Survey of Accounting 6th edition Edmonds Test Bank

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Survey of Accounting 6th Edition by Edmonds Ch01

Answers are located in the second half of this document.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) In a market, creditors are resource providers.

⦾ true

⦾ false

Question Details
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
AICPA : BB Industry
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

2) In a market, a company that manufactures cars would be referred to as a business.

⦾ true

⦾ false

Question Details
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
Bloom's : Remember
AICPA : BB Industry
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

3) The value created by a business may be called assets.

⦾ true

⦾ false

Question Details
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Role of Accounting in Society
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

4) The stockholders of a business have a priority claim to its assets in the event of liquidation.

- ⦾ true
- ⦾ false

Question Details
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Role of Accounting in Society
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

5) The types of resources needed by a business are financial, physical, and labor resources.

- ⦾ true
- ⦾ false

Question Details
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Role of Accounting in Society
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

6) Financial accounting information is usually less detailed than managerial accounting information.

- ⦾ true
- ⦾ false

Question Details
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
AICPA : BB Industry
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

7) The Financial Accounting Standards Board is a privately funded organization with authority for establishing accounting standards for businesses in the US.

- ⦾ true
- ⦾ false

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

8) Detailed information about accounts is maintained in the various elements of the financial statements.

- ⦾ true
- ⦾ false

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 1 Easy
Topic : Elements of Financial Statements
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

9) Liabilities represent the future obligations of a business entity.

- ⦾ true
- ⦾ false

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 2 Medium
Topic : Elements of Financial Statements
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

10) Stockholders' equity is a source of a business's assets, but liabilities are not.

- ⦾ true
- ⦾ false

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 2 Medium
Topic : Elements of Financial Statements
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

11) Retained earnings reduces a company's commitment to use its assets for the benefit of its stockholders.

- ⦾ true
- ⦾ false

Question Details
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 2 Medium
Topic : Elements of Financial Statements
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

12) The historical cost concept requires that most assets be recorded at the amount paid for them, regardless of increases in market value.

⊚ true
⊚ false

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

13) An asset source transaction increases a business's assets and the claims to assets.

⊚ true
⊚ false

Question Details
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Topic : Recap: Types of Transactions
Type : Static
Gradable : automatic

14) Borrowing money from the bank is an example of an asset source transaction.

- ⊙ true
- ⊙ false

Question Details
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Topic : Recap: Types of Transactions
Type : Static
Gradable : automatic

15) An asset use transaction does not affect the total amount of claims to a company's assets.

- ⊙ true
- ⊙ false

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Recap: Types of Transactions
Type : Static
Gradable : automatic

16) The four financial statements prepared by a business bear no relationship to each other.

- ⦾ true
- ⦾ false

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

17) All of a business's temporary accounts appear on the income statement.

- ⦾ true
- ⦾ false

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Learning Objective : 01-09 Distinguish between permanent and temporary accounts.
Type : Static
Topic : Distinguish Between Permanent and Temporary Accounts
Gradable : automatic

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

18) Which of the following groups has the primary responsibility for establishing generally accepted accounting principles for business entities in the United States?

A) Securities and Exchange Commission
B) U.S. Congress
C) International Accounting Standards Board
D) Financial Accounting Standards Board

Question Details
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
AICPA : BB Legal
Difficulty : 1 Easy
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

19) The Heritage Company is a manufacturer of office furniture. Which term best describes Heritage's role in society?

A) Business
B) Regulatory agency
C) Consumer
D) Resource owner

Question Details
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
AICPA : BB Industry
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

20) Which resource providers lend financial resources to a business with the expectation of repayment with interest?

A) Consumers
B) Creditors
C) Investors
D) Owners

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

21) Which type of accounting information is intended to satisfy the needs of external users of accounting information?

A) Cost accounting
B) Managerial accounting
C) Tax accounting
D) Financial accounting

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

22) Which of the following is **false** regarding managerial accounting information?

A) It is often used by investors.
B) It is more detailed than financial accounting information.
C) It can include nonfinancial information.
D) It focuses on divisional rather than overall profitability.

Question Details
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
AICPA : BB Industry
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

23) Financial accounting standards are known collectively as GAAP. What does that acronym stand for?

A) Generally Accepted Accounting Principles
B) Generally Applied Accounting Procedures
C) Governmentally Approved Accounting Practices
D) Generally Authorized Auditing Principles

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

24) International accounting standards are formulated by the IASB. What does that acronym stand for?

A) Internationally Accepted Standards Board
B) International Accounting Standards Board
C) International Accountability Standards Bureau
D) International Accounting and Sustainability Board

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-01 Identify the ways accounting benefits society.
AACSB : Reflective Thinking
Bloom's : Remember
AICPA : BB Global
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Role of Accounting in Society
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

25) Jack Henry borrowed $800,000 from Walt Bank to open a new bike store called Wooden Wheels. Jack transferred $650,000 of the cash that he borrowed to the store on the first day of the year. How many reporting entities exist in this scenario?

A) One reporting entity
B) Two reporting entities
C) Three reporting entities
D) Four reporting entities

Question Details
Learning Objective : 01-02 Identify reporting entities.
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Reporting Entities
Type : Static
Gradable : automatic

26) Jack Henry borrowed $800,000 from Walt Bank to open a new bike store called Wooden Wheels. Jack transferred $650,000 of the cash he borrowed to Wooden Wheels on the first day of the year. Which of the following appropriately reflects the cash transactions between these reporting entities?

Option	Jack Henry	Wooden Wheels	Walt Bank
A.	$ 150,000 increase	$ 650,000 increase	$ 800,000 decrease
B.	$ 800,000 increase	$ 650,000 increase	$ 150,000 decrease
C.	$ 800,000 decrease	$ 800,000 increase	$ 650,000 decrease
D.	$ 650,000 increase	$ 150,000 increase	$ 800,000 decrease

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
Learning Objective : 01-02 Identify reporting entities.
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Reporting Entities
Type : Static
AICPA : BB FN Measurement
Gradable : automatic

27) Ellen Gatsby and her siblings, Ben and Sarah, started Gatsby Company when they each invested $100,000 in the company. After the investments there will be

A) One reporting entity
B) Two reporting entities
C) Three reporting entities
D) Four reporting entities

Question Details
Learning Objective : 01-02 Identify reporting entities.
AICPA : BB Critical Thinking
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Reporting Entities
Type : Static
Gradable : automatic

28) Which of the following is an accurate definition of the term “asset?”

A) An obligation to creditors
B) A resource that will be used to produce revenue
C) A transfer of wealth from the business to its stockholders
D) A sacrifice incurred from operating the business

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Creating an Accounting Equation
Type : Static
AICPA : BB FN Measurement
Gradable : automatic

29) Which of the following is (are) source(s) of assets to a business?

A) Creditors
B) Investors
C) Operations
D) All the answers represent sources of assets.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Creating an Accounting Equation
Type : Static
AICPA : BB FN Measurement
Gradable : automatic

30) If total assets decrease, then which of the following statements is true?

A) Liabilities must increase and retained earnings must decrease.
B) Common stock must decrease and retained earnings must increase.
C) Liabilities, common stock, or retained earnings must decrease.
D) Liabilities, common stock, or retained earnings must increase.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Creating an Accounting Equation
Type : Static
AICPA : BB FN Measurement
Gradable : automatic

31) Which of the following statements about liabilities is true?

A) They represent obligations to repay debts.
B) They may increase when assets increase.
C) They are found on the claims side of the accounting equation.
D) All of the answers are characteristics of liabilities.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Creating an Accounting Equation
Type : Static
Gradable : automatic

32) Which term describes assets generated through operations that have been reinvested into the business?

A) Liability
B) Dividend
C) Common stock
D) Retained earnings

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Creating an Accounting Equation
Type : Static
Gradable : automatic

33) Which of the following is an accurate depiction of the accounting equation?

A) Assets = Liabilities + Common Stock + Retained Earnings
B) Assets = Liabilities + Common Stock − Expenses
C) Assets = Liabilities + Retained Earnings − Dividends
D) Assets = Liabilities + Common Stock + Dividends

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Creating an Accounting Equation
Type : Static
Gradable : automatic

34) Which term describes a distribution of the business's assets back to the owners of the business?

A) Liability
B) Dividend
C) Retained earnings
D) Common stock

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Creating an Accounting Equation
Type : Static
Gradable : automatic

35) Finn Company reported assets of $1,000 and stockholders’ equity of $600. What amount will Finn report for liabilities?

A) $400
B) $600
C) $1,600
D) Cannot be determined

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Creating an Accounting Equation
Type : Static
Gradable : automatic

36) Which of the following items is an example of revenue?

A) Cash received from a bank loan
B) Cash received from investors from the sale of common stock
C) Cash received from customers at the time services were provided
D) Cash received from the sale of land for its original selling price

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

37) Which of the following is **not** an element of the financial statements?

A) Net income
B) Revenue
C) Assets
D) Cash

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 2 Medium
Topic : Elements of Financial Statements
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

38) The balance sheet of the Algonquin Company reported assets of $50,000, liabilities of $22,000 and common stock of $15,000. Based on this information only, what is the amount of retained earnings?

A) $7,000.
B) $57,000.
C) $13,000.
D) $87,000.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

39) Stosch Company's balance sheet reported assets of $132,000, liabilities of $33,000 and common stock of $30,000 as of December 31, Year 1. If Retained Earnings on the balance sheet as of December 31, Year 2, amount to $90,000 and Stosch paid a $32,000 dividend during Year 2, then the amount of net income for Year 2 was which of the following?

A) $21,000
B) $53,000
C) $69,000
D) $32,000

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Gradable : automatic

40) Stosch Company's balance sheet reported assets of $40,000, liabilities of $15,000 and common stock of $12,000 as of December 31, Year 1. If Retained Earnings on the balance sheet as of December 31, Year 2, amount to $18,000 and Stosch paid a $14,000 dividend during Year 2, then the amount of net income for Year 2 was which of the following?

A) $17,000
B) $19,000
C) $13,000
D) $21,000

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

41) Hazeltine Company issued common stock for $200,000 cash. As a result of this event, which of the following statements is true?

A) Assets increased.
B) Stockholders' equity increased.
C) Claims increased.
D) Assets, claims, and stockholders' equity all increased.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

42) If Ballard Company reported assets of $500 and liabilities of $200, Ballard's stockholders' equity equals:

A) $300.
B) $500.
C) $700.
D) Cannot be determined.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Identify the elements of the accounting equation.
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Creating an Accounting Equation
Type : Static
Gradable : automatic

43) If a company's total assets increased while liabilities and common stock were unchanged, then which of the following statements is true?

A) Revenues were greater than expenses.
B) Retained earnings were less than net income during the period.
C) No dividends were paid during the period.
D) The company must have purchased assets with cash.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

44) Li Company paid cash to purchase land. As a result of this accounting event, which of the following statements is true?

A) Total assets decreased.
B) Total assets were unaffected.
C) Total stockholders′ equity decreased.
D) Both assets and total stockholders′ equity decreased.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Topic : Types of Transactions
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

45) Wyatt Company was formed on January 1, Year 1, when it acquired $50,000 cash from issuing common stock. Which of the following shows the impact of this transaction on Wyatt′s accounting equation?

	Assets	=	Liabilities	+	Stockholders′ Equity
A.	+/−		n/a		n/a
B.	+		n/a		+
C.	−		n/a		−
D.	+		+		n/a

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

46) Wing Company borrowed $70,000 cash from Metropolitan Bank. Which of the following shows the impact of this transaction on Wing's accounting equation?

	Assets	**=**	**Liabilities**	**+**	**Stockholders' Equity**
A.	+/−		n/a		n/a
B.	+		n/a		+
C.	−		n/a		−
D.	+		+		n/a

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

47) Wing Company provided services for $30,000 cash. Which of the following shows the impact of this transaction on Wing's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity
A.	+/−		n/a		n/a
B.	+		n/a		+
C.	−		n/a		−
D.	+		+		n/a

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

48) Wing Company paid $20,000 cash in salaries to its employees. Which of the following shows the impact of this transaction on Wing’s accounting equation?

	Assets	**=**	**Liabilities**	**+**	**Stockholders’ Equity**
A.	+/−		n/a		n/a
B.	+		n/a		+
C.	−		n/a		−
D.	+		+		n/a

A) Option B
B) Option A
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

49) Wing Company paid $5,000 cash to purchase land. Which of the following shows the impact of this transaction on Wing's accounting equation?

	Assets	**=**	**Liabilities**	**+**	**Stockholders' Equity**
A.	+/−		n/a		n/a
B.	+		n/a		+
C.	−		n/a		−
D.	+		+		n/a

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

50) Turner Company reported assets of $20,000 (including cash of $9,000), liabilities of $8,000, common stock of $7,000, and retained earnings of $5,000. Based on this information, what can be concluded?

A) 25% of Turner's assets are the result of prior earnings.
B) $5,000 is the maximum dividend that can be paid to shareholders.
C) 40% of Turner's assets are the result of borrowing from creditors.
D) 25% of Turner's assets are from prior earnings, $5,000 is the maximum possible dividend, and 40% of assets are the result of borrowed resources.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-05 Interpret information shown in an accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Topic : Interpreting Information Shown in the Accounting Equation
Gradable : automatic

51) At the time of liquidation, Fairchild Company reported assets of $200,000, liabilities of $120,000, common stock of $90,000 and retained earnings of ($10,000). What amount of Fairchild's assets are the shareholders entitled to receive?

A) $200,000
B) $80,000
C) $90,000
D) $100,000

Question Details
AICPA : FN Measurement
Learning Objective : 01-05 Interpret information shown in an accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Type : Static
Topic : Interpreting Information Shown in the Accounting Equation
Gradable : automatic

52) As of December 31, Year 2, Bristol Company had $100,000 of assets, $40,000 of liabilities and $25,000 of retained earnings. What percentage of Bristol's assets were obtained from investors?

A) 60%
B) 25%
C) 40%
D) 35%

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-05 Interpret information shown in an accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Type : Static
Topic : Interpreting Information Shown in the Accounting Equation
Gradable : automatic

53) On January 1, Year 2, Chavez Company had beginning balances as follows:

Assets	= $12,500
Liabilities	= $ 4,500
Common Stock	= $ 3,000

During Year 2, Chavez paid dividends to its stockholders of $2,000. Given that ending retained earnings was $6,000, what was Chavez's net income for the Year 2?

A) $3,000
B) $5,000
C) $7,000
D) $2,000

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

54) The transaction, "provided services for cash," affects which two accounts?

A) Revenue and Expense
B) Cash and Revenue
C) Cash and Expense
D) Cash and Dividends

Question Details
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

55) During the year, Millstone Company earned $6,500 of cash revenue, paid cash dividends of $1,000 to stockholders and paid $4,000 for cash expenses. Liabilities were unchanged. Which of the following accurately describes the effect of these events on the elements of the company's financial statements?

A) Assets increased by $6,500.
B) Assets increased by $1,500.
C) Stockholders′ equity increased by $2,500.
D) Assets increased by $5,500.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

56) At the end of Year 2, retained earnings for the Baker Company was $3,350. Revenue earned by the company in Year 2 was $3,600, expenses paid during the period were $1,900, and dividends paid during the period were $1,300. Based on this information alone, what was the amount of retained earnings at the beginning of Year 2?

A) $3,750
B) $7,200
C) $2,950
D) $1,650

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Topic : Recording Business Events under the Accounting Equation
Gradable : automatic

57) At the end of Year 2, retained earnings for the Baker Company was $3,500. Revenue earned by the company in Year 2 was $1,500, expenses paid during the period were $800, and dividends paid during the period were $500. Based on this information alone, what was the amount of retained earnings at the beginning of Year 2?

A) $3,300
B) $3,700
C) $2,800
D) $3,800

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

58) Which of the following is not an asset use transaction?

A) Paying cash dividends
B) Paying cash expenses
C) Paying off the principal of a loan
D) Paying cash to purchase land

Question Details
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-04 Show how business events affect the accounting equation.
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Topic : Recap: Types of Transactions
Type : Static
Gradable : automatic

59) Borrowing cash from the bank is an example of which type of transaction?

A) Asset source
B) Claims exchange
C) Asset use
D) Asset exchange

Question Details
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Topic : Recap: Types of Transactions
Type : Static
Gradable : automatic

60) Which of the following could describe the effects of an asset exchange transaction on the accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity
A.	+/−		n/a		n/a
B.	+		n/a		+
C.	−		n/a		−
D.	+		+		n/a

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Recap: Types of Transactions
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

61) Which of the following does not describe the effects of an asset use transaction on the accounting equation?

	Balance Sheet					Income Statement					Statement of Cash Flow
	Assets	**=**	**Liabilities**	**+**	**Equity**	**Revenue**	**−**	**Expense**	**=**	**Net Income**	
A.	−	=	−	+	NA	NA	−	NA	=	NA	−OA
B.	−	=	−	+	NA	NA	−	NA	=	NA	−FA
C.	−	=	NA	+	−	NA	−	+	=	−	−OA
D.	NA	=	+	+	NA	+	−	+	=	−	NA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Recap: Types of Transactions
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

62) Which of the following cash transactions results in an increase to one asset account and a decrease to another asset account?

A) Borrowing cash from a bank
B) Issuing common stock for cash
C) Purchasing land for cash
D) Providing services for cash

Question Details
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

63) Which of the following items appears in the investing activities section of the statement of cash flows?

A) Cash inflow from interest revenue.
B) Cash inflow from the issuance of common stock.
C) Cash outflow for the payment of dividends.
D) Cash outflow for the purchase of land.

Question Details
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Reflective Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

64) Jackson Company had a net increase in cash from operating activities of $11,400 and a net decrease in cash from financing activities of $4,000. If the beginning and ending cash balances for the company were $5,000 and $10,600, respectively, what is the net cash change from investing activities?

A) An outflow or decrease of $1,800.
B) An inflow or increase of $4,000.
C) An inflow or increase of $1,800.
D) Zero.

Question Details
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Algorithmic
Gradable : automatic

65) Jackson Company had a net increase in cash from operating activities of $10,000 and a net decrease in cash from financing activities of $2,000. If the beginning and ending cash balances for the company were $4,000 and $11,000, respectively, what is the net cash change from investing activities?

A) An outflow or decrease of $1,000.
B) An inflow or increase of $2,000.
C) An inflow or increase of $1,000.
D) Zero

Question Details
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
AICPA : BB Resource Management
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

66) The year-end financial statements of Calloway Company contained the following elements and corresponding amounts: Assets = $37,000; Liabilities = ?; Common Stock = $6,700; Revenue = $14,400; Dividends = $1,600; Beginning Retained Earnings = $4,600; Ending Retained Earnings = $8,700.
Based on this information, the amount of expenses on Calloway's income statement was

A) $11,300.
B) $500.
C) $8,700.
D) $4,100.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Topic : Recording Business Events under the Accounting Equation
Gradable : automatic

67) The year-end financial statements of Calloway Company contained the following elements and corresponding amounts: Assets = $50,000; Liabilities = ?; Common Stock = $15,000; Revenue = $22,000; Dividends = $1,500; Beginning Retained Earnings = $3,500; Ending Retained Earnings = $7,500.
Based on this information, the amount of expenses on Calloway's income statement was:

A) $18,500.
B) $13,000.
C) $16,500.
D) $10,000.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

68) The year-end financial statements of Calloway Company contained the following elements and corresponding amounts: Assets = $31,000; Liabilities = ?; Common Stock = $6,100; Revenue = $13,200; Dividends = $1,300; Beginning Retained Earnings = $4,300; Ending Retained Earnings = $8,100.

The amount of liabilities reported on the end-of-period balance sheet was:

A) $20,600.
B) $16,800.
C) $22,900.
D) $24,900.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Gradable : automatic

69) The year-end financial statements of Calloway Company contained the following elements and corresponding amounts: Assets = $50,000; Liabilities = ?; Common Stock = $15,000; Revenue = $22,000; Dividends = $1,500; Beginning Retained Earnings = $3,500; Ending Retained Earnings = $7,500.

The amount of liabilities reported on the end-of-period balance sheet was:

A) $27,500.
B) $31,500.
C) $35,000.
D) $42,500.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

70) Which of the following financial statements provides information about a company as of a specific point in time?

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

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

71) Kelly Company experienced the following events during its first accounting period.

(1) Issued common stock for $10,000 cash.
(2) Earned $8,000 of cash revenue.
(3) Paid $1,000 cash to purchase land.
(4) Paid cash dividends amounting to $500.
(5) Paid $4,400 of cash expenses.

Based on this information, what is the amount of net income?

A) $2,100
B) $2,600
C) $3,600
D) $5,600

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

72) Which of the following shows the effects of paying a cash dividend on the balance sheet and income statement?

	Balance Sheet			Income Statement		
	Assets =	**Liabilities +**	**Stockholders' Equity**	**Revenue**	**Expense =**	**Net Income**
A.	−	+	n/a	n/a	n/a	n/a
B.	−	n/a	−	n/a	+	−
C.	−	n/a	+	n/a	+	−
D.	−	n/a	−	n/a	n/a	n/a

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

73) Which of the following shows the effects of providing services for cash on the balance sheet and income statement?

	Balance Sheet			Income Statement		
	Assets =	**Liabilities +**	**Stockholders' Equity**	**Revenue**	**Expense =**	**Net Income**

A.	+	n/a	n/a	+	n/a	+
B.	+	n/a	+	+	n/a	+
C.	−	n/a	+	n/a	+	−
D.	+	n/a	+	n/a	n/a	n/a

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

74) The statement of changes in stockholders’ equity shows changes in which of the following accounts?

A) Retained Earnings and Assets
B) Assets and Liabilities
C) Common Stock and Retained Earnings
D) Liabilities and Common Stock

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

75) Which of the following transactions would be reported on the statement of changes in stockholders’ equity?

A) Borrowed $5,000 cash from the bank
B) Paid a $100 cash dividend to the stockholders
C) Purchased land for $2,000 cash
D) Paid $1,500 cash to pay off a portion of its note payable

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

76) Dividends are reported on which financial statement?

A) Balance Sheet
B) Income Statement
C) Statement of Changes in Stockholders’ Equity
D) Both the income statement and statement of changes in stockholders’ equity

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

77) Salaries expense appears in the:

A) Liabilities section of the balance sheet
B) Financing activities section of the statement of cash flows
C) Asset section of the balance sheet
D) Expense section of the income statement

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

78) At the beginning of Year 2, Jones Company had a balance in common stock of $300,000 and a balance of retained earnings of $15,000. During Year 2, the following transactions occurred:

· Issued common stock for $90,000
· Earned net income of $50,000
· Paid dividends of $8,000
· Issued a note payable for $20,000

Based on the information provided, what is the total stockholders' equity on December 31, Year 2?

A) $147,000
B) $357,000
C) $427,000
D) $447,000

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

79) Which of the following accounts are permanent?

A) Retained earnings
B) All income statement accounts
C) Dividends
D) All balance sheet accounts including dividends.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Learning Objective : 01-09 Distinguish between permanent and temporary accounts.
Type : Static
Topic : Distinguish Between Permanent and Temporary Accounts
Gradable : automatic

80) In which section of a statement of cash flows would the payment of cash dividends be reported?

A) Investing activities
B) Operating activities
C) Financing activities
D) Dividends are not reported on the statement of cash flows.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

81) Which financial statement matches asset increases from operating a business with asset decreases from operating the business?

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

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

82) The amount of retained earnings is shown on the

A) income statement.
B) balance sheet.
C) statement of cash flows.
D) statement of changes in stockholders' equity.
E) balance sheet and statement of changes in stockholders' equity.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Understand
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

83) Chow Company earned $3,300 of cash revenue, paid $1,900 for cash expenses, and paid a $650 cash dividend to its stockholders. Which of the following statements is true?

A) The net cash inflow from operating activities was $750.
B) The net cash outflow for investing activities was $650.
C) The net cash inflow from operating activities was $1,400.
D) The net cash outflow for investing activities was $750.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Algorithmic
Gradable : automatic

84) Chow Company earned $1,500 of cash revenue, paid $1,200 for cash expenses, and paid a $200 cash dividend to its stockholders. Which of the following statements is true?

A) The net cash inflow from operating activities was $100.
B) The net cash outflow for investing activities was $200.
C) The net cash inflow from operating activities was $300.
D) The net cash outflow for investing activities was $100.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

85) Yi Company provided services to a customer for $5,500 cash. As a result of this event:

A) total assets increased and total stockholders' equity decreased.
B) total assets were unchanged and cash flows from operating activities increased.
C) liabilities decreased and net income increased.
D) total assets increased and net income increased.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

86) During Year 2, Chico Company earned $3,500 of cash revenue, paid $1,450 of cash expenses, and paid a $950 cash dividend to its stockholders. Based on this information alone, which of the following statements is not true?

A) Net income amounted to $2,050.
B) Total assets increased by $1,100.
C) Cash inflow from operating activities was $2,050.
D) Cash outflow from financing activities was $1,100.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-08 Prepare a statement of cash flows.
Learning Objective : 01-04 Show how business events affect the accounting equation.
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Topic : Preparing the Statement of Cash Flows
AACSB : Analytical Thinking
Type : Algorithmic
Topic : Recording Business Events under the Accounting Equation
Gradable : automatic

87) During Year 2, Chico Company earned $1,950 of cash revenue, paid $1,600 of cash expenses, and paid a $150 cash dividend to its stockholders. Based on this information alone, which of the following statements is not true?

A) Net income amounted to $350.
B) Total assets increased by $200.
C) Cash inflow from operating activities was $350.
D) Cash outflow from financing activities was $200.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-08 Prepare a statement of cash flows.
Learning Objective : 01-04 Show how business events affect the accounting equation.
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Topic : Preparing the Statement of Cash Flows
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

88) Which of the following items would appear in the financing activities section of the statement of cash flows?

A) Cash outflow for the purchase of land.
B) Cash inflow from sales revenue
C) Cash inflow from issuance of common stock
D) Cash outflow for the payment of accounts payable

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-08 Prepare a statement of cash flows.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

89) Glavine Company repaid a bank loan with cash. How should the cash flow from this event be shown on the horizontal financial statements model?

A) As an operating activity that decreases cash, decreases stockholders' equity, and decreases net income.
B) As a financing activity that decreases cash and decreases liabilities.
C) As a financing activity that decreases cash, decreases stockholders' equity, and decreases net income.
D) As an investing activity that decreases cash and decreases liabilities.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-08 Prepare a statement of cash flows.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

90) Retained Earnings at the beginning and ending of the period were $1,150 and $2,400, respectively. If revenues were $4,500 and dividends paid to stockholders were $1,050, what was the amount of expenses for the period?

A) $3,250.
B) $3,450.
C) $1,250.
D) $2,200.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Topic : Recording Business Events under the Accounting Equation
Gradable : automatic

91) Retained Earnings at the beginning and ending of the period were $300 and $800, respectively. If revenues were $1,100 and dividends paid to stockholders were $200, what was the amount of expenses for the period?

A) $500
B) $400
C) $900
D) $700

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : The Horizontal Financial Statements Model
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

92) Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1.1) issued stock for $60,000
2.2) borrowed $35,000 from its bank
3.3) provided consulting services for $59,000 cash
4.4) paid back $25,000 of the bank loan
5.5) paid rent expense for $14,000
6.6) purchased equipment for $22,000 cash
7.7) paid $4,000 dividends to stockholders
8.8) paid employees' salaries of $31,000

What is Yowell's net cash flow from operating activities?

A) Inflow of $14,000
B) Inflow of $45,000
C) Inflow of $28,000
D) Inflow of $10,000

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Algorithmic
Gradable : automatic

93) Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1) issued stock for $40,000
2) borrowed $25,000 from its bank
3) provided consulting services for $39,000 cash
4) paid back $15,000 of the bank loan
5) paid rent expense for $9,000
6) purchased equipment for $12,000 cash
7) paid $3,000 dividends to stockholders
8) paid employees' salaries of $21,000

What is Yowell's net cash flow from operating activities?

A) Inflow of $6,000
B) Inflow of $9,000
C) Inflow of $18,000
D) Inflow of $30,000

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

94) Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1.1) issued stock for $70,000
2.2) borrowed $40,000 from its bank
3.3) provided consulting services for $69,000 cash
4.4) paid back $30,000 of the bank loan
5.5) paid rent expense for $16,500
6.6) purchased equipment for $27,000 cash
7.7) paid $4,500 dividends to stockholders
8.8) paid employees' salaries of $36,000

What is Yowell's notes payable balance at the end of Year 1?

A) $0
B) $40,000
C) $10,000
D) $30,000

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Topic : Recording Business Events under the Accounting Equation
Gradable : automatic

95) Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1) issued stock for $40,000
2) borrowed $25,000 from its bank
3) provided consulting services for $39,000 cash
4) paid back $15,000 of the bank loan
5) paid rent expense for $9,000
6) purchased equipment for $12,000 cash
7) paid $3,000 dividends to stockholders
8) paid employees' salaries of $21,000

What is Yowell's notes payable balance at the end of Year 1?

A) $0
B) $25,000
C) ($15,000)
D) $10,000

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

96) Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1.1) issued stock for $52,000
2.2) borrowed $31,000 from its bank
3.3) provided consulting services for $51,000 cash
4.4) paid back $21,000 of the bank loan
5.5) paid rent expense for $12,000
6.6) purchased equipment for $18,000 cash
7.7) paid $3,600 dividends to stockholders
8.8) paid employees' salaries of $27,000

What is Yowell's net income for Year 1?

A) $12,000
B) $8,400
C) $39,000
D) $23,400

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Gradable : automatic

97) Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1) issued stock for $40,000
2) borrowed $25,000 from its bank
3) provided consulting services for $39,000 cash
4) paid back $15,000 of the bank loan
5) paid rent expense for $9,000
6) purchased equipment for $12,000 cash
7) paid $3,000 dividends to stockholders
8) paid employees' salaries of $21,000

What is Yowell's net income for Year 1?

A) $9,000
B) $30,000
C) $18,000
D) $6,000

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

98) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.1) Acquired $1,400 cash from the issue of common stock.
2.2) Borrowed $870 from a bank.
3.3) Earned $1,050 of revenues cash.
4.4) Paid expenses of $340.
5.5) Paid a $140 dividend.
During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)
1.1) Issued an additional $775 of common stock.
2.2) Repaid $535 of its debt to the bank.
3.3) Earned revenues of $1,200 cash.
4.4) Incurred expenses of $540.
5.5) Paid dividends of $190.
What is the amount of Packard Company's net cash flow from financing activities for Year 2?

A) Net outflow of $535.
B) Net outflow of $725.
C) Net inflow of $50.
D) Net inflow of $585.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Algorithmic
Gradable : automatic

99) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)

1) Acquired $950 cash from the issue of common stock.
2) Borrowed $420 from a bank.
3) Earned $650 of revenues cash.
4) Paid expenses of $250.
5) Paid a $50 dividend.

During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)

1) Issued an additional $325 of common stock.
2) Repaid $220 of its debt to the bank.
3) Earned revenues of $750 cash.
4) Incurred expenses of $360.
5) Paid dividends of $100.

What is the amount of Packard Company's net cash flow from financing activities for Year 2?

A) Net outflow of $220
B) Net outflow of $320
C) Net inflow of $5
D) Net inflow of $225

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

100) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.1) Acquired $1,900 cash from the issue of common stock.
2.2) Borrowed $1,370 from a bank.
3.3) Earned $1,550 of revenues cash.
4.4) Paid expenses of $440.
5.5) Paid a $240 dividend.
During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)
1.1) Issued an additional $1,275 of common stock.
2.2) Repaid $885 of its debt to the bank.
3.3) Earned revenues of $1,700 cash.
4.4) Incurred expenses of $740.
5.5) Paid dividends of $290.
What is Packard's retained earnings account balance at the end of Year 1 before the process of closing the accounts has been undertaken?

A) $1,110.
B) $0
C) $870.
D) $1,210.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Accessibility : Screen Reader Compatible
Type : Algorithmic
Topic : Recording Business Events under the Accounting Equation
Gradable : automatic

101) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)

1) Acquired $950 cash from the issue of common stock.
2) Borrowed $420 from a bank.
3) Earned $650 of revenues cash.
4) Paid expenses of $250.
5) Paid a $50 dividend.

During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)

1) Issued an additional $325 of common stock.
2) Repaid $220 of its debt to the bank.
3) Earned revenues of $750 cash.
4) Incurred expenses of $360.
5) Paid dividends of $100.

What is Packard's retained earnings account balance at the end of Year 1 before the process of closing the accounts has been undertaken?

A) $400
B) $0
C) $350
D) $450

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Type : Static
Gradable : automatic

102) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.1) Acquired $1,650 cash from the issue of common stock.
2.2) Borrowed $1,120 from a bank.
3.3) Earned $1,300 of revenues cash.
4.4) Paid expenses of $390.
5.5) Paid a $190 dividend.
During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)
1.1) Issued an additional $1,025 of common stock.
2.2) Repaid $710 of its debt to the bank.
3.3) Earned revenues of $1,450 cash.
4.4) Incurred expenses of $640.
5.5) Paid dividends of $240.
What was the amount of total stockholders' equity on Packard's balance sheet at the end of Year 1?

A) $390
B) $2,560
C) $1,460
D) $2,370

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Gradable : automatic

103) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)

1) Acquired $950 cash from the issue of common stock.
2) Borrowed $420 from a bank.
3) Earned $650 of revenues cash.
4) Paid expenses of $250.
5) Paid a $50 dividend.

During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)

1) Issued an additional $325 of common stock.
2) Repaid $220 of its debt to the bank.
3) Earned revenues of $750 cash.
4) Incurred expenses of $360.
5) Paid dividends of $100.

What was the amount of total stockholders′ equity on Packard's balance sheet at the end of Year 1?

A) $1,350
B) $900
C) $250
D) $1,300

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

104) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.1) Acquired $1,050 cash from the issue of common stock.
2.2) Borrowed $520 from a bank.
3.3) Earned $700 of revenues cash.
4.4) Paid expenses of $270.
5.5) Paid a $70 dividend.
During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)
1.1) Issued an additional $425 of common stock.
2.2) Repaid $290 of its debt to the bank.
3.3) Earned revenues of $850 cash.
4.4) Incurred expenses of $400.
5.5) Paid dividends of $120.
What is the amount of retained earnings that will be reported on Packard's Year 2 balance sheet?

A) $920
B) $530
C) $690
D) $810

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Type : Algorithmic
Gradable : automatic

105) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)

1) Acquired $950 cash from the issue of common stock.
2) Borrowed $420 from a bank.
3) Earned $650 of revenues cash.
4) Paid expenses of $250.
5) Paid a $50 dividend.

During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)

1) Issued an additional $325 of common stock.
2) Repaid $220 of its debt to the bank.
3) Earned revenues of $750 cash.
4) Incurred expenses of $360.
5) Paid dividends of $100.

What is the amount of retained earnings that will be reported on Packard's Year 2 balance sheet?

A) $640
B) $800
C) $290
D) $740

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

106) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.1) Acquired $1,600 cash from the issue of common stock.
2.2) Borrowed $1,070 from a bank.
3.3) Earned $1,250 of revenues cash.
4.4) Paid expenses of $380.
5.5) Paid a $180 dividend.
During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)
1.1) Issued an additional $975 of common stock.
2.2) Repaid $675 of its debt to the bank.
3.3) Earned revenues of $1,400 cash.
4.4) Paid expenses of $620.
5.5) Paid dividends of $230.
What is the amount of total assets that will be reported on Packard's balance sheet at the end of Year 2?

A) $780
B) $4,440
C) $4,210
D) $850

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Gradable : automatic

107) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)

1) Acquired $950 cash from the issue of common stock.
2) Borrowed $420 from a bank.
3) Earned $650 of revenues cash.
4) Paid expenses of $250.
5) Paid a $50 dividend.

During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)

1) Issued an additional $325 of common stock.
2) Repaid $220 of its debt to the bank.
3) Earned revenues of $750 cash.
4) Paid expenses of $360.
5) Paid dividends of $100.

What is the amount of total assets that will be reported on Packard's balance sheet at the end of Year 2?

A) $2,115
B) $440
C) $2,215
D) $395

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

108) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.1) Acquired $1,150 cash from the issue of common stock.
2.2) Borrowed $620 from a bank.
3.3) Earned $800 of revenues cash.
4.4) Paid expenses of $290.
5.5) Paid a $90 dividend.
During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)
1.1) Issued an additional $525 of common stock.
2.2) Repaid $360 of its debt to the bank.
3.3) Earned revenues of $950 cash.
4.4) Incurred expenses of $440.
5.5) Paid dividends of $140.
What is the net cash inflow from operating activities on Packard's statement of cash flows for Year 2?

A) $420
B) $510
C) $800
D) $1,175

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Algorithmic
Topic : Recording Business Events under the Accounting Equation
Gradable : automatic

109) Packard Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)

1) Acquired $950 cash from the issue of common stock.
2) Borrowed $420 from a bank.
3) Earned $650 of revenues cash.
4) Paid expenses of $250.
5) Paid a $50 dividend.

During Year 2, Packard engaged in the following transactions. (Assume all transactions are cash transactions.)

1) Issued an additional $325 of common stock.
2) Repaid $220 of its debt to the bank.
3) Earned revenues of $750 cash.
4) Incurred expenses of $360.
5) Paid dividends of $100.

What is the net cash inflow from operating activities on Packard's statement of cash flows for Year 2?

A) $390
B) $650
C) $350
D) $820

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

110) Which of the following items would appear in the cash flow from financing activities section of a statement of cash flows?

A) Paid cash for dividends
B) Received cash for common stock
C) Sold land for cash
D) Paying cash for dividends as well as receiving cash from common stock

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Reflective Thinking
Bloom's : Understand
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

111) Santa Fe Company was started on January 1, Year 1, when it acquired $9,300 cash by issuing common stock. During Year 1, the company earned cash revenues of $5,450, paid cash expenses of $3,400, and paid a cash dividend of $950. Based on this information, which of the following statements is true?

A) The Year 1 statement of cash flows would show net cash inflow from operating activities of $9,300.
B) The balance sheet at December 31, Year 1 would show total stockholders′ equity of $14,750.
C) The Year 1 statement of cash flows would show a net cash flow from financing activities of $8,350.
D) The Year 1 income statement would show net income of $1,100.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-08 Prepare a statement of cash flows.
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Topic : Preparing the Statement of Cash Flows
AACSB : Analytical Thinking
Type : Algorithmic
Gradable : automatic

112) Santa Fe Company was started on January 1, Year 1, when it acquired $9,000 cash by issuing common stock. During Year 1, the company earned cash revenues of $4,500, paid cash expenses of $3,750, and paid a cash dividend of $250. Based on this information, which of the following statements is true?

A) The balance sheet at December 31, Year 1 would show total stockholders’ equity of $8,750.
B) The Year 1 income statement would show net income of $500.
C) The Year 1 statement of cash flows would show net cash inflow from operating activities of $4,500.
D) The Year 1 statement of cash flows would show a net cash flow from financing activities of $8,750.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-08 Prepare a statement of cash flows.
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Topic : Preparing the Statement of Cash Flows
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

113) Robertson Company paid $1,850 cash for rent expense. As a result of this business event:

A) Total stockholders’ equity decreased.
B) Liabilities decreased.
C) The net cash flow from operating activities decreased.
D) Both total stockholders’ equity and net cash flow for operating activities decreased.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

114) Mayberry Company paid $30,000 cash to purchase land. As a result of this business event:

A) Total stockholders’ equity was not affected.
B) The net cash flow from investing activities decreased.
C) Total assets were not affected.
D) Total assets and total stockholders’ equity were not affected, and net cash flow from investing activities decreased.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

115) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.1) Acquired $3,900 cash from issuing common stock.
2.2) Borrowed $2,650 from a bank.
3.3) Earned $3,550 of revenues.
4.4) Incurred $2,490 in expenses.
5.5) Paid dividends of $490.

Lexington Company engaged in the following transactions during Year 2:
1.1) Acquired an additional $950 cash from the issue of common stock.
2.2) Repaid $1,615 of its debt to the bank.
3.3) Earned revenues, $4,950.
4.4) Incurred expenses of $2,930.
5.5) Paid dividends of $1,180.

What is the net cash flow from financing activities on Lexington's statement of cash flows for Year 2?

A) $230 outflow
B) $1,845 inflow
C) $230 outflow
D) $1,845 outflow
E) $950 inflow

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Preparing the Statement of Cash Flows
Type : Algorithmic
Gradable : automatic

116) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.Acquired $6,000 cash from issuing common stock.
2.Borrowed $4,400 from a bank.
3.Earned $6,200 of revenues.
4.Incurred $4,800 in expenses.
5.Paid dividends of $800.

Lexington Company engaged in the following transactions during Year 2:
1.Acquired an additional $1,000 cash from the issue of common stock.
2.Repaid $2,600 of its debt to the bank.
3.Earned revenues, $9,000.
4.Incurred expenses of $5,500.
5.Paid dividends of $1,280.

What is the net cash flow from financing activities on Lexington's statement of cash flows for Year 2?

A) $2,880 outflow
B) $2,880 inflow
C) $1,000 outflow
D) $1,000 inflow

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Knowledge Application
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

117) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.1) Acquired $4,800 cash from issuing common stock.
2.2) Borrowed $3,100 from a bank.
3.3) Earned $4,000 of revenues.
4.4) Incurred $2,580 in expenses.
5.5) Paid dividends of $580.

Lexington Company engaged in the following transactions during Year 2:
1.1) Acquired an additional $1,400 cash from the issue of common stock.
2.2) Repaid $1,930 of its debt to the bank.
3.3) Earned revenues, $5,400.
4.4) Incurred expenses of $3,110.
5.5) Paid dividends of $1,720.

The amount of total assets on Lexington's balance sheet at the end of Year 1 was:

A) $8,740.
B) $3,980.
C) $8,520.
D) $1,700.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Gradable : automatic

118) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.Acquired $6,000 cash from issuing common stock.
2.Borrowed $4,400 from a bank.
3.Earned $6,200 of revenues.
4.Incurred $4,800 in expenses.
5.Paid dividends of $800.

Lexington Company engaged in the following transactions during Year 2:
1.Acquired an additional $1,000 cash from the issue of common stock.
2.Repaid $2,600 of its debt to the bank.
3.Earned revenues, $9,000.
4.Incurred expenses of $5,500.
5.Paid dividends of $1,280.

The amount of total assets on Lexington's balance sheet at the end of Year 1 was:

A) $11,000
B) $12,000
C) $1,600
D) $7,600

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

119) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.1) Acquired $3,600 cash from issuing common stock.
2.2) Borrowed $2,500 from a bank.
3.3) Earned $3,400 of revenues.
4.4) Incurred $2,460 in expenses.
5.5) Paid dividends of $460.

Lexington Company engaged in the following transactions during Year 2:
1.1) Acquired an additional $800 cash from the issue of common stock.
2.2) Repaid $1,510 of its debt to the bank.
3.3) Earned revenues, $4,800.
4.4) Incurred expenses of $2,870.
5.5) Paid dividends of $1,000.

The amount of retained earnings on Lexington's balance sheet at the end of Year 1 was:

A) $480.
B) $3,400.
C) $940.
D) $2,940.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Gradable : automatic

120) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.Acquired $6,000 cash from issuing common stock.
2.Borrowed $4,400 from a bank.
3.Earned $6,200 of revenues.
4.Incurred $4,800 in expenses.
5.Paid dividends of $800.

Lexington Company engaged in the following transactions during Year 2:
1.Acquired an additional $1,000 cash from the issue of common stock.
2.Repaid $2,600 of its debt to the bank.
3.Earned revenues, $9,000.
4.Incurred expenses of $5,500.
5.Paid dividends of $1,280.

The amount of retained earnings on Lexington's balance sheet at the end of Year 1 was:

A) $6,200
B) $5,400
C) $1,400
D) $600

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

121) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.1) Acquired $3,100 cash from issuing common stock.
2.2) Borrowed $2,250 from a bank.
3.3) Earned $3,150 of revenues.
4.4) Incurred $2,410 in expenses.
5.5) Paid dividends of $410.

Lexington Company engaged in the following transactions during Year 2:
1.1) Acquired an additional $550 cash from the issue of common stock.
2.2) Repaid $1,335 of its debt to the bank.
3.3) Earned revenues, $4,550.
4.4) Incurred expenses of $2,770.
5.5) Paid dividends of $700.

Total liabilities on Lexington's balance sheet at the end of Year 1 equal:

A) $290.
B) ($1,335).
C) $2,250.
D) $550.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Algorithmic
Gradable : automatic

122) Lexington Company engaged in the following transactions during Year 1, its first year of operations. (Assume all transactions are cash transactions.)
1.Acquired $6,000 cash from issuing common stock.
2.Borrowed $4,400 from a bank.
3.Earned $6,200 of revenues.
4.Incurred $4,800 in expenses.
5.Paid dividends of $800.

Lexington Company engaged in the following transactions during Year 2:
1.Acquired an additional $1,000 cash from the issue of common stock.
2.Repaid $2,600 of its debt to the bank.
3.Earned revenues, $9,000.
4.Incurred expenses of $5,500.
5.Paid dividends of $1,280.

Total liabilities on Lexington's balance sheet at the end of Year 1 equal:

A) $1,000
B) $4,400
C) ($2,600)
D) $480

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

123) As of December 31, Year 1, Mason Company had $500 cash. During Year 2, Mason earned $1,200 of cash revenue and paid $800 of cash expenses. What is the amount of cash that would be reported on the balance sheet at the end of Year 2?

A) $900.
B) $400.
C) $1,700.
D) $2,500.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-04 Show how business events affect the accounting equation.
AACSB : Knowledge Application
Bloom's : Apply
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Topic : Recording Business Events Under the Accounting Equation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

124) Expenses are shown on the:

A) income statement
B) balance sheet
C) statement of changes in stockholders' equity
D) the income statement and statement of changes in stockholders' equity

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

125) At the beginning of Year 2, X Company had assets of $300, liabilities of $150, and common stock of $50. During Year 2, the company earned revenue of $500, incurred expenses of $200, and paid dividends of $50. All transactions were **cash** transactions

The amount of net income reported on X Company's December 31, Year 2 income statement would be

A) $500
B) $300
C) $250
D) None of these answers are correct.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

126) At the beginning of Year 2, X Company had assets of $300, liabilities of $150, and common stock of $50. During Year 2, the company earned revenue of $500, incurred expenses of $200, and paid dividends of $50. All transactions were **cash** transactions

The amount of retained earnings reported on X Company's December 31, Year 2 balance sheet would be

A) $100
B) $250
C) $350
D) None of these answers are correct.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

127) At the beginning of Year 2, X Company had assets of $300, liabilities of $150, and common stock of $50. During Year 2, the company earned revenue of $500, incurred expenses of $200, and paid dividends of $50. All transactions were **cash** transactions

The amount of total assets reported on X Company's December 31, Year 2 balance sheet would be

A) $550
B) $250
C) $300
D) None of these answers are correct.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

128) Dividends paid by a company are shown on the:

A) Income statement
B) Statement of changes in stockholders' equity
C) Statement of cash flows
D) Statement of changes in stockholders' equity and statement of cash flows

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Reflective Thinking
Bloom's : Remember
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

129) Liabilities are shown on the:

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

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Reflective Thinking
Bloom's : Remember
Learning Objective : 01-07 Prepare an income statement, a statement of changes in stockholders equity
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing an Income Statement, a Statement of Changes in Stockholders' Equity, and a Balance
Type : Static
Gradable : automatic

130) Which of the following would appear in the investing activities section of the statement of cash flows?

A) Cash outflow for the purchase of supplies
B) Cash inflow from interest revenue
C) Cash inflow from issuance of common stock
D) Cash outflow for the purchase of land

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Prepare a statement of cash flows.
AACSB : Reflective Thinking
Bloom's : Remember
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
Gradable : automatic

131) Which of following illustrates how earning $4,000 cash for providing services to customers affects the financial statements?

	Balance Sheet			Income Statement			Statement of Cash Flows
	Assets =	Liabilities +	Stockholders' Equity	Revenue −	Expense =	Net Income	
A.	4,000	n/a	4,000	n/a	n/a	n/a	4,000 OA
B.	4,000	n/a	4,000	4,000	n/a	4,000	n/a
C.	4,000	n/a	4,000	4,000	n/a	4,000	4,000 OA
D.	4,000	4,000	n/a	4,000	n/a	4,000	4,000 OA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

132) Jackson Company paid $500 cash for salary expenses. Which of the following choices accurately reflects how this event affects the company's financial statements?

	Balance Sheet			Income Statement			Statement of Cash Flows
	Assets =	Liabilities +	Stockholders' Equity	Revenue −	Expense =	Net Income	
A.	n/a	500	(500)	n/a	500	(500)	n/a
B.	(500)	n/a	(500)	n/a	500	(500)	(500) OA
C.	(500)	n/a	(500)	n/a	n/a	n/a	(500) OA
D.	(500)	n/a	(500)	n/a	500	(500)	(500) IA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

133) Perez Company paid a $300 cash dividend. Which of the following choices accurately reflects how this event affects the company's financial statements?

	Balance Sheet			Income Statement			Statement of Cash Flows
	Assets =	Liabilities +	Stockholders' Equity	Revenue −	Expense =	Net Income	
A.	n/a	300	(300)	n/a	300	(300)	n/a
B.	(300)	n/a	(300)	n/a	300	(300)	(300) FA
C.	(300)	n/a	(300)	n/a	n/a	n/a	(300) FA
D.	(300)	n/a	(300)	n/a	n/a	n/a	(300) OA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

134) Garrison Company acquired $23,000 by issuing common stock. Which of the following choices accurately reflects how this event affects the company's financial statements?

	Balance Sheet			Income Statement			Statement of Cash Flows
	Assets =	**Liabilities +**	**Stockholders' Equity**	**Revenue −**	**Expense =**	**Net Income**	
A.	23,000	n/a	23,000	n/a	n/a	n/a	23,000 FA
B.	23,000	n/a	23,000	23,000	n/a	23,000	23,000 FA
C.	23,000	23,000	n/a	23,000	n/a	n/a	23,000 FA
D.	23,000	23,000	n/a	23,000	n/a	23,000	23,000 OA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

135) Tandem Company borrowed $32,000 of cash from a local bank. Which of the following choices accurately reflects how this event affects the company's financial statements?

	Balance Sheet					Income Statement					Statement of Cash Flows
	Assets	**=**	**Liabilities**	**+**	**Stockholders' Equity**	**Revenue**	**−**	**Expense**	**=**	**Net Income**	
A.	32,000		32,000		n/a	32,000		n/a		32,000	32,000 FA
B.	32,000		n/a		32,000	n/a		n/a		n/a	32,000 FA
C.	32,000		n/a		32,000	32,000		n/a		32,000	32,000 FA
D.	32,000		32,000		n/a	n/a		n/a		n/a	32,000 FA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

136) Which of following illustrates how selling land for cash affects the financial statements?

	Balance Sheet			Income Statement			Statement of Cash Flows
	Assets =	**Liabilities +**	**Stockholders' Equity**	**Revenue −**	**Expense =**	**Net Income**	
A.	n/a	n/a	n/a	n/a	n/a	n/a	+ IA
B.	−	n/a	−	n/a	n/a	n/a	− IA
C.	+	+	n/a	n/a	n/a	n/a	+ FA
D.	−	n/a	−	n/a	+	−	+ IA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

137) Which of the following could represent the effects of an asset source transaction on a company's financial statements?

	Balance Sheet			Income Statement			Statement of Cash Flows
	Assets =	**Liabilities +**	**Stockholders' Equity**	**Revenue −**	**Expense =**	**Net Income**	
A.	+	n/a	+	n/a	n/a	n/a	+ OA
B.	+	+	n/a	n/a	+	+	+ IA
C.	+	n/a	+	+	n/a	+	+ OA
D.	−	n/a	−	n/a	n/a	n/a	− FA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Recap: Types of Transactions
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

138) Which of the following could represent the effects of an asset exchange transaction on a company's financial statements?

	Balance Sheet			Income Statement			Statement of Cash Flows
	Assets =	**Liabilities +**	**Stockholders' Equity**	**Revenue −**	**Expense =**	**Net Income**	
A.	+/−	n/a	n/a	n/a	n/a	n/a	− IA
B.	+/−	+	n/a	n/a	+	+	n/a
C.	−	n/a	−	n/a	n/a	n/a	− OA
D.	−	n/a	−	n/a	n/a	n/a	− FA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Recap: Types of Transactions
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

139) Which of the following represents effects of an asset use transaction on a company's financial statements?

	Balance Sheet			Income Statement			Statement of Cash Flows
	Assets =	**Liabilities +**	**Stockholders' Equity**	**Revenue −**	**Expense =**	**Net Income**	
A.	−	n/a	−	n/a	+	−	− OA
B.	+/−	n/a	n/a	n/a	n/a	n/a	− IA
C.	+	n/a	+	+	n/a	+	+ OA
D.	+	+	n/a	n/a	n/a	n/a	n/a

A) Option A
B) Option B
C) Option C
D) Option D

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Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-06 Classify business events as asset source, use, or exchange transactions.
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Recap: Types of Transactions
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

140) Reynolds Company experienced an accounting event that affected its financial statements as indicated below:

Balance Sheet					Income Statement					Statement of Cash Flows
Assets	=	Liabilities	+	Stockholders' Equity	Revenue	−	Expense	=	Net Income	
+		n/a		+	+		n/a		+	+OA

Which of the following accounting events could have caused these effects on Reynolds' statements?

A) Paid a cash dividend
B) Earned cash revenue
C) Borrowed money from a bank
D) The information provided does not represent a completed event.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

141) Chico Company experienced an accounting event that affected its financial statements as indicated below:

Balance Sheet			Income Statement			Statement of Cash Flows
Assets =	Liabilities +	Stockholders' Equity	Revenue −	Expense =	Net Income	
+	n/a	+	n/a	n/a	n/a	FA

Which of the following accounting events could have caused these effects on Chico's statements?

A) Issued common stock
B) Earned cash revenue
C) Borrowed money from a bank
D) Paid a cash dividend

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

142) Delta Company experienced an accounting event that affected its financial statements as indicated below:

Balance Sheet			Income Statement			Statement of Cash Flows
Assets =	Liabilities +	Stockholders' Equity	Revenue −	Expense =	Net Income	
−	n/a	−	n/a	+	−	−OA

Which of the following accounting events could have caused these effects on Delta's statements?

A) Paid a cash dividend
B) Incurred a cash expense
C) Borrowed money from a bank
D) Earned cash revenue

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

143) Northern Corporation invested $800 cash in South Company stock.

Which of the following describes the effects of this transaction on Northern Corporation's books?

	Balance Sheet			Income Statement			Statement of Cash Flows
	Assets =	Liabilities +	Stockholders' Equity	Revenue −	Expense =	Net Income	
A.	−	+	n/a	n/a	−	−	−IA

B.	+	n/a	+	n/a	n/a	n/a	+FA
C.	n/a	n/a	n/a	+	n/a	+	−FA
D.	+/−	n/a	n/a	n/a	n/a	n/a	−IA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

144) Northern Corporation invested $800 cash in South Company stock.

As a result of this transaction:

A) The balance in the Cash account on Northern Corporation's books would decrease, while the balance in the Cash account on South Company's books would increase.
B) South Company would have a cash inflow from investing activities.
C) Northern Corporation would have a cash outflow from financing activities.
D) All of these statements are true.

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-08 Prepare a statement of cash flows.
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : Recording Business Events Under the Accounting Equation
Accessibility : Screen Reader Compatible
Topic : Preparing the Statement of Cash Flows
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

145) Which of the following would **not** describe the effects of an asset source transaction on a company's financial statements?

	Balance Sheet			Income Statement			Statement of Cash Flows
	Assets =	**Liabilities +**	**Stockholders' Equity**	**Revenue −**	**Expense =**	**Net Income**	
A.	+	+	n/a	n/a	n/a	n/a	+FA
B.	+	n/a	+	n/a	n/a	n/a	+FA
C.	+	n/a	+	+	n/a	+	+OA
D.	n/a	n/a	n/a	n/a	n/a	n/a	−IA

A) Option A
B) Option B
C) Option C
D) Option D

Question Details
AICPA : BB Critical Thinking
AICPA : FN Measurement
Bloom's : Analyze
Learning Objective : 01-04 Show how business events affect the accounting equation.
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Topic : The Horizontal Financial Statements Model
Accessibility : Screen Reader Compatible
Learning Objective : 01-10 Record business events using a horizontal financial statements model.
Topic : Recap: Types of Transactions
Type : Static
AACSB : Analytical Thinking
Gradable : automatic

Survey of Accounting 6th Edition by Edmonds Ch01

Answer Key

Test name: 001

1) TRUE
This is true. Resource providers include creditors and investors.
2) TRUE
This is true. Businesses transform resources into goods and services, such as cars, that are desirable to consumers.
3) FALSE
This is false. A business creates value by earning income, so earnings or income describe that value, not assets.
4) FALSE
This is false. Creditors have priority over stockholders in the event of a company's liquidation.
5) TRUE
This is true. The types of resources needed by a business are financial, physical, and labor resources.
6) TRUE
This is true. Financial accounting information is usually less detailed than managerial accounting information.
7) TRUE
This is true. The Financial Accounting Standards Board is charged with establishing accounting standards for US businesses. It is not an agency of the US government, but rather a privately funded organization.
8) FALSE
This is false. Detailed information about the elements is maintained in records commonly called accounts. The elements of the financial statements are divided into accounts, not the other way around.
9) TRUE

This is true. Liabilities represent the future obligations of a business entity.

10) FALSE

This is false. Stockholders' equity, both from investors and from earnings, as well as liabilities, are sources of a business's assets.

11) FALSE

This is false. Retained earnings increases a company's commitment to use its assets for the benefit of its stockholders.

12) TRUE

This is true. Once an asset is recorded, it is not adjusted for increases in market value.

13) TRUE

This is true. An asset source transaction increases a business's assets and either liabilities or stockholders' equity, which make up claims to assets.

14) TRUE

This is true. Borrowing money from the bank is an example of an asset source transaction because the asset cash increases as well as the liability notes payable.

15) FALSE

This is false. Because asset use transactions result in a decrease in total assets, total claims must decrease as well.

16) FALSE

This is false. All four financial statements are interconnected.

17) FALSE

This is false. A business's temporary accounts include revenues, expenses, and dividends. Dividends do not appear on the income statement.

18) D

The Financial Accounting Standards Board is a privately funded group charged with establishing accounting standards for the U.S. It is not a branch of the U.S. government.

19) A

Businesses transform basic resources provided by resource owners into goods and services that consumers demand. Regulatory agencies set policies that affect the way that businesses operate.

20) B

Businesses borrow money from creditors, and repay the amount borrowed, plus, when applicable, an additional fee known as interest. Investors, in contrast, provide financial resources in exchange for ownership interest in the business.

21) D

Financial accounting is intended to satisfy the needs of external users of accounting information. Managerial accounting, including cost accounting, is intended for the needs of internal users, or managers, of a business. Tax accounting is specifically intended for tax regulatory agencies.

22) A

Managerial accounting provides information primarily for internal users, or managers, of businesses. Managers require more detailed information about a business than do external users, and sometimes that information is nonfinancial in nature. Managerial accounting information focuses on divisional rather than overall profitability and is not typically made available to external users, such as investors.

23) A

Generally Accepted Accounting Principles (referred to as GAAP) are established by the Financial Accounting Standards Board.

24) B

The International Accounting Standards Board establishes accounting standards for most countries outside of the U.S.

25) C

The three reporting entities are Jack Henry, Walt Bank, and Wooden Wheels. A separate set of accounting records would be kept for each entity.

26) A

Jack Henry's cash increase of $150,000 is calculated by subtracting the $650,000 in cash he transferred to Wooden Wheels from the $800,000 in cash he borrowed from Walt Bank. Wooden Wheels will report an increase in cash of $650,000 from the transfer of cash from Jack Henry. Finally, Walt Bank will report a decrease in cash of $800,000 due to the loan it provided Jack Henry.

27) D

The four reporting entities are Ellen Gatsby, her siblings Ben and Sarah, and Gatsby Company.

28) B

Assets are resources that a business uses to conduct its operations. Examples include cash, inventory, equipment, building, land, etc. In the process of conducting operations, a business uses some assets in order to produce greater quantities of other assets. For example, Walmart may use (sell) some of its inventory in order to receive cash from a customer. The cash received is revenue. In this case, the remaining inventory is a resource (asset) that will be used (sold) in the future to produce revenue.

29) D

Businesses obtain assets from three sources. They acquire assets from owners (stockholders); they borrow assets from creditors; and they earn assets through profitable operations. Asset source transactions increase total assets and total claims.

30) C

If total assets decrease, then assets were used. Since the accounting equation must balance (i.e. assets must equal claims), the decrease on the asset (left) side of the accounting equation must be offset by a decrease on the claims (right) side of the equation. Since liabilities, common stock, and retained earnings appear on the right side of the equation, a decrease in an asset account must be offset by a decrease in one of these right-side accounts.

31) D

When a business borrows money from a creditor it accepts an obligation (liability) to repay the money to the creditor in the future. Borrowing money causes the business' assets and its liabilities to increase. In the accounting equation, assets must equal claims. Liabilities and stockholders' equity represent the claims on assets.

32) D

When a company has an increase in assets generated through operations and chooses to reinvest the profits into the business it is referred to as retained earnings. If the business chooses to distribute the increase in assets from operations to the owners of the business, it is called a dividend. A liability would represent an obligation to repay debt to an external party. Common stock represents the proportionate share of ownership each stockholder has in the business.

33) A

The accounting equation expresses the equality between a business's assets and the claims on its assets. The accounting equation can be developed as follows:

Assets = Claims

Assets = Liabilities + Stockholders' Equity

Assets = Liabilities + Common Stock + Retained Earnings

34) B

When a company redistributes its assets back to the owners of the business it is referred to as a dividend. A liability would represent an obligation to repay debt to an external party. Retained earnings are the profits that have been retained within the company rather than distributed to the owners. Common stock represents the proportionate share of ownership each stockholder has in the company.

35) A

In the accounting equation, assets equal claims (liabilities + stockholders' equity). If assets are $1,000, total claims must also be $1,000. Therefore, liabilities must be $1,000 − $600, or $400.

36) C

Cash received from providing services to customers is an example of revenue, and is an asset source transaction. Cash received from a bank loan results in a liability, notes payable. Cash investments made by owners increase the stockholders' equity account common stock. Cash received from the sale of land for its original selling price is an asset exchange transaction that decreases one asset, land, and increases another asset, cash.

37) D

Cash is not an element of the financial statements. It is an account that is part of the element assets.

38) C

Assets = Liabilities + Stockholders' Equity; Stockholders' equity includes common stock and retained earnings. $50,000 = $22,000 + $15,000 + Retained earnings; Retained earnings = $13,000

39) B

If assets on December 31, Year 1 totaled $132,000, total claims (including liabilities, common stock, and retained earnings) on that date must have also been $132,000. If liabilities were $33,000 and common stock was $30,000, retained earnings on December 31, Year 1 must have been $69,000. At the end of Year 2, the company reported $90,000 in retained earnings, a $21,000 increase. During Year 2, Stosch paid a $32,000 cash dividend, which reduced retained earnings. Therefore, Year 2 net income must have been $21,000 greater than the dividend paid. $32,000 + $21,000 = $53,000.

40) B

If assets on December 31, Year 1 totaled $40,000, total claims (including liabilities, common stock, and retained earnings) on that date must have also been $40,000. If liabilities were $15,000 and common stock was $12,000, retained earnings on December 31, Year 1 must have been $13,000. At the end of Year 2, the company reported $18,000 in retained earnings, a $5,000 increase. During Year 2, Stosch paid a $14,000 cash dividend, which reduced retained earnings. Therefore, Year 2 net income must have been $5,000 greater than the dividend paid. $14,000 + $5,000 = $19,000.

41) D

Issuing common stock increases both assets (cash) and stockholders' equity (common stock). Stockholders' equity and liabilities collectively make up claims in the accounting equation.

42) A

In the accounting equation, assets equal claims (liabilities + stockholders' equity). If assets are $500, total claims must also be $500. Therefore, stockholders' equity must be ($500 − $200), or $300.

43) A

If a company's total assets increased while liabilities and common stock were unchanged, retained earnings must have increased. In order for retained earnings to increase, the company must have reported net income as a result of revenues exceeding expenses.
44) B
Paying cash for land is an asset exchange transaction that increases one asset (land) and decreases another asset (land). The result is no overall change in total assets.
45) B
Acquiring cash from issuing common stock will increase assets (Cash) and increase stockholders' equity (Common Stock). There is no impact on liabilities.
46) D
Borrowing cash from the bank will increase assets (Cash) and increase liabilities (Notes Payable). There is no impact on stockholders' equity.
47) B
Providing services for cash is considered revenue. The cash revenue increases assets (Cash) and stockholders' equity (Retained Earnings).
48) C
An economic sacrifice a business incurs in the process of generating revenue is called an expense. The asset account Cash decreases and the stockholders' equity account retained earnings decreases.
49) A
Purchasing land for cash is an asset exchange transaction. The asset account Cash decreases and the asset account land increases. There is no impact on liabilities or stockholders' equity.
50) D

Retained earnings of $5,000 is equal to 25% of the company's assets, indicating that 25% of Turner's assets are from prior earnings. $8,000, or 40%, of Turner's assets are liabilities, indicating that those assets are the result of borrowed resources. A company can pay out no more in dividends than it has in its retained earnings account.

51) B

Creditors receive first priority in asset distribution during a business liquidation. Therefore, creditors would collect the $120,000 owed to them, leaving the shareholders with the remaining $80,000.

52) D

If assets total $100,000, claims must also total $100,000. Claims include liabilities, common stock and retained earnings. Because liabilities and retained earnings equal $65,000, common stock must be $35,000. The common stock account represents the assets that were obtained through investors. $35,000 is 35% of $100,000.

53) A

On January 1, Year 2:

Assets = Liabilities + Common Stock + Retained Earnings

$12,500 = $4,500 + $3,000 + Retained Earnings

Retained Earnings = $5,000

During Year 2:

Beginning retained earnings + Net income − Dividends = Ending retained earnings

$5,000 + Net Income − $2,000 = $6,000

Net Income = $3,000

54) B

Providing services for cash increases a company's assets (cash) and stockholders’ equity (revenue, which closes to retained earnings).

55) B

Change in stockholders' equity = Revenue − Expenses − Dividends
Change in stockholders' equity = $6,500 − $4,000 − $1,000 = $1,500
If there was no change in liabilities, the change in assets must also equal $1,500.
56) C
Beginning Retained Earnings + Revenue − Expenses − Dividends = Ending Retained Earnings
Beginning Retained Earnings + $3,600 − $1,900 − $1,300 = $3,350
Beginning Retained Earnings = $2,950
57) A
Beginning Retained Earnings + Revenue − Expenses − Dividends = Ending Retained Earnings
Beginning Retained Earnings + $1,500 − $800 − $500 = $3,500
Beginning Retained Earnings = $3,300
58) D
Paying cash to purchase land is an asset exchange transaction.
59) A
Borrowing cash is an asset source transaction that increases a business's assets (cash) and increases its liabilities (notes payable).
60) A
An asset exchange transaction is one that increases one asset account and decreases another, resulting in no net change in assets. There are no changes to the company's liabilities and stockholders' equity either.
61) D
An asset use transaction is one that decreases a business's assets and decreases either liabilities or stockholders' equity. An asset use transaction may or may not affect expenses. If the asset account decreased is cash, there will be an effect on cash flows.
62) C

Purchasing land for cash is an asset exchange transaction that does not affect total assets. The asset (land) increases and the asset (cash) decreases. Borrowing cash, issuing stock, and providing services for cash are all asset source transactions that increase assets.

63) D

Purchasing land (a long-lived asset) for cash is an investing activity. Issuing common stock and paying dividends are both financing activities. Cash inflow from interest revenue is an operating activity.

64) A

Beginning cash balance + Increase from operating activities − Decrease from financing activities +/− Increase or decrease from investing activities = Ending cash balance

$5,000 + $11,400 − $4,000 +/− Increase or decrease from investing activities = $10,600

$1,800 = Decrease from investing activities

65) A

Beginning cash balance + Increase from operating activities − Decrease from financing activities +/− Increase or decrease from investing activities = Ending cash balance $4,000 + $10,000 − $2,000 +/− Increase or decrease from investing activities = $11,000

$1,000 = Decrease from investing activities

66) C

Beginning retained earnings + Revenue − Expenses − Dividends = Ending retained earnings

$4,600 + $14,400 − Expenses − $1,600 = $8,700

Expenses = $8,700

67) C

Beginning retained earnings + Revenue − Expenses − Dividends = Ending retained earnings
$3,500 + $22,000 − Expenses − $1,500 = $7,500
Expenses = $16,500
68) B
Assets = Liabilities + Common Stock + Ending Retained Earnings
$31,000 = Liabilities + $6,100 + $8,100
Liabilities = $16,800
69) A
Assets = Liabilities + Common Stock + Ending Retained Earnings
$50,000 = Liabilities + $15,000 + $7,500
Liabilities = $27,500
70) B
The balance sheet provides information about a company as of a specific point in time, the other three statements provide information about a period of time such as a month, a quarter, or a year.
71) C
Net income = Revenues of $8,000 − Expenses of $4,400 = $3,600. Expenses are economic sacrifices incurred to produce revenue. In this case, the company's sacrifice was a decrease in assets (cash). Note that dividends are not expenses. Dividends are not paid in order to produce revenue. Instead they are transfers of wealth from the business to its owners. Purchasing land is not an expense because it is not an economic sacrifice incurred to produce revenue.
72) D
A cash dividend decreases the asset account Cash and decreases the stockholders' equity account Retained Earnings. Paying a dividend is not recognized as an expense. Therefore, it has no effect on the income statement.
73) B

Providing services for cash increases assets (Cash) and stockholders' equity (Retained Earnings). It also increases revenues, which increases net income.

74) C

Stockholders' equity is made up of two accounts: Common Stock and Retained Earnings. The statement of changes in stockholders' equity shows changes in those two accounts over the period.

75) B

Dividends are reported as a deduction from retained earnings on the statement of changes in stockholders' equity. The other transactions listed (borrowing cash from the bank, purchasing land for cash and paying off a portion of a note payable) do not affect stockholders' equity.

76) C

Dividends are reported as a deduction from retained earnings on the statement of changes in stockholders' equity.

77) D

The income statement matches revenue (benefits) with the expenses (sacrifices) that were incurred to generate the revenue.

78) D

The total stockholder's equity equals Ending Common Stock + Ending Retained Earnings. First, ending common stock is calculated as: Beginning common stock + Common stock issued or $300,000 + $90,000 = $390,000. Next, ending retained earnings is calculated as follows. Beginning retained earnings of $15,000 + Net income of $50,000 − Dividends of $8,000 = Ending retained earnings of $57,000. Finally, ending common stock of $390,000 + Ending retained earnings of $57,000 = Total stockholders' equity of $447,000. Paying back a portion of a note payable does not affect stockholders' equity and therefore it is not included in the calculation.

79) A
Accounts that do not close at the end of the accounting period are permanent accounts. Income statement accounts and dividends are temporary accounts, as they close to retained earnings at the end of the accounting period.
80) C
Paying cash dividends, and any cash exchanged between a company and its stockholders, is a financing activity.
81) C
The income statement matches asset increases from operations (revenues) with asset decreases from operations (expenses).
82) E
The balance sheet reports a company's assets, liabilities, and stockholders' equity (common stock and retained earnings). The statement of changes in stockholders' equity explains the effects of transactions on stockholders' equity (common stock and retained earnings) during the period.
83) C
Cash revenue and cash expenses are operating activities. Paying dividends is a financing activity. $3,300 revenue − $1,900 expense = $1,400 cash inflow from operating activities.
84) C
Cash revenue and cash expenses are operating activities. Paying dividends is a financing activity. $1,500 revenue − $1,200 expense = $300 cash inflow from operating activities.
85) D
Providing services to a customer for cash increases assets and stockholders' equity on the balance sheet. It also increases revenue, and therefore, net income on the income statement, and increases cash from operating activities on the statement of cash flows.

86) D
Cash from operating activities increased by $2,050 (or ($3,500 − $1,450). Revenue of $3,500 minus Expenses of $1,450 = Net income of = $2,050). Total assets increased by $1,100 (or $3,500 − $1,450 − $950). Cash from financing activities decreased by $950.
87) D
Cash from operating activities increased by $350 (or $1,950 − $1,600). Revenue of $1,950 minus Expenses of $1,600 = Net income of = $350. Total assets increased by $200 (or $1,950 − $1,600 − $150). Cash from financing activities decreased by $150.
88) C
Financing activities include obtaining cash (inflow) from owners or paying cash (outflow) to owners (dividends). A cash inflow from issuing common stock is classified as a financing activity.
89) B
Repaying a bank loan is a cash outflow for financing activities that decreases assets and decreases liabilities.
90) D
Beginning retained earnings of $1,150 + Revenues of $4,500 − Expenses − Dividends of $1,050 = Ending retained earnings of $2,400
Expenses = $2,200
91) B
Beginning retained earnings of $300 + Revenues of $1,100 − Expenses − Dividends of $200 = Ending retained earnings of $800; Expenses = $400
92) A
Net cash flow from operating activities = $59,000 inflow from consulting services − $14,000 outflow for rent expense − $31,000 outflow for salaries expense = $14,000 inflow
93) B

Net cash flow from operating activities = $39,000 inflow from consulting services − $9,000 outflow for rent expense − $21,000 outflow for salaries expense = $9,000 inflow

94) C

Beginning notes payable balance of $0 + Loan of $40,000 − Repayment of loan of $30,000 = Ending notes payable balance of $10,000.

95) D

Beginning notes payable balance of $0 + Loan of $25,000 − Repayment of loan of $15,000 = Ending notes payable balance of $10,000.

96) A

Net income = Revenues of $51,000 − Rent expense of $12,000 − Salaries expense of $27,000 = $12,000

97) A

Net income = Revenues of $39,000 − Rent expense of $9,000 − Salaries expense of $21,000 = $9,000

98) C

Net inflow from financing activities = Inflow from stock issuance of $775 − Outflow for loan repayment of $535 − Outflows for dividends of $190 = $50

99) C

Net inflow from financing activities = Inflow from stock issuance of $325 − Outflow for loan repayment of $220 − Outflows for dividends of $100 = $5

100) B

Since the closing process is not complete, the retained earnings account balance at the end of Year 1 is zero. The revenues, expenses, and dividends have not yet been transferred to the retained earnings as part of the closing process.

101) B

Since the closing process is not complete, the retained earnings account balance at the end of Year 1 is zero. The revenues, expenses, and dividends have not yet been transferred to the retained earnings as part of the closing process.
102) D
Beginning balance of stockholders' equity of $0 + Common stock issued of $1,650 + Revenues of $1,300 − Expenses of $390 − Dividends of $190 = Ending balance of stockholders' equity of $2,370
103) D
Beginning balance of stockholders' equity of $0 + Common stock issued of $950 + Revenues of $650 − Expenses of $250 − Dividends of $50 = Ending balance of stockholders' equity of $1,300
104) C
Beginning balance of retained earnings of $360 + Revenues of $850 revenue − Expense of $400 − Dividends of $120 = Ending balance of retained earnings of $690
105) A
Beginning balance of retained earnings of $350 + Revenues of $750 revenue − Expense of $360 − Dividends of $100 = Ending balance of retained earnings of $640
106) C
Year 1: Ending total assets = Beginning total assets of $0 + Cash from issuance of common stock of $1,600 + Cash from borrowing of $1,070 + Cash from revenues of $1,250 − Cash to pay expenses of $380 − Cash used to pay dividends of $180 = $3,360
Year 2: Ending total assets = Beginning total assets of $3,360 (from above) + Cash from issuance of common stock of $975 − Cash used to repay debt of $675 + Cash from revenues of $1,400 − Cash to pay expenses of $620 − Cash used to pay dividends of $230 = $4,210
107) A

Year 1: Ending total assets = Beginning total assets of $0 + Cash from issuance of common stock of $950 + Cash from borrowing of $420 + Cash from revenues of $650 − Cash to pay expenses of $250 − Cash used to pay dividends of $50 = $1,720

Year 2: Ending total assets = Beginning total assets of $1,720 (from above) + Cash from issuance of common stock of $325 − Cash used to repay debt of $220 + Cash from revenues of $750 − Cash to pay expenses of $360 − Cash used to pay dividends of $100 = $2,115

108) B

Net cash inflow from operating activities = Inflow from revenue of $950 − Outflow for expenses of $440 = Net inflow of $510

109) A

Net cash inflow from operating activities = Inflow from revenue of $750 − Outflow for expenses of $360 = Net inflow of $390

110) D

Paying cash for dividends and receiving cash for common stock are financing activities. Selling land for cash is an investing activity.

111) C

$9,300 cash inflow from issuing stock − $950 cash outflow for dividends = $8,350 net cash inflow from financing activities

112) D

$9,000 cash inflow from issuing stock − $250 cash outflow for dividends = $8,750 net cash inflow from financing activities

113) D

Paying cash for rent expense decreases assets (cash) and decreases stockholders' equity (expense decreases retained earnings). Liabilities are not affected. It is reported as a cash flow for operating activities on the statement of cash flows.

114) D

Paying cash to purchase land is an asset exchange transaction that decreases one asset (cash) and increases another asset (land); therefore, there is no overall effect on total assets, total liabilities, or total stockholders' equity. It is reported as a cash outflow for investing activities on the statement of cash flows.

115) D

$950 cash inflow from issuing stock − $1,615 cash outflow for loan repayment − $1,180 cash outflow for dividends = $1,845 cash outflow for financing activities

116) A

$1,000 cash inflow from issuing stock − $2,600 cash outflow for loan repayment − $1,280 cash outflow for dividends = $2,880 cash outflow for financing activities

117) A

$0 beginning balance + $4,800 (cash) + $3,100 (cash) + $4,000 (cash) − $2,580 (cash) − $580 (cash) = $8,740

118) A

$0 beginning balance + $6,000 (cash) + $4,400 (cash) + $6,200 (cash) − $4,800 (cash) − $800 (cash) = $11,000

119) A

$0 beginning balance + $3,400 revenue − $2,460 expense − $460 dividends = $480

120) D

$0 beginning balance + $6,200 revenue − $4,800 expense − $800 dividends = $600

121) C

Borrowed $2,250 from a bank.

122) B

Borrowed $4,400 from a bank.

123) A
$500 beginning balance + $1,200 revenue − $800 expenses = $900
124) A
Expenses and revenues are reported on the income statement. Only permanent accounts are shown on the balance sheet. Net income is shown on the statement of stockholders' equity, but expenses are not.
125) B
Revenue − Expenses = Net Income
Revenue of $500 − Expenses of $200 = $300 Net Income
126) C
Beginning Retained Earnings + Net Income − Dividends = Ending Retained Earnings
Beginning Retained Earnings of $100 + Net Income of $300 − Dividends of $50 = $350 Ending Retained Earnings
127) A
Total assets = Beginning assets of $300 + Cash revenue of $500 − Cash expenses of $200 − cash dividends paid of $50 = $550
128) D
Although the dividends account is a temporary account, dividends are not included on the income statement. They are, however, reported as a deduction from retained earnings on the statement of changes in stockholders' equity and as a cash outflow for financing activities on the statement of cash flows.
129) B
Liabilities is an element on the balance sheet. As such, liabilities do not appear on the income statement, statement of cash flows, or the statement of changes in stockholders' equity.
130) D
Purchasing land for cash is an investing activity.
131) C

Earning cash revenue increases assets (cash) and stockholders' equity (retained earnings) on the balance sheet. It increases both revenue and net income on the income statement and is reported as a cash inflow for operating activities on the statement of cash flows.

132) B

Paying cash for expenses decreases assets (cash) and decreases stockholders' equity (retained earnings) on the balance sheet. It increases expenses which decreases net income on the income statement, and is shown as a cash outflow for operating activities on the statement of cash flows.

133) C

Paying cash dividends decreases assets (cash) and decreases stockholders' equity (retained earnings) on the balance sheet. It does not affect the income statement, but is reported as a cash outflow for financing activities on the statement of cash flows.

134) A

Issuing common stock increases assets (cash) and stockholders' equity (common stock). It does not affect the income statement, but is reported as a cash inflow for financing activities on the statement of cash flows.

135) D

Borrowing cash increases assets (cash) and increases liabilities (notes payable). It does not affect the income statement, but is reported as a cash inflow for financing activities on the statement of cash flows.

136) A

Selling land for cash increases one asset (land) and decreases another asset (cash), so it does not affect overall assets, liabilities or stockholders' equity. It does not affect the income statement, but is reported as a cash outflow for investing activities on the statement of cash flows.

137) C

An asset source transaction increases assets and can either increase liabilities (in the case of borrowing cash) or stockholders' equity (in the case of issuing stock or earning revenue). It may or may not affect revenue and net income. If the asset that increases is cash, it is reported as a cash inflow on the statement of cash flows, and can be either an operating or a financing activity.

138) A

An asset exchange transaction increases one asset and decreases another, so it does not affect total assets, liabilities or stockholders' equity. It does not affect the income statement, and can be reported as a cash inflow or outflow on the statement of cash flow as either an operating or an investing activity.

139) A

An asset use transaction decreases assets and decreases either liabilities (in the case of repaying debt) or stockholders' equity (in the case of paying dividends or expenses). It may or may not increase expenses and decrease net income. If the asset that decreased is cash, it will be reported as an outflow for financing or operating activities on the statement of cash flows.

140) B

Earning cash revenue must have been the event that affected the financial statements as indicated because it increased revenue and net income on the income statement and was reported as a cash inflow for operating activities on the statement of cash flows.

141) A

Issuing common stock would increase assets (cash) and increase stockholders' equity (common stock). It would not affect net income, but would be reported as a cash inflow from financing activities on the statement of cash flows.

142) B

Incurring a cash expense would decrease assets (cash) and decrease stockholders' equity (retained earnings). It would increase expenses and decrease net income, and would be reported as a cash outflow for operating activities on the statement of cash flows.

143) D

Investing in another company's stock would be an asset exchange transaction that would increase one asset (investments) and decrease another asset (cash). Therefore, it would have no net impact on assets. It would not affect the income statement, but would be reported as a cash outflow for investing activities on the statement of cash flows.

144) A

When Northern Corporation purchases stock in South Company, Northern Corporation's cash balance will decrease and South Company's cash balance will increase. Northern Corporation will report it as a cash outflow for investing activities, and South Company will report it as a cash inflow from financing activities.

145) D

An asset source transaction is any transaction that results in a net increase in assets. It could be accompanied by an increase in liabilities (as in the case of borrowing cash), an increase in stockholders' equity with no effect on the income statement (as in the case of issuing common stock), or an increase in stockholders' equity that does increase net income (as in the case of earning revenue). It could be reported as either a financing activity or an operating activity on the statement of cash flows.