilities
- D : decreases assets and decreases liabilities

Correct Answer : D

97 : The first month of operations showed the net cash from operating activities to be \$1,850, the net cash from investing activities to be (\$3,000), and the ending cash balance to be \$1,600. The net cash from financing activities must be _____.

- A : \$450
- B : \$2,750
- C : \$3,250
- D : \$6,450

Correct Answer : B

98 : A common-sized income statement is prepared by expressing income statement amounts as a percent of _____.

- A : sales
- B : purchases
- C : total assets
- D : profit

Correct Answer : A

99 : A common-sized balance sheet is prepared by expressing each liability item as a percent of _____.

- A : total sales

- B : total stockholders equity
- C : total liabilities
- D : total liabilities plus stockholders equity

Correct Answer : D

100 : A common-sized balance sheet is prepared by expressing each asset as a percent of _____.

- A : total current assets
- B : total assets
- C : total long-term assets
- D : total liabilities

Correct Answer : B

101 : A common-sized balance sheet is prepared by expressing each asset as a percent of _____.

- A : Increase of 2.1%
- B : Decrease of 1.4%
- C : Increase of 1.4%
- D : Decrease of 2.1%

Correct Answer : B