Test Bank for Fundamentals of Financial Accounting 8th Phillips

Chapter 01 Test Bank - Algorithmic and Static

CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

1) Creditors are owners of a corporation.
   - ⊙ true
   - ⊙ false

2) All corporations acquire financing by issuing stock on public stock exchanges.
   - ⊙ true
   - ⊙ false

3) You paid $10,000 to buy 1% of the stock in a corporation that is now bankrupt. The company owes $10 million dollars to its creditors. As a result of the bankruptcy, you are responsible for paying $100,000 (or $10 million × 1%) of the amount owed to the creditors.
   - ⊙ true
   - ⊙ false

4) Cash paid for wages is an example of an operating activity on the statement of cash flows.
   - ⊙ true
   - ⊙ false

5) Borrowing money from a bank is a financing activity on the statement of cash flows.
   - ⊙ true
   - ⊙ false

6) The daily business activities involved in running a business, such as buying supplies and paying salaries and wages, are classified as operating activities on the statement of cash flows.
   - ⊙ true
   - ⊙ false

7) Stockholders' equity is the difference between a company's assets and its liabilities.
   - ⊙ true
   - ⊙ false

8) A company owes $200,000 on a bank loan. It will be reported by the company as Accounts Payable.
   - ⊙ true
   - ⊙ false

9) The amounts reported on financial statements are sometimes rounded to the nearest thousand or million.
   - ⊙ true
   - ⊙ false

10) Accounts Payable, Notes Payable, and Salaries and Wages Payable are examples of liabilities.
   - ⊙ true
   - ⊙ false

11) Dividends are subtracted from revenues on the income statement.
   - ⊙ true
   - ⊙ false

12) If a company reports net income on the income statement, then the statement of cash flows will report the same amount as cash flows from operating activities for the period.
   - ⊙ true
   - ⊙ false

13) Revenue is reported on the income statement only if cash was received at the point of sale.
   - ⊙ true
   - ⊙ false

14) Generally Accepted Accounting Principles (GAAP) require profitable companies to distribute some of their earnings to their stockholders.
   - ⊙ true
   - ⊙ false

15) Common Stock is reported as an asset on the balance sheet.

- ⊙ true
- ⊙ false

16) Investors are mainly interested in the profitability of a company.

- ⊙ true
- ⊙ false

17) A stock that does not pay a dividend is an undesirable investment.

- ⊙ true
- ⊙ false

18) To ensure that companies produce useful information, it must have two fundamental characteristics: reliability and understandability.

- ⊙ true
- ⊙ false

19) The Securities and Exchange Commission (SEC) is the government agency that has primary responsibility for setting accounting standards in the U.S.

- ⊙ true
- ⊙ false

20) The Sarbanes-Oxley Act (SOX) requires top management of companies to sign a report certifying that the financial statements are free of error.

- ⊙ true
- ⊙ false

21) Companies must use a December 31st year-end for all financial statements.

- ⊙ true
- ⊙ false

22) Public corporations are businesses:

A) owned by two or more people, each of whom is personally liable for the debts of the business.
B) whose stock is bought and sold on a stock exchange.
C) whose stock is bought and sold privately.
D) where stock is not used as evidence of ownership.

23) The owner(s) of a business are not taxed on the profits of the business if the business is a:

A) sole proprietorship.
B) partnership.
C) corporation.
D) public partnership.

24) Which of the following is typically considered a disadvantage of sole proprietorships?

A) Income taxes are paid by both the business and its owner.
B) The business is considered a separate legal entity from its owner.
C) Establishing the business usually requires legal assistance.
D) Owner is personally liable for all debts of the business.

25) Considering the targeted audience for financial accounting reports, which of the following parties is not an external user?

A) Directors of the company issuing the reports
B) Creditors of the company issuing the reports
C) Managers of the company issuing the reports
D) Stockholders of the company issuing the reports

26) Accounting systems:

A) are summarized in publicly published reports.
B) analyze, record, and summarize the activities affecting its financial condition and performance.
C) monitor business activities only in financial terms.
D) capture only the information that is needed by the owners of the company.

27) People or organizations to whom a business owes money are considered:
- A) owners of a business.
- B) creditors of a business.
- C) stockholders of a business.
- D) customers of a business.

28) The owner is not responsible for the entity's taxes and debts if the entity is organized as a(n):
- A) corporation.
- B) sole proprietorship.
- C) unlimited liability corporation.
- D) limited liability corporation.

29) Which of the following is a characteristic of a partnership?
- A) The profits, taxes, and legal liability are the responsibility of two or more owners.
- B) It is a legal entity separate from its owners.
- C) Its income is taxed twice—once on the partnership's income tax return and again on the partners' individual income tax returns.
- D) It is the only organizational form appropriate for service businesses.

30) Managerial accounting reports prepared for internal use are used by the company's:
- A) suppliers.
- B) bank.
- C) employees.
- D) stockholders.

31) Directors of a corporation:
- A) want to ensure they will be paid for the goods and services they deliver.
- B) oversee managers to ensure their decisions are in the best interests of its stockholders.
- C) assess the financial strength of a business and attempt to estimate its value.
- D) are responsible for the functioning of stock markets and ensuring that taxes are correctly computed.

32) The main goal of an accounting system is to:
- A) prove that assets equal liabilities plus stockholders' equity.
- B) capture information about a business so that it can be reported to decision-makers.
- C) provide initial financing for a new startup.
- D) earn a profit for the company's stockholders.

33) Financing that individuals or institutions have provided to a corporation is:
- A) always classified as a liability.
- B) classified as a liability when provided by creditors and as stockholders' equity when provided by owners.
- C) always classified as equity.
- D) classified as a stockholders' equity when provided by creditors and a liability when provided by owners.

34) An investor who is looking at a company's financial statements cannot determine whether the:
- A) company's earnings are rising or falling.
- B) company pays a dividend.
- C) company has positive cash flow.
- D) company's owners are financially sound.

35) A sole proprietorship is:
- A) a separate legal and accounting entity from its owner(s).
- B) owned and operated by one individual.
- C) considered a public company.
- D) can easily raise large amounts of capital for growth.

36) Internal users of financial data include:
- A) investors.
- B) creditors.
- C) management.
- D) regulatory authorities.

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37) Which of the following statements about financial accounting reports is correct?

A) Financial accounting reports are used primarily by employees to make business decisions related to production.
B) Financial accounting reports are used primarily by management to understand whether a product line should be discontinued.
C) Financial accounting reports are primarily prepared to provide information for external decision makers.
D) Financial accounting reports primarily contain detailed internal records of the company.

38) Which of the following statements about organizational forms of a business is not correct?

A) In a sole proprietorship or in a partnership, the owner(s) are personally responsible for the debts of the business.
B) The partnership agreement states how profits are to be shared between partners and what happens when a new partner is to be admitted or an existing partner is retiring.
C) A corporation is a separate entity from both a legal and accounting perspective.
D) The owners of a corporation are legally responsible for the corporation's debts and taxes.

39) A legal document called a stock certificate is used to indicate ownership in a:

A) corporation.
B) sole proprietorship.
C) partnership.
D) both sole proprietorship and partnership.

40) Which of the following statements below is correct about a corporation and a partnership?

A) A partnership is comprised of two or more owners, whereas a corporation must have only one owner.
B) A corporation is legally responsible for its own taxes and debts, whereas the owners of the partnership are responsible for its taxes and debts.
C) Owners of both entities are legally responsible for the taxes and debts of the business.
D) Both entities issue shares of stock to owners.

41) Which of the following expressions of the accounting equation is correct?
- A) Liabilities + Assets = Stockholders' Equity
- B) Stockholders' Equity + Assets = Liabilities
- C) Assets = Liabilities − Stockholders' Equity
- D) Stockholders' Equity = Assets − Liabilities

42) Net income is the amount:
- A) the company earned after subtracting expenses and dividends from revenue.
- B) by which assets exceed expenses.
- C) by which assets exceed liabilities.
- D) by which revenues exceed expenses.

43) Expenses are reported on the:
- A) income statement in the time period in which they are paid.
- B) income statement in the time period in which they are incurred.
- C) balance sheet in the time period in which they are paid.
- D) balance sheet in the time period in which they are incurred.

44) The financial reports of a business include only the activities of the business and not the personal dealings of its stockholders. This is:
- A) required only for large corporations.
- B) the cost principle.
- C) the accounting equation.
- D) the separate entity assumption.

45) The separate entity assumption assumes:
- A) the financial reports of a business include only the results of that business's activities.
- B) assets equal liabilities plus stockholders’ equity.
- C) revenues and expenses are reported in separate sections of a company's income statement.
- D) assets are reported in a separate financial statement from liabilities.

46) Mauricio invested $30,000 in Pizza Aroma in exchange for its stock. Pizza Aroma now has:
- A) a liability.
- B) retained earnings.
- C) common stock.
- D) net income.

47) Amounts earned by selling goods or services to customers are called:
- A) revenues.
- B) expenses.
- C) dividends.
- D) common stocks.

48) Profit is equal to:
- A) revenues minus expenses.
- B) assets minus liabilities.
- C) the amount of cash that a company has.
- D) the amount of cash that owners have contributed to the business.

49) If revenues are less than expenses, the company's Retained Earnings:
- A) decrease.
- B) increase.
- C) must be replenished by stockholders.
- D) are paid to stockholders.

50) If revenues exceed expenses, the company's Retained Earnings:
- A) decrease.
- B) increase.
- C) must be replenished by stockholders.
- D) are paid to stockholders.

51) A cost of doing business is referred to as a(n) ________ and is considered necessary to earn ________ .

A) revenue; assets
B) expense; revenue
C) liability; expenses
D) dividend; revenue

52) Expenses are:

A) equal to a company's liabilities.
B) always less than revenues.
C) the costs of doing business that are necessary to earn revenue.
D) always less than the amount of cash a company has available.

53) An economic resource that is controlled by a company and will provide future benefits is referred to as:

A) revenue.
B) an asset.
C) retained earnings.
D) net income.

54) A measurable amount the company expects to give up in the future to settle what a company owes to a creditor is referred to as:

A) liability.
B) an asset.
C) retained earnings.
D) expense.

55) Alpha sold $2,000 of services to Beta on credit. Beta promised to pay for it next month. Alpha will report a $2,000:

A) Accounts Receivable.
B) Accounts Payable.
C) increase in Cash, since Beta is sure to pay next month.
D) net loss.

56) Alpha sold $2,000 of services to Beta on credit. Beta promised to pay for it next month. Beta will report a $2,000:

A) Accounts Payable.
B) Accounts Receivable.
C) decrease in Cash, since it plans to pay next month.
D) net income.

57) TreeTop Nursery sold $7,500 of goods to customers of which $4,500 has been collected. TreeTop should report revenues of:

A) $7,500.
B) $4,500.
C) $3,000.
D) $0.

58) Cash flows from (used in) investing activities include amounts:

A) received from a company's stockholders for the sale of stock.
B) received from the sale of the company's office building.
C) paid for dividends to the company's stockholders.
D) paid for salaries of employees.

59) Which of the following would not represent a financing activity?

A) Paying dividends to stockholders
B) Cash received from owners in exchange for company stock
C) Borrowing money from a bank to purchase new equipment
D) Buying supplies

60) Operating activities include:

A) interest paid on a bank loan.
B) the buying or selling of land, buildings, equipment, and other long-term investments.
C) the repayment of loan proceeds to the bank.
D) obtaining a bank loan to cover the payment of wages, rent and other operating costs.

61) The separate entity assumption means:
- A) a company's financial statements reflect only the business activities of that company.
- B) each separate owner's finances must be revealed in the financial statements.
- C) each separate entity that has a claim on a company's assets must be shown in the financial statements.
- D) if the business is a sole proprietorship, the owners' personal activities are included in the company's financial statements.

62) Operating activities, investing activities, and financing activities are presented on the:
- A) balance sheet.
- B) statement of cash flows.
- C) statement of retained earnings.
- D) income statement.

63) Financial statements are most commonly prepared:
- A) daily.
- B) monthly, quarterly, and annually.
- C) as needed.
- D) weekly.

64) Which of the following statements about a fiscal year is correct?
- A) Companies can choose to end their fiscal year on any date they feel is most relevant.
- B) Companies must end their fiscal year on March 31, June 30, September 30, or December 31.
- C) Companies can select any date except a holiday to end their fiscal year.
- D) Companies must end their fiscal year on December 31.

65) Assets:
- A) represent the amounts earned by a company.
- B) must equal the liabilities of a company.
- C) must equal the stockholders' equity of the company.
- D) represent the resources presently controlled by a company.

66) A net loss for a period arises when:
- A) assets are greater than liabilities.
- B) revenues are less than expenses.
- C) liabilities are greater than stockholders' equity.
- D) revenues are greater than expenses.

67) Net income that has been paid out to the company's stockholders for their own personal use is referred to as:
- A) dividends.
- B) equities.
- C) revenues.
- D) retained earnings.

68) Crystal Lodging recorded $330,000 in revenues, $247,500 in expenses, and $45,000 of dividends for the year. The company began the year with total assets of $285,000 and stockholders' equity of $130,500.
What was the net income (loss) reported by Crystal Lodging for the year?
- A) $94,500
- B) $37,500
- C) $82,500
- D) $49,500

69) Crystal Lodging recorded $330,000 in revenues, $247,500 in expenses, and $45,000 of dividends for the year. The company began the year with total assets of $285,000 and stockholders' equity of $130,500.
Suppose that liabilities increased by $90,000 and stockholders' equity increased by $37,500. What would be the change in Crystal Lodging's assets?
- A) $168,000 increase
- B) $127,500 increase
- C) $154,500 increase
- D) $52,500 increase

70) The obligations and debts of a business are referred to as:

A) equities.
B) assets.
C) dividends.
D) liabilities.

71) Which of the following are the three basic elements of the balance sheet?

A) Assets, liabilities, and retained earnings.
B) Assets, liabilities, and common stock.
C) Assets, liabilities, and revenues.
D) Assets, liabilities, and stockholders' equity.

72) Coast Company has 10,000 items of building supplies on hand that cost $300,000; a bill related to these supplies totalling $100,000 from a vendor has not yet been paid. The company expects to earn $800,000 for its services when it uses the building supplies. The company’s balance sheet would include an asset, Supplies, in the amount of:

A) $800,000.
B) $10,000.
C) $300,000.
D) $200,000.

73) Coast Company has 5,000 items of building supplies on hand that cost $150,000; a bill related to these supplies totalling $50,000 from a vendor has not yet been paid. The company expects to earn $400,000 for its services when it uses the building supplies. The company's balance sheet would include an asset, Supplies, in the amount of:

A) $5,000.
B) $100,000.
C) $150,000.
D) $400,000.

74) The Publish or Perish Printing Company paid a dividend to stockholders. This will be reported on the:

A) audit report.
B) income statement.
C) balance sheet.
D) statement of retained earnings.

75) Which of the following is not correct?

A) Assets = Liabilities + Stockholders' Equity
B) Liabilities = Assets − Stockholders' Equity
C) Stockholders' Equity + Liabilities − Assets = 0
D) Assets = Liabilities − Stockholders' Equity

76) At the end of last year, the company's assets equalled $866,000 and its liabilities equalled $743,000. During the current year, the company's total assets increased by $58,600 and its total liabilities increased by $24,300. At the end of the current year, stockholders' equity was:

A) $34,300.
B) $157,300.
C) $123,000.
D) $181,600.

77) At the end of last year, the company's assets equalled $430,000 and its liabilities equalled $370,000. During the current year, the company's total assets increased by $29,000 and its total liabilities increased by $12,000. At the end of the current year, stockholders' equity was:

A) $77,000.
B) $60,000.
C) $17,000.
D) $89,000.

78) If total liabilities decreased by $50,000 and stockholders' equity increased by $10,000 during a period of time, then total assets must change by what amount and direction during that same time period?

A) $40,000 increase
B) $40,000 decrease
C) $60,000 increase
D) $60,000 decrease

79) A company's balance sheet contained the following information:

Common Stock	$ 12,600	**Total Assets**	$ 182,000
Accounts Payable	64,600	**Retained Earnings**	28,600

Notes Payable is the only other item on the balance sheet. Notes Payable must equal:

A) $76,200.
B) $13,900.
C) $78,100.
D) $11,600.

80) A company's balance sheet contained the following information:

Common Stock	$ 24,000	**Total Assets**	$ 352,000
Accounts Payable	128,000	**Retained Earnings**	56,000

Notes Payable is the only other item on the balance sheet. Notes Payable must equal:

A) $400,000.
B) $16,000.
C) $144,000.
D) $688,000.

81) During Year 5, a company's assets increase by $112,000 and its liabilities increase by $76,000. If no dividends were paid and there were no changes in the amount of common stock issued during the year, net income for Year 5 was:

A) $112,000.
B) $36,000.
C) $188,000.
D) $76,000.

82) A company began the year with assets of $118,000, liabilities of $29,000, and stockholders' equity of $89,000. During the year assets increased $56,800 and stockholders' equity increased $23,600. What was the change in liabilities for the year?

A) Increase of $80,400
B) Increase of $33,200
C) Decrease of $80,400
D) Decrease of $33,200

83) A company began the year with assets of $200,000, liabilities of $40,000, and stockholders' equity of $160,000. During the year assets increased $110,000 and stockholders' equity increased $40,000. What was the change in liabilities for the year?

A) Increase of $150,000
B) Increase of $70,000
C) Decrease of $150,000
D) Decrease of $70,000

84) During its first year of operations, Puffin, Incorporated reported Sales Revenue of $388,300 but only collected $308,500 in cash from customers. At the end of the year, Accounts Receivable equals:

A) $388,300.
B) $308,500.
C) $79,800.
D) $696,800.

85) During its first year of operations, Puffin, Incorporated reported Sales Revenue of $772,000 but only collected $606,000 in cash from customers. At the end of the year, Accounts Receivable equals:

A) $1,378,000.
B) $772,000.
C) $606,000.
D) $166,000.

86) If Blair Industries had $14 million in revenue and net income of $7 million, then its:
- A) expenses must have been $21 million.
- B) expenses must have been $7 million.
- C) assets must have been $14 million.
- D) assets must have been $7 million.

87) If Blair Industries had $24 million in revenue and net income of $6 million, then its:
- A) expenses must have been $30 million.
- B) expenses must have been $18 million.
- C) assets must have been $24 million.
- D) assets must have been $6 million.

88) If Boward Company has Common Stock of $40,000, total assets of $85,000, and total liabilities of $35,000, its Retained Earnings equals:
- A) $10,000.
- B) $45,000.
- C) $50,000.
- D) $55,000.

89) The WeBuild Construction Company sold $30 million of buildings in its first year of operations. The company received payments of $17.00 million for these buildings. The company's income statement would report:
- A) Accounts Receivable of $13.00 million.
- B) Sales Revenue of $17.00 million.
- C) Sales Revenue of $30 million.
- D) Expenses of $13.00 million.

90) The WeBuild Construction Company sold $16.5 million of buildings in its first year of operations. The company received payments of $11.25 million for these buildings. The company's income statement would report:
- A) Accounts Receivable of $5.25 million.
- B) Expenses of $5.25 million.
- C) Sales Revenue of $11.25 million.
- D) Sales Revenue of $16.5 million.

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91) The WeBuild Construction Company sold $16.5 million of buildings in its first year of operations. The company received payments of $11.25 million for these buildings. The company's balance sheet would report:

A) Accounts Receivable of $5.25 million.
B) Expenses of $5.25 million.
C) Sales Revenue of $11.25 million.
D) Sales Revenue of $16.5 million.

92) Which of the following financial statements shows how net income (loss) and dividends impacted a stockholders' equity account?

A) Statement of Retained Earnings
B) Balance Sheet
C) Statement of Cash Flows
D) Income Statement

93) Dividends are reported on the:

A) income statement.
B) balance sheet.
C) statement of retained earnings.
D) income statement and balance sheet.

94) Dividends paid to stockholders:

A) are a reduction to Retained Earnings.
B) appear in the cash flows from operating activities section of the statement of cash flows.
C) appear on the income statement.
D) are subtracted from Common Stock.

95) Which of the following would not affect a company's net income?

A) A change in the company's income taxes.
B) Changing the selling price of a company's product.
C) Paying a dividend to stockholders.
D) Advertising a new product.

96) Which of the following transactions would be reported on the income statement for Year 2?

A) Supplies that were purchased and used in Year 1 but paid for in Year 2.
B) Supplies that were purchased in Year 1 but were used in Year 2.
C) Dividends that were paid in Year 2.
D) Accounts Receivable as of December 31, Year 2.

97) Solve for the missing data.

CINNAMON AND SPICE, INCORPORATED
Income Statement
For the Year Ended December 31, Year 3

Revenues	
Sales Revenue	$ 3,000,000
Service Revenue	810,200
Total Revenues	Unknown
Expenses	
Salaries and Wages Expense	1,314,900
Advertising and Promotion Expenses	482,200
Other Selling and Administrative Expenses	Unknown
Interest Expense	225,600
Income Tax Expense	117,700
Other Expenses	253,700
Total Expenses	3,445,600
Net Income	Unknown

A) Total revenues are $3,810,200, other selling and administrative expenses are $1,051,500, and net income is $364,600.
B) Total revenues are $2,495,300, other selling and administrative expenses are $1,051,500, and net income is ($950,300).
C) Total revenues are $364,600, other selling and administrative expenses are $3,081,000, and net income is $7,255,800.
D) Total revenues are $3,810,200, other selling and administrative expenses are $364,600, and net income is $7,255,800.

98) Which of the following statements about this Statement of Retained Earnings is not correct?

Carly Q's
Statement of Retained Earnings
For the Year Ended December 31, Year 4

Retained Earnings, January 1, Year 4	$ 251,700
Add: Net Income	328,650
Subtract: Dividends	(54,600)
Retained Earnings, December 31, Year 4	$ 525,750

A) Retained earnings of $525,750 will appear on the balance sheet as of December 31, Year 4.
B) The net income in the above statement came from the income statement for the year ending December 31, Year 4.
C) Dividends are shown in parentheses because they are distributions of earnings to the stockholders.
D) The ending retained earnings amount represents the amount of cash at the end of Year 4.

99) Universal Corporation has beginning Retained Earnings of $80,000, cash flows from operating activities during the current year of $35,000, dividends paid during the year of $5,000, net income for the current year of $50,000, and Common Stock at the end of the year of $15,000. What is the amount of its Retained Earnings at the end of the year?
A) $125,000
B) $140,000
C) $160,000
D) $175,000

100) Which of the following is correct about the financial statements?
A) The "change in cash" reported on the statement of cash flows is also reported on the statement of retained earnings.
B) Both the income statement and the statement of cash flows show the result of a company's operating activities.
C) The statement of cash flows is for a period of time while the income statement is for a point in time.
D) The statement of cash flows is for a point of time while the income statement is for a period of time.

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101) The purpose of a statement of retained earnings is to:

A) estimate the current value of a company's assets.

B) report the way that net income and dividends affected the financial position of the company during the period.

C) show where the cash is flowing into and out of a company.

D) report the specific revenues and expenses arising during the period.

102) Which of the following statements about the format of financial statements is correct?

A) A double underline is drawn below the subtotal for Total Liabilities on the balance sheet.

B) Dollar signs are omitted if the heading states that amounts are reported in U.S. dollars.

C) Dividends are shown in parentheses on the statement of retained earnings.

D) The order of the items included in the heading of each financial statement is as follows: the name of the business, the time period covered by the financial statement, and the title of the report.

103) Which of the following is not an expense?

A) Wages of employees

B) Interest incurred on a note payable

C) Dividends

D) Corporate income tax

104) Which of the following statements about a company's fiscal year is correct?

A) All companies have a December 31 year-end.

B) It usually corresponds to a company's slow period.

C) It always corresponds to the calendar year.

D) The Financial Accounting Standards Board assigns a year-end to each company.

105) Every financial statement should have "who, what, and when" in its heading. These include the:

A) name of the person preparing the statement, the type of financial statement, and when the financial statement was reported to the SEC.
B) name of the person preparing the statement, the name of the company, and the date the statement was prepared.
C) name of the company, the type of financial statement, and the time period or date from which the data were taken.
D) name of the company, the purpose of the statement, and when the financial statement was reported to the IRS.

106) Which of the following descriptions about a Notes Payable is correct?

A) A written promise to repay a loan
B) A type of long-term asset
C) Generally informal in nature
D) Reported as part of stockholders' equity on the balance sheet

107) The WC Company borrowed $26,500 from a bank during the year. This borrowing would be reported on the statement of cash flows as a(n):

A) investing activity in the amount of ($26,500).
B) financing activity in the amount of ($26,500).
C) investing activity in the amount of $26,500.
D) financing activity in the amount of $26,500.

108) Which of the following would be an acceptable alternative name for the income statement?

A) Statement of Profit and Loss
B) Statement of Financial Position
C) Statement of Retained Earnings
D) Statement of Revenues and Expenses

109) Which of the following statements is prepared at a point in time?
   - A) Income Statement
   - B) Statement of Retained Earnings
   - C) Balance Sheet
   - D) Statement of Cash Flows

110) Which of the following would not be reported on the balance sheet?
   - A) Accounts Receivable
   - B) Accounts Payable
   - C) Advertising Expense
   - D) Cash

111) A company incurred $5,000 for rent for the last month of Year 5. The company paid the bill during the first month of Year 6. Which of the following statements is correct?
   - A) The related $5,000 should be reported on the income statement for Year 5 as Rent Expense.
   - B) Since it has not been paid, this bill would not be reported in the financial statements for Year 5.
   - C) The related $5,000 should be included in Accounts Receivable on the balance sheet at the end of Year 5.
   - D) The related $5,000 should be included in Rent Expense on the balance sheet at the end Year 5.

112) During the first year of operations, a company sold $116,000 of goods to customers and received $98,000 in cash from customers. The remainder is owed to the company at the end of the year. The company incurred $71,600 in expenses for the year and paid $66,600 in cash for these expenses. The remainder is owed by the company at the end of the year. Based on this information, what is the amount of net income for the year?
   - A) $31,400
   - B) $26,400
   - C) $49,400
   - D) $44,400

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113) During the first year of operations, a company sold $80,000 of goods to customers and received $72,000 in cash from customers. The remainder is owed to the company at the end of the year. The company incurred $56,000 in expenses for the year and paid $52,000 in cash for these expenses. The remainder is owed by the company at the end of the year. Based on this information, what is the amount of net income for the year?

A) $20,000
B) $28,000
C) $16,000
D) $24,000

114) Which of the following items appear on more than one financial statement?

A) Ending Cash and ending Retained Earnings
B) Ending Cash and beginning Retained Earnings
C) Sales Revenue and ending Retained Earnings
D) Beginning Cash and Sales Revenue

115) A company incurred $10,000 in wages for employees during the year. Of these wages, $9,000 was paid by the end of the year. Which of the following statements is correct?

A) Salaries and Wages Payable on the income statement will be $9,000.
B) Salaries and Wages Expense on the income statement will be $1,000.
C) Salaries and Wages Expense on the balance sheet will be $10,000.
D) Salaries and Wages Payable on the balance sheet will be $1,000.

116) Net income appears on which of the following financial statements?

A) Balance sheet and income statement
B) Balance sheet and statement of retained earnings
C) Balance sheet and statement of cash flows
D) Income statement and statement of retained earnings

117) Stockholders' equity is:

A) a liability of the business.
B) an economic resource controlled by the business.
C) the owners' claims on the business.
D) the profit generated by the business.

118) The income statement reports:

A) the assets, liabilities, and stockholders' equity of a company.
B) cumulative earnings that have not been distributed to stockholders.
C) the amount of profit distributed to owners during the period.
D) the amount of revenues earned, and expenses incurred during the period.

119) The statement of cash flows shows the following information:

Cash provided by operating activities of $18,100
Cash used by investing activities of $6,800
Cash used by financing activities of $1,300
The beginning cash was $16,900. What is the amount of cash at the end of the period?

A) $35,000.
B) $26,900.
C) $6,900.
D) $43,100.

120) The statement of cash flows shows the following information:

Cash provided by operating activities of $33,000
Cash used by investing activities of $16,800
Cash used by financing activities of $5,800
The beginning cash was $28,000. What is the amount of cash at the end of the period?

A) $83,600.
B) $61,000.
C) $17,600.
D) $38,400.

121) Which of the following would not be reported as an asset on the balance sheet?

A) Accounts Receivable
B) Supplies
C) Retained Earnings
D) Cash

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122) Which of the following would not be reported as a liability on the balance sheet?

A) Accounts Payable
B) Common Stock
C) Notes Payable
D) Salaries and Wages Payable

123) Robin Hood's statement of cash flows contained the following information:
Cash flows from operating activities in the amount of $30,800
Cash flows from investing activities in the amount of $31,800
Cash flows from (used by) financing activities in the amount of ($43,200)
What was Robin Hood's change in cash for the period?

A) $19,400 increase
B) $11,400 increase
C) $11,400 decrease
D) $19,400 decrease

124) Robin Hood's statement of cash flows contained the following information:
Cash flows from operating activities in the amount of $34,800
Cash flows from investing activities in the amount of $36,000
Cash flows from (used by) financing activities in the amount of ($54,000)
What was Robin Hood's change in cash for the period?

A) $16,800 increase
B) $18,000 increase
C) $16,800 decrease
D) $18,000 decrease

125) In the current period, Andrew, Incorporated recorded Sales Revenue of $100,000 from sales of goods to customers who agreed to pay later. In the next period, Andrew received payment from customers of $90,000. Which of the following statements is correct?

A) Revenue for the current period is $90,000.
B) Accounts Receivable at the end of the current period is $100,000.
C) Accounts Payable at the end of the current period is $10,000.
D) Expenses for next period will increase by $10,000.

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126) Investing activities on the statement of cash flows arise from transactions:

A) with lenders, borrowing and repaying cash.

B) with stockholders, selling company stock and paying dividends.

C) directly related to running the business to earn profits.

D) related to buying or selling productive resources with long lives.

127) The separate entity assumption requires that:

A) financial information depicts the economic substance of the business activities.

B) financial reports of a business are assumed to include the results of only that business's activities.

C) the results of business activities are reported in an appropriate monetary unit.

D) financial information can be compared across businesses because similar accounting methods have been applied.

128) Assets reported on the balance sheet include:

A) Accounts Receivable, Sales Revenue, and Cash.

B) Equipment, Supplies Expense, and Cash.

C) Accounts Payable, Retained Earnings, and Cash.

D) Accounts Receivable, Equipment, and Cash.

129) Liabilities reported on the balance sheet include:

A) Accounts Payable, Notes Payable, and Common Stock.

B) Accounts Receivable, Supplies Expense, and Retained Earnings.

C) Accounts Payable, Notes Payable, and Salaries and Wages Payable.

D) Common Stock, Retained Earnings, and Notes Payable.

130) Which of the following statements about financial statements is not correct?

A) Cash flows from financing activities would appear on the Statement of Cash Flows.

B) Dividends would appear on the Statement of Retained Earnings.

C) Assets would appear on the Income Statement.

D) Revenues would appear on the Income Statement.

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131) Which of the following statements about financial statement information is correct?
- A) If a company has total revenues of $80,000, total expenses of $50,000 and dividends of $10,000, they will have net income of $20,000.
- B) A company with total stockholders' equity of $45,000 and total assets of $75,000 must have total liabilities of $120,000.
- C) A company with liabilities of $80,000 and stockholders' equity of $50,000 will have assets of $30,000.
- D) A company with total stockholders' equity of $120,000 and common stock of $75,000 must have total retained earnings of $45,000.

132) The income statement would report the amount of:
- A) cash at the end of the year.
- B) supplies used up during the current year.
- C) dividends distributed to owners during the current year.
- D) unpaid employee wages at the end of the year.

133) Which transaction would be reported on the income statement for the current year?
- A) The revenue earned from selling goods in the current year to customers who have not yet paid for those goods (that is, they have promised to pay for those goods next year).
- B) The amount of cash received from customers this year as payment for goods that were sold to those customers last year.
- C) The proceeds from a borrowing from the bank that was to be used to finance business activities during the current year.
- D) The proceeds from the issuance of common stock to owners that was to be used to finance business activities during the current year.

134) The amount of beginning retained earnings is equal to the:
- A) beginning retained earnings of the prior year.
- B) ending retained earnings of the prior year.
- C) beginning retained earnings of the next year.
- D) ending retained earnings of the next year.

135) Cape Company started its business this year. For this year, it had revenues of $240,000, expenses of $180,000, cash flows from operating activities of $48,000, and paid dividends of $6,000. What is the amount of Retained Earnings at the end of Cape's first year of operations?

A) $42,000
B) $48,000
C) $54,000
D) $114,000

136) Which of the following would appear in the cash flows from operating activities section of the statement of cash flows?

A) Cash paid to suppliers and employees
B) Cash paid to purchase equipment
C) Cash paid on notes payable
D) Cash paid for dividends

137)

LARRY'S LOGGING EQUIPMENT, INCORPORATED

Statement of Cash Flows

For the Year Ended December 31, Year 3

Cash flows from operating activities		
Cash collected from customers	**A**	$ 24,000
Cash paid to suppliers and employees	**B**	(14,000)
Cash paid for other operating activities	**C**	Unknown
Net cash flow from operating activities	**D**	$ 10,000
Cash flows from investing activities		
Cash paid to purchase equipment and other assets	**E**	(90,000)
Cash received from selling equipment and other assets	**F**	Unknown
Net cash flow from (used by) investing activities	**G**	Unknown
Cash flows from financing activities		
Cash paid on notes payable	**H**	(64,000)
Cash paid for dividends	**I**	(20,000)
Net cash flow from (used by) financing activities	**J**	Unknown
Net change in cash during the year	**K**	74,000
Beginning cash, January 1, Year 3	**L**	Unknown
Ending cash, December 31, Year 3	**M**	244,000

What amount is represented by letter C in the statement of cash flows?

A) $28,000

B) $20,000

C) ($28,000)

D) $0

138)

LARRY'S LOGGING EQUIPMENT, INCORPORATED

Statement of Cash Flows

For the Year Ended December 31, Year 3

Cash flows from operating activities		
Cash collected from customers	**A**	$ 24,000
Cash paid to suppliers and employees	**B**	(14,000)
Cash paid for other operating activities	**C**	Unknown
Net cash flow from operating activities	**D**	$ 10,000
Cash flows from investing activities		
Cash paid to purchase equipment and other assets	**E**	(90,000)
Cash received from selling equipment and other assets	**F**	Unknown
Net cash flow from (used by) investing activities	**G**	Unknown
Cash flows from financing activities		
Cash paid on notes payable	**H**	(64,000)
Cash paid for dividends	**I**	(20,000)
Net cash flow from (used by) financing activities	**J**	Unknown
Net change in cash during the year	**K**	74,000
Beginning cash, January 1, Year 3	**L**	Unknown
Ending cash, December 31, Year 3	**M**	244,000

What amount is represented by letter J in the statement of cash flows?

A) ($84,000)

B) $84,000

C) ($4,000)

D) $44,000

139)

LARRY'S LOGGING EQUIPMENT, INCORPORATED

Statement of Cash Flows

For the Year Ended December 31, Year 3

Cash flows from operating activities		
Cash collected from customers	**A**	$ 24,000
Cash paid to suppliers and employees	**B**	(14,000)
Cash paid for other operating activities	**C**	Unknown
Net cash flow from operating activities	**D**	$ 10,000
Cash flows from investing activities		
Cash paid to purchase equipment and other assets	**E**	(90,000)
Cash received from selling equipment and other assets	**F**	Unknown
Net cash flow from (used by) investing activities	**G**	Unknown
Cash flows from financing activities		
Cash paid on notes payable	**H**	(64,000)
Cash paid for dividends	**I**	(20,000)
Net cash flow from (used by) financing activities	**J**	Unknown
Net change in cash during the year	**K**	74,000
Beginning cash, January 1, Year 3	**L**	Unknown
Ending cash, December 31, Year 3	**M**	244,000

What amount is represented by letter L in the statement of cash flows?

A) $318,000
B) $170,000
C) ($170,000)
D) ($318,000)

140) Golden Enterprises started the year with the following: Assets $127,000; Liabilities $43,000; Common Stock $73,000; Retained Earnings $11,000. During the year, the company earned revenue of $6,700, all of which was received in cash, and incurred expenses of $3,850, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $2,700 to owners. Assume no other activities occurred during the year. Golden's net income for the year is:

A) $2,700.
B) $3,850.
C) $2,850.
D) $6,700.

141) Golden Enterprises started the year with the following: Assets $50,000; Liabilities $15,000; Common Stock $30,000; Retained Earnings $5,000. During the year, the company earned revenue of $2,500, all of which was received in cash, and incurred expenses of $1,500, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $500 to owners. Assume no other activities occurred during the year. Golden's net income for the year is:

A) $1,000.
B) $500.
C) $1,500.
D) $2,500.

142) Golden Enterprises started the year with the following: Assets $101,000; Liabilities $31,000; Common Stock $61,000; Retained Earnings $9,000. During the year, the company earned revenue of $5,100, all of which was received in cash, and incurred expenses of $3,050, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $1,100 to owners. Assume no other activities occurred during the year. Golden's retained earnings balance at the end of the year is:

A) $1,100.
B) $11,050.
C) $14,100.
D) $9,950.

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143) Golden Enterprises started the year with the following: Assets $50,000; Liabilities $15,000; Common Stock $30,000; Retained Earnings $5,000. During the year, the company earned revenue of $2,500, all of which was received in cash, and incurred expenses of $1,500, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $500 to owners. Assume no other activities occurred during the year. Golden's retained earnings balance at the end of the year is:

A) $7,500.
B) $5,500.
C) $6,000.
D) $500.

144) Golden Enterprises started the year with the following: Assets $121,000; Liabilities $41,500; Common Stock $71,500; Retained Earnings $8,000. During the year, the company earned revenue of $6,400, all of which was received in cash, and incurred expenses of $3,700, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $2,400 to owners. Assume no other activities occurred during the year. Golden's liabilities at the end of the year are:

A) $45,200.
B) $44,200.
C) $41,500.
D) $38,800.

145) Golden Enterprises started the year with the following: Assets $50,000; Liabilities $15,000; Common Stock $30,000; Retained Earnings $5,000. During the year, the company earned revenue of $2,500, all of which was received in cash, and incurred expenses of $1,500, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $500 to owners. Assume no other activities occurred during the year. Golden's liabilities at the end of the year are:

A) $15,000.
B) $16,500.
C) $14,000.
D) $16,000.

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146) Golden Enterprises started the year with the following: Assets $105,000; Liabilities $35,000; Common Stock $65,000; Retained Earnings $5,000. During the year, the company earned revenue of $5,500, all of which was received in cash, and incurred expenses of $3,250, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $1,500 to owners. Assume no other activities occurred during the year. Golden's assets at the end of the year are:

A) $113,750.
B) $110,500.
C) $109,000.
D) $112,750.

147) Golden Enterprises started the year with the following: Assets $50,000; Liabilities $15,000; Common Stock $30,000; Retained Earnings $5,000. During the year, the company earned revenue of $2,500, all of which was received in cash, and incurred expenses of $1,500, all of which were unpaid as of the end of the year. In addition, the company paid dividends of $500 to owners. Assume no other activities occurred during the year. Golden's assets at the end of the year are:

A) $52,500.
B) $54,000.
C) $52,000.
D) $53,500.

148) A company's financial records at the end of the year included the following amounts:

Cash	$ 71,100
Accounts Receivable	29,100
Supplies	5,100
Accounts Payable	11,100
Notes Payable	5,550
Retained Earnings, beginning of year	18,100
Common Stock	51,000
Service Revenue	45,850
Wages Expense	9,100
Advertising Expense	6,100
Rent Expense	11,100

What is the amount of net income on the Income Statement for the year?

A) $28,650
B) $19,550
C) $37,650
D) $90,750

149) A company's financial records at the end of the year included the following amounts:

Cash	$ 70,000
Accounts Receivable	28,000
Supplies	4,000
Accounts Payable	10,000
Notes Payable	5,000
Retained Earnings, beginning of year	17,000
Common Stock	40,000
Service Revenue	53,000
Wages Expense	8,000
Advertising Expense	5,000
Rent Expense	10,000

What is the amount of net income on the Income Statement for the year?

A) $30,000
B) $38,000
C) $88,000
D) $47,000

150) A company's financial records at the end of the year included the following amounts:

Cash	$ 70,100
Accounts Receivable	28,100
Supplies	4,100
Accounts Payable	10,100
Notes Payable	5,050
Retained Earnings, beginning of year	17,100
Common Stock	41,000
Service Revenue	52,350
Wages Expense	8,100
Advertising Expense	5,100
Rent Expense	10,100

What is the amount of total assets to be reported on the Balance Sheet at the end of the year?

A) $154,650
B) $112,400
C) $119,400
D) $102,300

151) A company's financial records at the end of the year included the following amounts:

Cash	$ 70,000
Accounts Receivable	28,000
Supplies	4,000
Accounts Payable	10,000
Notes Payable	5,000
Retained Earnings, beginning of year	17,000
Common Stock	40,000
Service Revenue	53,000
Wages Expense	8,000
Advertising Expense	5,000
Rent Expense	10,000

What is the amount of total assets to be reported on the Balance Sheet at the end of the year?

A) $112,000
B) $102,000
C) $119,000
D) $155,000

152) A company's financial records at the end of the year included the following amounts:

Cash	$ 70,700
Accounts Receivable	28,700
Supplies	4,700
Accounts Payable	10,700
Notes Payable	5,350
Common Stock	47,000
Retained Earnings, beginning of year	17,700
Service Revenue	48,450
Wages Expense	8,700
Advertising Expense	5,700
Rent Expense	10,700

What is the amount of total stockholders' equity that would be reported on the Balance Sheet at the end of the year?

A) $64,700
B) $104,100
C) $23,350
D) $88,050

153) A company's financial records at the end of the year included the following amounts:

Cash	$ 70,000
Accounts Receivable	28,000
Supplies	4,000
Accounts Payable	10,000
Notes Payable	5,000
Common Stock	40,000
Retained Earnings, beginning of year	17,000
Service Revenue	53,000
Wages Expense	8,000
Advertising Expense	5,000
Rent Expense	10,000

What is the amount of total stockholders' equity that would be reported on the Balance Sheet at the end of the year?

A) $30,000
B) $57,000
C) $87,000
D) $102,000

154) Puffin Company began the year with assets of $109,000 and liabilities of $79,500. During the year assets increased by $13,800 and liabilities decreased by $9,900.
What is the amount of Puffin's stockholders' equity at the beginning of the year?

A) $105,000
B) $109,000
C) $29,500
D) $95,200

155) Puffin Company began the year with assets of $120,000 and liabilities of $90,000. During the year assets increased by $14,400 and liabilities decreased by $10,800.
What is the amount of Puffin's stockholders' equity at the beginning of the year?

A) $0
B) $30,000
C) $210,000
D) $120,000

156) Puffin Company began the year with assets of $106,000 and liabilities of $78,000. During the year assets increased by $13,200 and liabilities decreased by $9,600.
What is the amount of the change in Puffin's stockholders' equity during the year?

A) $3,600 increase
B) $22,800 increase
C) $3,600 decrease
D) $22,800 decrease

157) Puffin Company began the year with assets of $120,000 and liabilities of $90,000. During the year assets increased by $14,400 and liabilities decreased by $10,800.
What is the amount of the change in Puffin's stockholders' equity during the year?

A) $3,600 increase
B) $25,200 increase
C) $25,200 decrease
D) $3,600 decrease

158) The net income for Year 1 (the first year of operations for the company) was $20,900 and dividends of $12,450 were paid. In Year 2, the company reported net income of $34,900 and paid dividends of $5,450. At the end of Year 1, the company had total assets of $159,000. At the end of Year 2, the company had total assets of $249,000.
What was the amount of retained earnings at the end of Year 1?

A) $18,700
B) $20,900
C) $8,450
D) $17,300

159) The net income for Year 1 (the first year of operations for the company) was $20,000 and dividends of $12,000 were paid. In Year 2, the company reported net income of $34,000 and paid dividends of $5,000. At the end of Year 1, the company had total assets of $150,000. At the end of Year 2, the company had total assets of $240,000.
What was the amount of retained earnings at the end of Year 1?

A) $20,000
B) $8,000
C) $150,000
D) $155,000

160) The net income for Year 1 (the first year of operations for the company) was $20,100 and dividends of $12,050 were paid. In Year 2, the company reported net income of $34,100 and paid dividends of $5,050. At the end of Year 1, the company had total assets of $151,000. At the end of Year 2, the company had total assets of $241,000.
What is the amount of retained earnings at the end of Year 2?

A) $37,100
B) $131,150
C) $29,050
D) $121,150

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161) The net income for Year 1 (the first year of operations for the company) was $20,000 and dividends of $12,000 were paid. In Year 2, the company reported net income of $34,000 and paid dividends of $5,000. At the end of Year 1, the company had total assets of $150,000. At the end of Year 2, the company had total assets of $240,000.

What is the amount of retained earnings at the end of Year 2?

A) $37,000
B) $240,000
C) $29,000
D) $269,000

162) The following accounts are taken from the December 31, Year 4 financial statements of a company.

Accounts Payable	$ 2,075
Accounts Receivable	800
Selling & Administrative Expenses	2,500
Cash	2,200
Common Stock	2,000
Dividends	1,900
Income Tax Expense	400
Interest Expense	75
Other Expenses	500
Notes Payable	5,000
Other Assets	2,500
Other Liabilities	3,000
Other Operating Expenses	2,000
Other Revenue	300
Property and Equipment	11,000
Retained Earnings, December 31, Year 3	4,800
Salaries and Wages Expense	3,000
Supplies	300
Service Revenue	10,000

What is the amount of net income for Year 4?

A) $3,825
B) $1,825
C) $10,300
D) $5,625

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163) The following accounts are taken from the December 31, Year 4 financial statements of a company.

Accounts Payable	$ 2,075
Accounts Receivable	800
Selling & Administrative Expenses	2,500
Cash	2,200
Common Stock	2,000
Dividends	1,900
Income Tax Expense	400
Interest Expense	75
Other Expenses	500
Notes Payable	5,000
Other Assets	2,500
Other Liabilities	3,000
Other Operating Expenses	2,000
Other Revenue	300
Property and Equipment	11,000
Retained Earnings, December 31, Year 3	4,800
Salaries and Wages Expense	3,000
Supplies	300
Service Revenue	10,000

What is the amount of total assets at the end of Year 4?

A) $16,800
B) $16,500
C) $21,600
D) $23,500

164) The following accounts are taken from the December 31, Year 4 financial statements of a company.

Accounts Payable	$ 2,075
Accounts Receivable	800
Selling & Administrative Expenses	2,500
Cash	2,200
Common Stock	2,000
Dividends	1,900
Income Tax Expense	400
Interest Expense	75
Other Expenses	500
Notes Payable	5,000
Other Assets	2,500
Other Liabilities	3,000
Other Operating Expenses	2,000
Other Revenue	300
Property and Equipment	11,000
Retained Earnings, December 31, Year 3	4,800
Salaries and Wages Expense	3,000
Supplies	300
Service Revenue	10,000

What is the amount of total liabilities at the end of Year?

A) $7,075
B) $10,075
C) $9,075
D) $12,975

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165) The following accounts are taken from the December 31, Year 4 financial statements of a company.

Accounts Payable	$ 2,075
Accounts Receivable	800
Selling & Administrative Expenses	2,500
Cash	2,200
Common Stock	2,000
Dividends	1,900
Income Tax Expense	400
Interest Expense	75
Other Expenses	500
Notes Payable	5,000
Other Assets	2,500
Other Liabilities	3,000
Other Operating Expenses	2,000
Other Revenue	300
Property and Equipment	11,000
Retained Earnings, December 31, Year 3	4,800
Salaries and Wages Expense	3,000
Supplies	300
Service Revenue	10,000

What is the amount of retained earnings on the Balance Sheet at the end of Year 4?

A) $7,725
B) $6,725
C) $4,800
D) $4,725

166) Blue Fin started the current year with assets of $706,000, liabilities of $353,000 and common stock of $206,000. During the current year, assets increased by $406,000, liabilities decreased by $53,000 and common stock increased by $281,000. There was no payment of dividends to owners during the year.
Based on this information, what was the amount of Blue Fin's retained earnings at the beginning of the year?

A) $559,000
B) $72,000
C) $147,000
D) $459,000

167) Blue Fin started the current year with assets of $840,000, liabilities of $420,000 and common stock of $240,000. During the current year, assets increased by $480,000, liabilities decreased by $60,000 and common stock increased by $330,000. There was no payment of dividends to owners during the year.
Based on this information, what was the amount of Blue Fin's retained earnings at the beginning of the year?

A) $180,000
B) $1,020,000
C) $660,000
D) $420,000

168) Blue Fin started the current year with assets of $711,000, liabilities of $355,500 and common stock of $211,000. During the current year, assets increased by $411,000, liabilities decreased by $55,500 and common stock increased by $286,000. There was no payment of dividends to owners during the year.
What was the amount of Blue Fin's change in total stockholders' equity during the year?

A) $255,500 increase
B) $355,500 increase
C) $211,000 increase
D) $466,500 increase

169) Blue Fin started the current year with assets of $840,000, liabilities of $420,000 and common stock of $240,000. During the current year, assets increased by $480,000, liabilities decreased by $60,000 and common stock increased by $330,000. There was no payment of dividends to owners during the year.
What was the amount of Blue Fin's change in total stockholders' equity during the year?

A) $420,000 increase
B) $540,000 increase
C) $300,000 increase
D) $240,000 increase

170) Blue Fin started the current year with assets of $717,000, liabilities of $358,500 and common stock of $217,000. During the current year, assets increased by $417,000, liabilities decreased by $58,500 and common stock increased by $292,000. There was no payment of dividends to owners during the year.

What was the amount of Blue Fin's net income for the year?

A) $233,500
B) $475,500
C) $292,000
D) $183,500

171) Blue Fin started the current year with assets of $840,000, liabilities of $420,000 and common stock of $240,000. During the current year, assets increased by $480,000, liabilities decreased by $60,000 and common stock increased by $330,000. There was no payment of dividends to owners during the year.

What was the amount of Blue Fin's net income for the year?

A) $270,000
B) $330,000
C) $210,000
D) $540,000

172) The Statement of Cash Flows for the current year contained the following:

Cash received from customers	$ 10,000
Cash used for purchase of equipment	40,000
Cash received for stock issuance	30,000
Cash used for payments to suppliers & employees	5,000
Cash dividends paid to stockholders	1,000
Cash borrowed from bank	20,000

The change in cash for the current year was an increase of $14,000.

What was the amount of cash flows from (used in) operating activities?

A) $5,000
B) $35,000
C) $25,000
D) $4,000

173) The Statement of Cash Flows for the current year contained the following:

Cash received from customers	$ 10,000
Cash used for purchase of equipment	40,000
Cash received for stock issuance	30,000
Cash used for payments to suppliers & employees	5,000
Cash dividends paid to stockholders	1,000
Cash borrowed from bank	20,000

The change in cash for the current year was an increase of $14,000.
What was the amount of cash flows from (used in) investing activities?

A) ($1,000)
B) ($40,000)
C) ($10,000)
D) $10,000

174) The Statement of Cash Flows for the current year contained the following:

Cash received from customers	$ 10,000
Cash used for purchase of equipment	40,000
Cash received for stock issuance	30,000
Cash used for payments to suppliers & employees	5,000
Cash dividends paid to stockholders	1,000
Cash borrowed from bank	20,000

The change in cash for the current year was an increase of $14,000.
What is the amount of cash flows from (used in) financing activities?

A) ($40,000)
B) $5,000
C) $49,000
D) $10,000

175)

ANONYMOUS, INCORPORATED
Balance Sheet
September 30, Year 3

Assets	
Cash	$ 1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant & Equipment	391,600
Other Assets	869,400
Total Assets	$ 3,347,700
Liabilities	
Accounts Payable	$ 1,439,200
Notes Payable	Unknown
Total Liabilities	Unknown
Stockholders' Equity	
Common Stock	1,263,600
Retained Earnings	207,100
Total Stockholders' Equity	1,470,700
Total Liabilities & Stockholders' Equity	$ 3,347,700

What is the missing amount for Total Liabilities?

A) $3,347,700
B) $1,439,200
C) $1,470,700
D) $1,877,000

176)

ANONYMOUS, INCORPORATED
Balance Sheet
September 30, Year 3

Assets	
Cash	$ 1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant & Equipment	391,600
Other Assets	869,400
Total Assets	$ 3,347,700
Liabilities	
Accounts Payable	$ 1,439,200
Notes Payable	Unknown
Total Liabilities	Unknown
Stockholders' Equity	
Common Stock	1,263,600
Retained Earnings	207,100
Total Stockholders' Equity	1,470,700
Total Liabilities & Stockholders' Equity	$ 3,347,700

What is the missing amount for Notes Payable?

A) $207,100
B) $437,800
C) $1,439,200
D) $3,347,700

177)

ANONYMOUS, INCORPORATED
Balance Sheet
September 30, Year 3

Assets	
Cash	$ 1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant & Equipment	391,600
Other Assets	869,400
Total Assets	$ 3,347,700
Liabilities	
Accounts Payable	$ 1,439,200
Notes Payable	Unknown
Total Liabilities	Unknown
Stockholders' Equity	
Common Stock	1,263,600
Retained Earnings	207,100
Total Stockholders' Equity	1,470,700
Total Liabilities & Stockholders' Equity	$ 3,347,700

Which one of the following statements regarding the balance sheet for Anonymous Incorporated is correct?

A) Retained Earnings is misclassified; it should be reported in the Assets section of the balance sheet.
B) The $207,100 shown as Retained Earnings on the balance sheet represents the cumulative amount of dividends distributed.
C) Anonymous, Incorporated is owed $310,500 from customers who have purchased goods or services from the company but have not yet paid for them.
D) The amount of retained earnings reported on this balance sheet represents the retained earnings at the beginning of the year.

178) Karen's Bakery received $480 of sugar and flour from its supplier and promised to pay for it next month. Karen's Bakery should report:

A) Accounts Payable of $480 on its balance sheet.
B) Accounts Payable of $480 on its income statement.
C) Accounts Receivable of $480 on its balance sheet.
D) nothing, because cash hasn't been paid yet.

179) Which of these appears on both the income statement and the statement of retained earnings?

A) Cash
B) Revenues
C) Expenses
D) Net income

180) Lolly's Sparkling Waters delivered $380 of drinks to the local high school but hasn't received payment yet. Lolly's Sparkling Waters will report:

A) nothing, because payment hasn't been received yet.
B) Cash of $380, because the school will pay for the drinks eventually.
C) Accounts payable of $380.
D) Accounts receivable of $380.

181) Accounts receivable are:

A) amounts the company expects to pay for previous credit sales.
B) amounts the company expects to collect for previous credit sales.
C) reported in the liabilities section of the balance sheet.
D) reported on the income statement.

182) If a company reports a negative dollar amount under cash flows from investing activities, a possible explanation is that:

A) it has purchased a significant amount of equipment.
B) its expenses are greater than its revenues.
C) the market value of its stock has gone down.
D) it has paid a large cash dividend to its stockholders.

Chapter 01 Test Bank - Algorithmic and Static

183) A company might report negative cash flows from financing activities when:

A) it has purchased a significant amount of equipment.
B) the market value of its stock has gone down.
C) it has paid a cash dividend to its stockholders.
D) it has borrowed money from a bank during the year.

184) Borrowing from a bank is a(n):

A) operating activity.
B) investing activity.
C) financing activity.
D) expense.

185) Paying a cash dividend to stockholders is a(n):

A) operating activity.
B) investing activity.
C) financing activity.
D) expense.

186) Cash activity with stockholders and creditors, such as banks, are reported as cash flows from ________ activities on the statement of cash flows.

A) financing
B) investing
C) operating
D) managing

187) Cash activity from the buying and selling of productive resources, such as land, buildings and equipment, are reported as cash flows from ________ activities on the statement of cash flows.

A) investing
B) operating
C) financing
D) managing

188) Ace Electronics employees have earned $10,000 during the current period but Ace has paid only $8,000 to date. Ace Electronics should report Salaries and Wages Expense of ________ on the income statement, Salaries and Wages Payable of ________ on the balance sheet, and a reduction in Cash of ________.

A) $0; $10,000; $0
B) $8,000; $2,000; $0
C) $2,000; $2,000; $0
D) $10,000; $2,000; $8,000

189) Expenses appear on the:

A) Statement of Retained Earnings.
B) Balance Sheet.
C) Income Statement.
D) Statement of Cash Flows.

190) The unit of measure assumption states that:

A) results of business activities should be reported in an appropriate monetary unit.
B) assets should be recorded at cost.
C) a business's financial reports include only the activities of the business.
D) assets equal liabilities plus stockholders’ equity.

191)

ANONYMOUS, INCORPORATED
Balance Sheet
September 30, Year 3

Assets	
Cash	$ 1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant & Equipment	391,600
Other Assets	869,400
Total Assets	$ 3,347,700
Liabilities	
Accounts Payable	$ 1,439,200
Notes Payable	Unknown
Total Liabilities	Unknown
Stockholders' Equity	
Common Stock	1,263,600
Retained Earnings	207,100
Total Stockholders' Equity	1,470,700
Total Liabilities & Stockholders' Equity	$ 3,347,700

As of September 30, Year 3, who provided more financing for Anonymous, Incorporated?

A) Owners
B) Creditors
C) Both provided equal financing
D) Neither provided any financing

192) Investors of a company increase their wealth by receiving dividends and by:

A) receiving interest.
B) an increase in the market value of their stock.
C) studying the company's annual financial statements.
D) insider trading.

193) A creditor might look at a company's financial statements to determine if the:

A) company is likely to have the resources to repay its debts.
B) company's stock price is likely to fall, signaling a good time to sell.
C) company's stock price is likely to rise, signaling a good time to buy.
D) company pays a dividend.

194) Certain aspects of the financial statements may have different relevance to investors and creditors. Which of the following types of information are each of these two parties most concerned with?

A) Investors: Dividends; Creditors: Sufficient cash to make loan payments
B) Investors: Cash flows from investing activities; Creditors: Dividends
C) Investors: Sufficient cash to make loan payments; Creditors: Cash flows from investing activities
D) Investors: Sufficient cash to make loan payments; Creditors: Stock prices

195) Investors and creditors look at the balance sheet to see whether the company:

A) is profitable.
B) can maintain its existing product line.
C) owns enough assets to pay all that it owes to creditors.
D) has had positive cash flows from operating activities.

196) A company's quarterly income statements show that in the last three quarters both Sales Revenue and Net Income have been falling. Given this information, which of the following conclusions drawn by users are valid?

A) Creditors are likely to conclude that the risk of lending to the company is declining and might be willing to accept a lower interest rate on loans.
B) Investors are likely to conclude that the stock price is likely to rise, making the company more attractive as a potential investment.
C) Customers are likely to conclude that the company is struggling; therefore, it is permissible to take longer to pay amounts they owe to the company.
D) Owners may conclude that the company will be less likely to distribute dividends.

197) Which of the following statements about the use of financial statements is not correct?

A) When choosing between a company that pays steady dividends and one that retains its earnings to support future growth, investors will always choose the company that pays steady dividends.

B) Companies can develop reputations for honest financial reporting even when conveying bad news.

C) Trends in a company's net income from year to year can provide clues about its future earnings, which can help investors to decide whether to buy stock in the company.

D) Information in the notes to the financial statements can influence a user's interpretation of balance sheet and income statement information.

198) Investors are often interested in the amount of net income distributed as dividends. Where would investors look for this information in the company's annual report?

A) Statement of Retained Earnings

B) Balance Sheet

C) Notes to the financial statements

D) Income Statement

199) Creditors look at the balance sheet to see whether the company:

A) is profitable.

B) owns enough assets to pay what it owes to creditors.

C) has had a positive cash flow from operations.

D) is paying sufficient dividends to stockholders.

200) Which of the following is not likely to be a consequence of fraudulent financial reporting?

A) The company's stock price drops once the fraud is discovered.

B) Innocent accountants who work for the company's CPA firm lose their jobs.

C) Creditors recover 100% of amounts owed to them.

D) Employees lose their retirement savings.

201) When several parties or individuals can reach similar values in financial statements by using similar methods, the information is said to be:

A) comparable.
B) understandable.
C) verifiable.
D) timely.

202) Which of the following requires that its members adhere to a Code of Professional Conduct?

A) SEC
B) FASB
C) PCAOB
D) AICPA

203) In the U.S., Generally Accepted Accounting Principles (GAAP) are established by the:

A) International Accounting Standards Board (IASB).
B) Public Company Accounting Oversight Board (PCAOB).
C) Financial Accounting Standards Board (FASB).
D) American Institute of Certified Public Accountants (AICPA).

204) In the U.S., public companies must be audited by independent auditors using rules approved by the:

A) International Accounting Standards Board (IASB).
B) Public Company Accounting Oversight Board (PCAOB).
C) Financial Accounting Standards Board (FASB).
D) American Institute of Certified Public Accountants (AICPA).

205) Which of the following actions would be considered unethical?

A) A company does not distribute any of its profits back to the stockholders.
B) A company rounds the revenues and expenses that it reports on the income statement.
C) A new accountant makes an unintentional mistake.
D) An employee receives a paycheck for double the amount due and does not report it to their employer.

206) What would a user of financial statements learn from reading the auditors' report?

A) Whether the financial statements present a fair picture of the company's financial results and are prepared in accordance with GAAP.
B) Whether or not it is a good time to purchase the stock.
C) How much the company plans to distribute as dividends.
D) Whether or not the company has plans for future expansion.

207) To determine whether generally accepted accounting principles (GAAP) were followed in the preparation of financial statements, an examination of:

A) tax documents would be performed by the IRS.
B) the company's accounting records would be performed by the SEC.
C) the financial statements and related documents would be performed by an independent auditor.
D) the financial statements and related documents would be performed by the FASB.

208) Generally accepted accounting principles (GAAP) were (are) established by:

A) an Italian monk in 1494.
B) the U.S. Congress and the SEC.
C) the PCAOB.
D) the FASB on an ongoing basis.

209) Which of the following statements concerning financial reporting is not correct?

A) Accounting rules in the U.S. are called GAAP.
B) Accounting rules developed by the IASB are called IFRS.
C) Both GAAP and IFRS share the same goal, which is to ensure useful information to users of financial statements.
D) There are no differences between the accounting rules developed by FASB and those developed by IASB.

Chapter 01 Test Bank - Algorithmic and Static

210) What is the main goal of GAAP?

A) To help ensure that financial decisions are made in a professional and ethical manner.

B) To establish standards that help to prevent and detect fraudulent acts by management.

C) To ensure that the financial information produced by companies is useful to existing and potential investors and other parties in decision making.

D) To oversee the stock exchanges and financial reporting by public companies in the United States.

211) Which of the following statements concerning financial reporting is correct?

A) The FASB requires all financial decision makers to adhere to a code of professional conduct.

B) The Sarbanes-Oxley Act does not require businesses to maintain an audited system of internal control.

C) A fundamental characteristic of useful financial information is that it fully depicts the economic substance of business activities.

D) There is no attempt to eliminate the difference in accounting rules in the U.S. and elsewhere as this would prevent investors from comparing financial statements of companies from different countries.

212) Faithful representation is a characteristic of external financial reporting that means:

A) the financial reports of a business are assumed to include the results of only that business's activities.

B) financial information can be compared across businesses because similar accounting methods are applied.

C) the results of business activities are reported using an appropriate monetary unit.

D) financial information depicts the economic substance of business activities.

213) Relevance is an objective of external financial reporting that means:

A) the financial reports of a business are assumed to include the results of only that business's activities.

B) financial information can be compared across businesses because similar accounting methods have been applied.

C) the financial information possesses a feature that allows it to influence a decision.

D) the financial information depicts the economic substance of business activities.

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214) Financial statements are a key source of information useful to external users. The quality of relevance in financial information contributes to its usefulness. Along with relevance which of the following attributes is a fundamental characteristic of useful financial information?

A) Eloquence
B) Assets
C) Ethicality
D) Faithful representation

215) Which of the following is not an enhancing characteristic of useful financial information?

A) Comparable
B) Verifiable
C) Timely
D) Ethical

216) Which of the following statements about the accounting standards used in other countries is correct?

A) U.S. GAAP is used worldwide.
B) IFRS are used by all countries.
C) More and more countries are using IFRS.
D) There are no plans to converge U.S. GAAP with IFRS.

217) In a sense, _________ is to accountants and auditors what the criminal code is to lawyers and the public.

A) the SEC
B) faithful representation
C) GAAP
D) the basic accounting equation

218) When faced with an ethical dilemma, an accountant should:

A) identify who will be affected by the situation, identify and evaluate the alternative courses of action, and choose the alternative that is the most ethical.
B) report the matter to the SEC.
C) report the matter to the IRS.
D) resign.

Chapter 01 Test Bank - Algorithmic and Static

219) The Sarbanes-Oxley Act is a set of laws established to:

A) limit the amount of compensation received by executives in publicly traded companies.
B) strengthen corporate reporting in the United States.
C) enhance the conceptual framework of GAAP.
D) redefine the display of financial statements.

220) Characteristics that make information useful do not include:

A) relevance.
B) detail.
C) consistency.
D) understandability.

221) Information that always makes a difference in a decision is:

A) cash based.
B) audited.
C) provided by GAAP.
D) relevant.

222) Who has primary responsibility for making sure that a company's financial statements follow GAAP?

A) Management
B) Independent auditors (CPAs)
C) The Securities and Exchange Commission (SEC)
D) The Public Company Accounting Oversight Board (PCAOB)

223) What do independent auditors provide for companies who hire them?

A) Assurance that this year's financial statements are perfect
B) A guarantee that next year's operations will be profitable
C) Assurance that the financial statements follow Generally Accepted Accounting Principles
D) Assurance that the company's stock is a good investment

Chapter 01 Test Bank - Algorithmic and Static

224) The main goal of both GAAP and IFRS is to:

A) ensure that companies produce useful information for external users.
B) reduce the number of required financial statements.
C) prevent all fraud and ensure the amounts reported are 100% accurate.
D) ensure that companies become more profitable.

225) GAAP:

A) is another term for IFRS.
B) are the accounting rules developed by the IASB for use in the United States.
C) is the oversight board that supervises auditors.
D) are the accounting rules developed by the FASB for use in the United States.

226) Which of the following is the set of laws enacted by the government to strengthen corporate reporting in response to the Enron, WorldCom and other frauds?

A) Sarbanes-Oxley Act
B) Professional Code of Ethics
C) Internal Revenue Code
D) Securities and Exchange Commission Act

227) The Sarbanes-Oxley Act (SOX):

A) outlines the code of professional ethics for accountants.
B) is a set of laws established to strengthen corporate reporting.
C) requires all publicly traded corporations to pay annual dividends.
D) is a set of laws auditors must follow.

Chapter 01 Test Bank - Algorithmic and Static

Answer Key

Test name: Chapter 01 Test Bank - Algorithmic and Static

1) FALSE
2) FALSE
3) FALSE
4) TRUE
5) TRUE
6) TRUE
7) TRUE
8) FALSE
9) TRUE
10) TRUE
11) FALSE
12) FALSE
13) FALSE
14) FALSE
15) FALSE
16) TRUE
17) FALSE
18) FALSE
19) FALSE
20) FALSE
21) FALSE
22) B
23) C
24) D
25) C
26) B
27) B
28) A
29) A
30) C
31) B
32) B
33) B
34) D
35) B
36) C
37) C

38) D
39) A
40) B
41) D
42) D
43) B
44) D
45) A
46) C
47) A
48) A
49) A
50) B
51) B
52) C
53) B
54) A
55) A
56) A
57) A
58) B
59) D
60) A
61) A
62) B
63) B
64) A
65) D
66) B
67) A
68) C
69) B
70) D
71) D
72) C
73) C
74) D
75) D
76) B
77) A

78) B
79) A
80) C
81) B
82) B
83) B
84) C
85) D
86) B
87) B
88) A
89) C
90) D
91) A
92) A
93) C
94) A
95) C
96) B
97) A
98) D
99) A
100) B
101) B
102) C
103) C
104) B
105) C
106) A
107) D
108) A
109) C
110) C
111) A
112) D
113) D
114) A
115) D
116) D
117) C

118) D
119) B
120) D
121) C
122) B
123) A
124) A
125) B
126) D
127) B
128) D
129) C
130) C
131) D
132) B
133) A
134) B
135) C
136) A
137) D
138) A
139) B
140) C
141) A
142) D
143) B
144) A
145) B
146) C
147) C
148) B
149) A
150) D
151) B
152) D
153) C
154) C
155) B
156) B
157) B

158) C
159) B
160) A
161) A
162) B
163) A
164) B
165) D
166) C
167) A
168) D
169) B
170) D
171) C
172) A
173) B
174) C
175) D
176) B
177) C
178) A
179) D
180) D
181) B
182) A
183) C
184) C
185) C
186) A
187) A
188) D
189) C
190) A
191) B
192) B
193) A
194) A
195) C
196) D
197) A

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198) A
199) B
200) C
201) C
202) D
203) C
204) B
205) D
206) A
207) C
208) D
209) D
210) C
211) C
212) D
213) C
214) D
215) D
216) C
217) C
218) A
219) B
220) B
221) D
222) A
223) C
224) A
225) D
226) A
227) B