

***College Accounting 16th edition Price Solutions
Manual***

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Chapter 2: Price, College Accounting, 16e Questions and Answers to Section Reviews

Chapter 2: Section 1 Review

QUESTIONS

1. A business transaction is:
 - a. any financial event that changes the resources of the firm.
 - b. any financial event that changes the ownership of the firm.
 - c. any non-financial event that changes the resources of the firm.
 - d. any non-financial event that changes the ownership of the firm.

Answer: A

Difficulty: 1 Easy

Learning Objective: 02-01

Topic: Property and Financial Interest

Blooms: Remember

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

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2. Which transaction below increases an asset and the owner's equity?
 - a. a purchase of equipment on credit.
 - b. a purchase of equipment with cash.
 - c. payment of rent with cash.
 - d. a sale of merchandise on credit.

Answer: D

Difficulty: 2 Medium

Learning Objective: 02-02

Topic: Property and Financial Interest

Blooms: Understand

AACSB: Analytical Thinking

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3. Amounts that a business must pay in the future are known as:
 - a. accounts receivable.
 - b. revenue.

- c. expense.
- d. accounts payable.

Answer: D

Difficulty: 1 Easy

Learning Objective: 02-01

Topic: Property and Financial Interest

Blooms: Remember

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4. Elizabeth Tolliver purchased a computer for \$6,700 on account for her business. What is the effect of this transaction?
- a. **Equipment** decrease of \$6,700 and **Accounts Payable** increase of \$6,700.
 - b. **Equipment** increase of \$6,700 and **Accounts Payable** increase of \$6,700.
 - c. **Equipment** increase of \$6,700 and **Cash** increase of \$6,700.
 - d. **Cash** decrease of \$6,700 and **Owner's Equity** increase of \$6,700

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Answer: B

Difficulty: 1 Easy

Learning Objective: 02-01

Topic: Property and Financial Interest

Blooms: Remember

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5. Pauline Palmer began a new business by depositing \$100,000 in the business bank account. She wrote two checks from the business account: \$20,000 for office furniture and \$5,000 for office supplies. What is her financial interest in the company?
- a. \$75,000
 - b. \$100,000
 - c. \$80,000
 - d. \$125,000

Answer: B

Difficulty: 2 Medium
 Learning Objective: 02-01
 Topic: Property and Financial Interest
 Blooms: Understand
 AACSB: Analytical Thinking
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6. Oriental Rugs has no liabilities. The assets and owner's equity balances are as follows. What is the balance of ***Supplies***?

Cash	\$150,000
Office Equipment	\$ 50,000
Supplies	????
Johnny Johnson, Capital	\$230,000

- a. \$15,000
- b. \$20,000
- c. \$30,000
- d. \$40,000

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Answer: C
 Difficulty: 2 Medium
 Learning Objective: 02-01
 Topic: Property and Financial Interest
 Blooms: Understand
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7. Precision Drilling has the following balances in its assets and liability accounts. What is the balance of ***Avion Canada, Capital***?

Cash	\$175,000
Office Equipment	\$ 53,500
Accounts Payable	\$ 27,900
Avion Canada, Capital	????

- a. \$206,200
- b. \$200,600
- c. \$212,400

d. \$216,200

Answer: B

Difficulty: 2 Medium

Learning Objective: 02-01

Topic: Property and Financial Interest

Blooms: Understand

AACSB: Analytical Thinking

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8. Zena Brown has the following balances in its assets, liability, and owner's equity accounts. What is the balance of **Cash**?

Cash	????
Office Equipment	\$ 26,500
Accounts Payable	\$ 30,300
Zena Brown, Capital	\$115,700

a. \$119,500

b. \$146,000

c. \$121,500

d. \$156,000

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Answer: A

Difficulty: 2 Medium

Learning Objective: 02-01

Topic: Property and Financial Interest

Blooms: Understand

AACSB: Analytical Thinking

AICPA: BB Industry

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Chapter 2: Section 2 Review

QUESTIONS

1. What affect do withdrawals have on the basic accounting equation?
 - a. increase the owner's equity in the business.
 - b. decrease the owner's equity in the business.
 - c. increase the liabilities of the business
 - d. have no effect on the basic accounting equation.

Answer: B

Difficulty: 1 Easy

Learning Objective: 02-03

Topic: The Accounting Equation and Financial Statements

Blooms: Remember

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

2. If an owner gives personal tools to the business, how is the transaction recorded?
 - a. This is not a transaction and is not recorded.
 - b. This is a decrease in the owner's equity in the business.
 - c. This is an additional investment by the owner recorded at the cost of the tools to the owner.
 - d. This is an additional investment by the owner recorded at the fair market value of the tools.

Answer: D

Difficulty: 1 Easy

Learning Objective: 02-05

Topic: The Accounting Equation and Financial Statements

Blooms: Remember

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

3. What information is included in the financial statement headings?
 - a. the owner's name (who); title of the statement (what); time period covered (when).
 - b. the firm's name (who); type of business (what); time period covered (when).
 - c. the firm's name (who); title of the statement (what); time period covered (when).

- d.** the firm's name (who); the industry of the business (what); time period covered (when).

Answer: C

Difficulty: 1 Easy

Learning Objective: 02-04

Topic: The Accounting Equation and Financial Statements

Blooms: Remember

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Reporting

4. Home Interiors has assets of \$120,000 and liabilities of \$45,000. What is the owner's equity?
- a.** \$25,000
 - b.** \$15,000
 - c.** \$75,000
 - d.** \$55,000

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Answer: C

Difficulty: 2 Medium

Learning Objective: 02-03

Topic: The Accounting Equation and Financial Statements

Blooms: Understand

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

5. U Fix It Hardware had revenues of \$105,000 and expenses of \$60,000. How does this affect owner's equity?
- a.** \$90,000 increase
 - b.** \$45,000 increase
 - c.** \$165,000 decrease
 - d.** \$40,000 decrease

Answer: B

Difficulty: 2 Medium

Learning Objective: 02-03

Topic: The Accounting Equation and Financial Statements

Blooms: Understand

AACSB: Analytical Thinking
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 AICPA: FN Measurement

6. What information is contained in the income statement?
- a. revenues and expenses for a period.
 - b. assets, liabilities, and owner's equity for a period.
 - c. revenue and expenses on a specific date.
 - d. assets, liabilities, and owner's equity on a specific date.

Answer: A
 Difficulty: 1 Easy
 Learning Objective: 02-04
 Topic: The Accounting Equation and Financial Statements
 Blooms: Remember
 AACSB: Analytical Thinking
 AICPA: BB Industry
 AICPA: FN Reporting

7. What information is contained on the balance sheet?
- a. revenues and expenses for a period.
 - b. assets, liabilities, and owner's equity for a period.
 - c. revenue and expenses on a specific date.
 - d. assets, liabilities, and owner's equity on a specific date

Answer: D
 Difficulty: 1 Easy
 Learning Objective: 02-05
 Topic: The Accounting Equation and Financial Statements
 Blooms: Remember
 AACSB: Analytical Thinking
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8. All the following information is contained on the statement of owner's equity except?
- a. net income or net loss for the period.
 - b. owner's equity at the beginning and end of the period.
 - c. withdrawals and additional investments for the period.
 - d. liabilities at the beginning and end of the period.

Answer: D

Difficulty: 1 Easy

Learning Objective: 02-05

Topic: The Accounting Equation and Financial Statements

Blooms: Remember

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