Solutions Manual for College Accounting 16th Price

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

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
AICPA: BB Industry
AICPA: FN Measurement

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
AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement

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

Answer: B
Difficulty: 1 Easy
Learning Objective: 02-01
Topic: Property and Financial Interest
Blooms: Remember
AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement

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
AICPA: BB Industry
AICPA: FN Measurement

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

Answer: C
Difficulty: 2 Medium
Learning Objective: 02-01
Topic: Property and Financial Interest
Blooms: Understand
AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement

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
AICPA: BB Industry
AICPA: FN Measurement

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

Answer: A
Difficulty: 2 Medium
Learning Objective: 02-01
Topic: Property and Financial Interest
Blooms: Understand
AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement

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

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
AICPA: BB Industry
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' 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
AICPA: BB Industry
AICPA: FN Reporting

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
AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Reporting