***Financial Accounting, 3e* (Kemp/Waybright)**

**Chapter 1 Business, Accounting, and You**

1.1 Questions

1) By taking accounting classes, the student is learning the "language of business."

Answer: TRUE

Diff: 1

LO: 1-1

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

2) To manage a business effectively, an owner or manager would benefit greatly from having some knowledge of accounting.

Answer: TRUE

Diff: 1

LO: 1-1

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

3) Businesses primarily exist to generate sales.

Answer: FALSE

Diff: 1

LO: 1-1

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

4) The value of an item does NOT depend on when it is expected to be received.

Answer: FALSE

Diff: 2

LO: 1-1

EOC Ref: S1-2

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement

5) Society is considered to be a stakeholder in a business.

Answer: TRUE

Diff: 2

LO: 1-1

EOC Ref: Case1, Case 2

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

6) Accounting information is used to help managers and decision makers understand risk.

Answer: TRUE

Diff: 1

LO: 1-1

EOC Ref: Discussion Question 1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

7) What do we call the result obtained when revenue is less than cost?

A) Loss

B) Profit

C) Value

D) Risk

Answer: A

Diff: 1

LO: 1-1

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

8) Which of the following is NOT part of the accounting process as it relates to information?

A) Measuring

B) Recognizing

C) Understanding

D) Reporting

Answer: C

Diff: 1

LO: 1-1

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

9) According to the textbook, in order for an organization to be called a business it must:

A) exchange a product with a customer.

B) make money.

C) be a corporation.

D) provide a service.

Answer: A

Diff: 1

LO: 1-1

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

10) Which of the following impacts the value of an item to its owner?

A) When the owner expects to receive something in exchange for the item

B) How certain the owner is about what and when they will receive something in exchange for the item

C) What the owner expects to receive in exchange for the item

D) All of the above

Answer: D

Diff: 1

LO: 1-1

EOC Ref: S1-2

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement

11) When revenue exceeds cost, it is referred to as:

A) loss.

B) profit.

C) value.

D) risk.

Answer: B

Diff: 1

LO: 1-1

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

12) Which of the following would NOT be considered a stakeholder in a business?

A) An employee

B) A supplier

C) A regulator

D) All of the above are stakeholders

Answer: D

Diff: 2

LO: 1-1

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

1.2 Questions

1) Amounts owed to the business' owners as a result of an initial investment are called liabilities.

Answer: FALSE

Diff: 1

LO: 1-2

EOC Ref: S1-3

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

2) Net income and profit are the same thing.

Answer: TRUE

Diff: 1

LO: 1-2

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

3) The only way for business to get money is to borrow it.

Answer: FALSE

Diff: 1

LO: 1-2

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

4) Business owners expect to be compensated for both time and risk.

Answer: TRUE

Diff: 1

LO: 1-2

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking; Industry

AICPA Functional: Decision Modeling

5) Business owners are paid interest on the money they have invested in the business.

Answer: FALSE

Diff: 1

LO: 1-2

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking; Industry

AICPA Functional: Decision Modeling

6) Liabilities are defined as:

A) earnings retained in the business.

B) amounts owed to lenders.

C) stockholders' claims to assets.

D) future economic benefits of a company.

Answer: B

Diff: 1

LO: 1-2

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

7) Assets are defined as:

A) earnings retained in the business.

B) amounts owed to others.

C) stockholders' claims to assets.

D) economic resources of a company.

Answer: D

Diff: 1

LO: 1-2

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

8) Which of the following does NOT describe Stockholders' Equity?

A) Profits retained in the business

B) Money lent to a business

C) The owners' claim on the assets of a company

D) Money invested in a business by its owners

Answer: B

Diff: 1

LO: 1-2

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

9) Which of the following is NOT an asset?

A) Net income

B) Inventory

C) Buildings

D) Cash

Answer: A

Diff: 1

LO: 1-2

EOC Ref: S1-5

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

10) Net income is defined as:

A) revenue plus expenses.

B) revenue less assets.

C) expenses less revenue.

D) revenue less expenses.

Answer: D

Diff: 1

LO: 1-2

EOC Ref: S1-14

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

11) The expense of using borrowed money for a period of time, is referred to as:

A) net income.

B) revenue.

C) liability.

D) interest.

Answer: D

Diff: 1

LO: 1-2

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

12) What do we call amounts of money borrowed from lenders?

A) Asset

B) Liability

C) Expense

D) Revenue

Answer: B

Diff: 1

LO: 1-2

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

13) Owner's Equity represents:

A) an initial investment of cash by the owners.

B) a fair distribution of wealth in the firm.

C) retention of profits by a firm.

D) all of the above.

E) A and C only.

Answer: E

Diff: 1

LO: 1-2

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

1.3 Questions

1) All businesses are operated to generate a profit.

Answer: FALSE

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

2) A business may be either a for-profit business or a not-for-profit business.

Answer: TRUE

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

3) A business with one owner is called a sole proprietorship and it must be a service business.

Answer: FALSE

Diff: 1

LO: 1-3

EOC Ref: S1-3

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

4) Wal-Mart and Target would be examples of corporate merchandising businesses.

Answer: TRUE

Diff: 1

LO: 1-3

EOC Ref: S1-3

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

5) Law and accounting firms are service businesses.

Answer: TRUE

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

6) Shareholders must pay income tax on the dividends they have received from a corporation.

Answer: TRUE

Diff: 1

LO: 1-3

EOC Ref: S1-3

AACSB: Analytical Thinking

AICPA Business: Legal/Regulatory

AICPA Functional: Measurement and Reporting

7) A limited liability company (LLC) is a legal entity like a corporation, but the income is taxed like a sole proprietorship or partnership.

Answer: TRUE

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Legal/Regulatory

AICPA Functional: Decision Modeling

8) A tax preparation business is primarily a:

A) merchandising operation.

B) service operation.

C) not-for-profit operation.

D) manufacturing operation.

Answer: B

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

9) Which of the following types of organization would primarily sell goods?

A) Merchandising business

B) Service business

C) Manufacturing business

D) Both Merchandising and Manufacturing businesses sell goods.

Answer: D

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

10) Which of the following types of organizations would produce goods?

A) Merchandising business

B) Service business

C) Both merchandising and manufacturing businesses produce goods.

D) Manufacturing business

Answer: D

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

11) Which of the following is a disadvantage of the corporate form of business?

A) Ease of raising capital

B) Double taxation

C) Limited resources

D) Limited liability

Answer: B

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Legal/Regulatory

AICPA Functional: Decision Modeling

12) Which of the following is an advantage of a sole proprietorship?

A) Ease of formation

B) Limited liability of owner

C) Ease of raising capital

D) Unlimited life

Answer: A

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Legal/Regulatory

AICPA Functional: Decision Modeling

13) Which type of organization has stockholders?

A) Partnerships

B) Sole proprietorships

C) Corporations

D) Limited liability companies

Answer: C

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Legal/Regulatory

AICPA Functional: Decision Modeling

14) Which of the following business forms is similar to a corporation in regard to owner liability?

A) All businesses are the same with regard to owner liability.

B) Limited liability company

C) Sole proprietorship

D) Partnership

Answer: B

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Legal/Regulatory

AICPA Functional: Decision Modeling

15) Which of the following do NOT pay taxes on the business income through their individual owners?

A) S-corporation

B) Sole proprietorship

C) Partnership

D) Corporation

Answer: D

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Legal/Regulatory

AICPA Functional: Reporting

16) One of the newer forms of business is a:

A) corporation.

B) sole proprietorship.

C) partnership.

D) limited liability company.

Answer: D

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Legal/Regulatory

AICPA Functional: Decision Modeling

17) Home Depot would primarily be considered a:

A) manufacturing business.

B) merchandising business.

C) service business.

D) not-for-profit business.

Answer: B

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

18) Which type of business organization is owned by its stockholders?

A) Corporation

B) Partnership

C) Limited liability company

D) Sole proprietorship

Answer: A

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Legal/Regulatory

AICPA Functional: Decision Modeling

19) Which of the following has double taxation of earnings?

A) Limited liability company

B) Proprietorship

C) Corporation

D) Partnership

Answer: C

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Legal/Regulatory

AICPA Functional: Decision Modeling

20) Which would NOT be an example of a for-profit business?

A) Toys 'R Us

B) Red Robin

C) Petsmart

D) Red Cross

Answer: D

Diff: 1

LO: 1-3

EOC Ref: S1-3

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

21) Which type of organization is NOT considered a not-for-profit?

A) Charities

B) Churches

C) Chinese restaurant

D) All of the above are not-for-profits.

Answer: C

Diff: 1

LO: 1-3

EOC Ref: S1-3

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

22) A hybrid business entity with characteristics of both a corporation and a partnership is called:

A) S-Corporation.

B) P-Corporation.

C) LLC.

D) CP.

Answer: C

Diff: 1

LO: 1-3

EOC Ref: Exhibit 1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

23) Caesar's Coffee sells bagged coffee to grocery stores for resale—what type of business is this?

A) Service business

B) Wholesale business

C) Retail business

D) None of the above

Answer: B

Diff: 1

LO: 1-3

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

1.4 Questions

1) Accounting is important because the process "keeps score" of the financial aspects of a business.

Answer: TRUE

Diff: 1

LO: 1-4

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

2) The main role of accounting is to compile reports to determine the profit made by a company over a period of time.

Answer: FALSE

Diff: 2

LO: 1-4

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

3) Generally Accepted Accounting Principles (GAAP) are the rules and guidelines governing accounting.

Answer: TRUE

Diff: 1

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

4) The Financial Accounting Standards Board (FASB) established the standards for managerial accounting.

Answer: FALSE

Diff: 1

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

5) The business entity concept requires that the owner's personal assets be separated from business assets.

Answer: TRUE

Diff: 1

LO: 1-4

EOC Ref: S1-2

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

6) Financial information that is verifiable violates the principle of objectivity.

Answer: FALSE

Diff: 1

LO: 1-4

EOC Ref: S1-2

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

7) Market value and historical cost (value) are the same concept.

Answer: FALSE

Diff: 1

LO: 1-4

EOC Ref: S1-2

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

8) Alicia owns a sporting goods store. In her accounting records, she included her personal computer and all of her personal sporting gear. Alicia is violating what principle of accounting?

A) Going concern

B) Cost

C) Reliability

D) Business entity

Answer: D

Diff: 2

LO: 1-4

EOC Ref: S1-2

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

9) Jesse lists his building at current replacement value, rather than the price he paid for the building. What principle is Jesse violating?

A) Going concern

B) Cost

C) Reliability

D) Business entity

Answer: B

Diff: 2

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

10) Sasha owns a bakery. In her accounting records, she includes her car—which is solely used for personal purposes. Which principle is Sasha violating?

A) Personal property

B) Cost

C) Reliability

D) Business entity

Answer: D

Diff: 2

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

11) Jenesse owns the Garden Inn. In her accounting records, she lists the buildings at their current market value. Which principle is Jenesse violating?

A) Reliability

B) Cost

C) Business entity

D) None of the above

Answer: B

Diff: 2

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

12) Go Fresh delivery recorded their delivery van at its current replacement value, rather than the price paid for the van. What principle did they violate?

A) Cost

B) Objectivity

C) Reliability

D) Going concern

Answer: A

Diff: 2

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

13) The owner of Good Dog Daycare wrote a company check to pay her personal credit card bill. What accounting principle did she violate?

A) Cost

B) Reliability

C) Business entity

D) No principle is violated—the bank account belongs to her, so it's okay to write checks.

Answer: C

Diff: 2

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

14) FASB is made up of how many members?

A) 3

B) 5

C) 7

D) 9

Answer: C

Diff: 1

LO: 1-4

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

15) GAAP is the acronym for generally accepted \_\_\_\_\_\_\_\_ principles.

A) auditing

B) accounting

C) averaging

D) associated

Answer: B

Diff: 1

LO: 1-4

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

16) Accountants who ignore the effect of inflation on prices may be violating which accounting principle?

A) Going concern

B) Business entity

C) Reliability

D) Something other than what is listed

Answer: D

Diff: 2

LO: 1-4

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

17) In the financial accounting records, most assets should be reported at:

A) current replacement cost.

B) current market value.

C) historical cost.

D) inflation-adjusted cost.

Answer: C

Diff: 1

LO: 1-4

EOC Ref: S1-2

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

18) The accounting principle that best defines a business is:

A) business entity.

B) cost.

C) reliability.

D) going concern.

Answer: A

Diff: 1

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

19) The \_\_\_\_\_\_\_\_ issues pronouncements that are guidelines for accounting practice.

A) GAAP

B) SEC

C) FASB

D) IRS

Answer: C

Diff: 1

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

20) The guidelines that describe the rules of accounting are called:

A) GAAS.

B) GAAP.

C) FASB.

D) SEC.

Answer: B

Diff: 1

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

21) When an owner combines their personal assets with the assets of their business, what concept or principle of accounting is being violated?

A) Going concern

B) Objectivity

C) Business entity

D) Cost

Answer: C

Diff: 1

LO: 1-4

EOC Ref: S1-2

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

22) Taking an inventory of goods on hand would be representative of what accounting concept or principle?

A) Going concern

B) Objectivity

C) Business entity

D) Cost

Answer: B

Diff: 1

LO: 1-4

EOC Ref: S1-2

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

23) Which accounting concept or principle specifically states that we should record transactions that can be verified?

A) Going-concern concept

B) Cost principle

C) Reliability principle

D) Business entity concept

Answer: C

Diff: 1

LO: 1-4

EOC Ref: S1-1

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

24) Which of the following events would be recorded in the financial accounting records of Acme Lawn Service, Inc.?

A) Acme mows 125 lawns.

B) Acme buys 5 new lawn mowers from Lawn Equipment, Inc.

C) Lawn Equipment, Inc. sells 2 mowers to Acme's competitor, Best Lawns, Inc.

D) Events A and B should both be recorded in the financial accounting records of Acme.

Answer: D

Diff: 1

LO: 1-4

EOC Ref: S1-13

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

25) IFRS stands for:

A) Internal Financial Report Standards.

B) International Financial Reports Study.

C) Internal Financial Reports Study.

D) International Financial Reporting Standards.

Answer: D

Diff: 1

LO: 1-4

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

26) What is an example of objective evidence?

A) Bank statements

B) Cancelled checks

C) Purchase receipts

D) All of the above

E) None of the above

Answer: D

Diff: 2

LO: 1-4

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

1.5 Questions

1) Cash accounting recognizes business transactions when they occur.

Answer: FALSE

Diff: 1

LO: 1-5

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

2) Cash accounting recognizes business transactions when cash is received or paid.

Answer: TRUE

Diff: 1

LO: 1-5

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

3) Accrual accounting recognizes business transactions when they occur.

Answer: TRUE

Diff: 1

LO: 1-5

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

4) Accrual accounting recognizes business transactions when cash is received or paid.

Answer: FALSE

Diff: 1

LO: 1-5

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

5) The fundamental accounting equation is Assets plus Liabilities equals Stockholders' Equity.

Answer: FALSE

Diff: 1

LO: 1-5

EOC Ref: S1-4

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

6) Liabilities are obligations owed to third parties.

Answer: TRUE

Diff: 1

LO: 1-5

EOC Ref: S1-3

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

7) Stockholders' Equity consists of Retained Earnings and Common Stock.

Answer: TRUE

Diff: 1

LO: 1-5

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

8) Assets consist of revenues, expenses, and dividends.

Answer: FALSE

Diff: 1

LO: 1-5

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

9) A transaction is a business event that does NOT have an impact on the finances of a company.

Answer: FALSE

Diff: 1

LO: 1-5

EOC Ref: S1-11

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

10) The method of accounting that recognizes a transaction when cash is received or paid is:

A) financial accounting.

B) cash accounting.

C) cost accounting.

D) accrual accounting.

Answer: B

Diff: 1

LO: 1-5

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

11) The method of accounting that recognizes a transaction when it occurs is:

A) financial accounting.

B) cash accounting.

C) cost accounting.

D) accrual accounting.

Answer: D

Diff: 1

LO: 1-5

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

12) Most businesses use:

A) cash accounting.

B) accrual accounting.

C) cash and accrual accounting.

D) profit accounting.

Answer: B

Diff: 1

LO: 1-5

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

13) Which of the following is considered an asset?

A) Accounts Payable

B) Sales

C) Accounts Receivable

D) Common Stock

Answer: C

Diff: 2

LO: 1-5

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

14) Consider Accounts Receivable and Accounts Payable. Which of the following statements is TRUE?

A) Accounts Receivable is a liability and Accounts Payable is an asset.

B) Accounts Receivable is an asset and Accounts Payable is an asset.

C) Accounts Receivable is an asset and Accounts Payable is a liability.

D) Accounts Receivable is a liability and Accounts Payable is a liability.

Answer: C

Diff: 1

LO: 1-5

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

15) Liabilities represent:

A) items owned by the company.

B) economic resources of the company.

C) earnings kept in the business.

D) amounts owed to third parties.

Answer: D

Diff: 2

LO: 1-5

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

16) A business pays off a note payable. What effect does this have on the accounting equation?

A) Assets go up, Liabilities go down, and Stockholders' Equity remains the same.

B) Assets go down, Liabilities remain the same, and Stockholders' Equity goes up.

C) Assets go down, Liabilities go down, and Stockholders' Equity remains the same.

D) Assets go up, Liabilities remain the same, and Stockholders' Equity goes up.

Answer: C

Diff: 3

LO: 1-5

EOC Ref: S1-13

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

17) A business purchases a computer for cash. What effect does this have on the accounting equation?

A) Stockholders' Equity and Assets go up.

B) There is no change in Total Assets.

C) Assets go up and Liabilities go down.

D) Stockholders' Equity and Liabilities go up.

Answer: B

Diff: 3

LO: 1-5

EOC Ref: S1-13

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

18) Revenues, expenses and dividends are all a part of:

A) Assets.

B) Retained Earnings.

C) Liabilities.

D) Common Stock.

Answer: B

Diff: 2

LO: 1-5

EOC Ref: S1-13

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

19) Cash and Accounts Receivable are both a part of:

A) Assets.

B) Retained Earnings.

C) Liabilities.

D) Common Stock.

Answer: A

Diff: 2

LO: 1-5

EOC Ref: S1-13

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

20) James opens his business by investing $12,000. How does this affect the accounting equation?

A) Increase in Assets; increase in Stockholders' Equity.

B) Increase in Liabilities; increase in Stockholders' Equity.

C) Decrease in Assets; increase in Stockholders' Equity.

D) Increase in Assets; decrease in Stockholders' Equity.

Answer: A

Diff: 2

LO: 1-5

EOC Ref: S1-11

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

21) Sylvia borrowed money for her business from a local bank. What accounts will be affected?

A) Cash and Accounts Payable

B) Cash and Notes Payable

C) Accounts Payable and Revenue

D) Accounts Receivable and Revenue

Answer: B

Diff: 2

LO: 1-5

EOC Ref: S1-11

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

22) An increase in revenues would have which of the following effects on the accounting equation?

A) Decrease Stockholders' Equity

B) Increase Common Stock

C) Increase Liabilities

D) Increase Stockholders' Equity

Answer: D

Diff: 2

LO: 1-5

EOC Ref: S1-13

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

23) Which of the following is a written promise to pay?

A) Account receivable

B) Account payable

C) Note payable

D) Dividend payable

Answer: C

Diff: 1

LO: 1-5

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

24) A company has Liabilities of $23,500 and Stockholders' Equity of $56,500. How much does the company have in Assets?

A) $56,500

B) $33,000

C) $80,000

D) $23,500

Answer: C

Diff: 2

LO: 1-5

EOC Ref: S1-4

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

25) A company has $123,000 in Assets and $65,000 in Liabilities. How much does the company have in Stockholders' Equity?

A) $188,000

B) $123,000

C) $65,000

D) $58,000

Answer: D

Diff: 2

LO: 1-5

EOC Ref: S1-4

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

26) A company has $74,000 in Assets and $23,000 in Liabilities. How much does the company have in Stockholders' Equity?

A) $23,000

B) $51,000

C) $97,000

D) $74,000

Answer: B

Diff: 2

LO: 1-5

EOC Ref: S1-4

AACSB: Analytical Thinking

27) A company has $63,000 in Assets and $14,000 of Stockholders' Equity. How much does the company have in Liabilities?

A) $14,000

B) $49,000

C) $77,000

D) Cannot be determined from the given information

Answer: B

Diff: 2

LO: 1-5

EOC Ref: S1-4

AACSB: Analytical Thinking

28) A company has $82,000 in Liabilities and $112,000 in Stockholders' Equity. What is the value of the company's Assets?

A) $30,000

B) $112,000

C) $194,000

D) Not enough information provided

Answer: C

Diff: 2

LO: 1-5

EOC Ref: S1-4

AACSB: Analytical Thinking

29) If Total Assets remain the same and Total Stockholders' Equity increases, Liabilities will:

A) increase by the same amount.

B) decrease by the same amount.

C) remain the same.

D) increase by a different amount.

Answer: B

Diff: 2

LO: 1-5

EOC Ref: S1-11

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

30) A company purchases supplies for cash. What is the net result on the accounting equation?

A) Total Assets will go up and total Liabilities will go down.

B) Total Assets will go up and Stockholders' Equity will go up.

C) Total Assets will not change.

D) Total Liabilities will go up.

Answer: C

Diff: 2

LO: 1-5

EOC Ref: S1-11

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

31) Renuud, Inc. provided $34,000 worth of services for cash. Which of the following best describes the effect on the expanded accounting equation?

A) Total Assets and total Liabilities will increase.

B) Total Assets and total Revenue will increase.

C) Total Liabilities will increase and total Revenue will decrease.

D) Total Assets will decrease and total Liabilities will increase.

Answer: B

Diff: 2

LO: 1-5

EOC Ref: S1-8

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

32) In the expanded accounting equation, revenues minus expenses are part of:

A) Assets.

B) Retained Earnings.

C) Liabilities.

D) Dividends.

Answer: B

Diff: 1

LO: 1-5

EOC Ref: S1-8

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

33) A net loss will:

A) decrease Retained Earnings.

B) increase Retained Earnings.

C) force the company into bankruptcy.

D) force the company to pay dividends.

Answer: A

Diff: 1

LO: 1-5

EOC Ref: S1-14

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

34) Dillon invested $5,000 into his business. He would:

A) increase Cash and increase Stockholders' Equity.

B) decrease Cash and increase Stockholders' Equity.

C) increase Liabilities and increase Stockholders' Equity.

D) increase Cash only.

Answer: A

Diff: 1

LO: 1-5

EOC Ref: S1-12

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

35) Payables are classified as:

A) Stockholders' Equity.

B) Retained Earnings.

C) Liabilities.

D) Assets.

Answer: C

Diff: 1

LO: 1-5

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

36) Items such as revenue, expenses and dividends are classified as:

A) Common Stock.

B) Retained Earnings.

C) Liabilities.

D) Assets.

Answer: B

Diff: 1

LO: 1-5

EOC Ref: S1-8

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

37) The payment of cash dividends would have which of the following effects on the accounting equation?

A) Increase Liabilities

B) Decrease Stockholders' Equity

C) Increase Assets

D) Increase Stockholders' Equity

Answer: B

Diff: 2

LO: 1-5

EOC Ref: E1-18A

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

38) Payment of expenses would have which of the following effects on the accounting equation?

A) Increase Liabilities

B) Decrease Stockholders' Equity

C) Increase Assets

D) Increase Stockholders' Equity

Answer: B

Diff: 2

LO: 1-5

EOC Ref: S1-13

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

39) Amounts owed to a company by its customers are classified as:

A) payables.

B) dividends.

C) cash.

D) receivables.

Answer: D

Diff: 1

LO: 1-5

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

40) Crispy's is famous for their cupcakes. Crispy'sTotal Assets were $345,000, and Total Liabilities were $129,500. How much was Crispy's Stockholders' Equity?

A) $474,500

B) $345,000

C) $215,500

D) Some other number

Answer: C

Diff: 1

LO: 1-5

EOC Ref: S1-4

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

41) Tumbler, Inc. purchased office supplies on account for $40,000. How would this transaction affect Tumbler's accounting equation?

A) Increase Assets and Stockholders' Equity by $40,000

B) Increase Liabilities and Stockholders' Equity by $40,000

C) Increase Assets by $40,000 and decrease Liabilities by $40,000

D) Increase Assets by $40,000 and increase Liabilities by $40,000

Answer: D

Diff: 2

LO: 1-5

EOC Ref: S1-13

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

42) How would the purchase of a computer on account affect the accounting equation?

A) Assets increase; Liabilities decrease.

B) Assets increase; Stockholder Equity increases.

C) Assets increase; Liabilities increase.

D) Assets decrease; Liabilities increase.

Answer: C

Diff: 2

LO: 1-5

EOC Ref: S1-13

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

43) Beginning Retained Earnings are $65,000; sales are $29,500; expenses are $33,000 and dividends paid are $3,500. How much is the net income or loss for the company?

A) $26,000

B) ($3,500)

C) ($7,000)

D) $0

Answer: B

Diff: 2

LO: 1-5

EOC Ref: S1-14

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

44) Beginning Retained Earnings are $31,000; sales are $46,800; expenses are $43,500 and dividends paid are $2,800. How much is the net income or loss for the company?

A) $3,300

B) $500

C) $34,300

D) ($3,300)

Answer: A

Diff: 2

LO: 1-5

EOC Ref: S1-14

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

45) Beginning Retained Earnings are $65,000; sales are $29,500; expenses are $33,000; and dividends paid are $3,500. How much is the amount in ending Retained Earnings?

A) $58,000

B) $61,500

C) $68,500

D) $65,000

Answer: A

Diff: 2

LO: 1-5

EOC Ref: E1-30B

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

46) Beginning Retained Earnings are $31,000; sales are $46,800; expenses are $43,500; and dividends paid are $2,800. How much is the amount in ending Retained Earnings?

A) $34,400

B) $28,200

C) $34,300

D) $31,500

Answer: D

Diff: 2

LO: 1-5

EOC Ref: E1-30B

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

47) Which of the following is a FALSE statement?

A) Revenues provide inward flows of assets.

B) Revenue is categorized as an asset.

C) Revenue is categorized as part of Retained Earnings.

D) Revenues are generated from the sale of goods and services.

Answer: B

Diff: 1

LO: 1-5

EOC Ref: S1-8

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

48) Which of the following is a TRUE statement?

A) Purchasing office equipment for cash is a shift of Assets.

B) Buying something on account decreases total Liabilities.

C) Retained Earnings do not include payments of dividends.

D) Paying off an account increases the total of Assets.

Answer: A

Diff: 1

LO: 1-5

EOC Ref: S1-8

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

49) Dividends are part of:

A) sales.

B) expenses.

C) Retained Earnings.

D) Assets.

Answer: C

Diff: 1

LO: 1-5

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

50) Payables are categorized as:

A) Liabilities.

B) Assets.

C) Retained Earnings.

D) Common Stock.

Answer: A

Diff: 1

LO: 1-5

EOC Ref: S1-9

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

51) J & J Metalworks buys a new machine for its shop on credit. The effect on the accounting equation is to:

A) increase Liabilities and increase Assets.

B) decrease Liabilities and increase Assets.

C) increase Assets and increase Stockholders' Equity.

D) increase Liabilities and decrease Stockholders' Equity.

Answer: A

Diff: 2

LO: 1-5

EOC Ref: S1-12

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

52) Paloma's Plumbing buys a new van for the business using cash. The accounts affected are:

A) Increase cash and increase Equipment.

B) Decrease cash and increase Equipment.

C) Increase Equipment and increase Stockholders' Equity.

D) Decrease cash and decrease Stockholders' Equity.

Answer: B

Diff: 2

LO: 1-5

EOC Ref: S1-12

AACSB: Analytical Thinking

1.6 Questions

1) Financial statements are historical reports of what has taken place financially in a business.

Answer: TRUE

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

2) The Income Statement details how cash changed over an accounting period or cycle.

Answer: FALSE

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

3) The Balance Sheet is dated as of a period of time.

Answer: FALSE

Diff: 1

LO: 1-6

EOC Ref: E1-20A

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

4) The Statement of Retained Earnings is prepared to determine the final amount of Retained Earnings shown on the Balance Sheet.

Answer: TRUE

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

5) The Income Statement is the first financial statement prepared.

Answer: TRUE

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

6) Financial statements are prepared primarily for internal company use.

Answer: FALSE

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

7) The Statement of Cash Flows is used to report sources and uses of cash for a specific date.

Answer: FALSE

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

8) The Statement of Cash Flows is used to report sources and uses of cash for a given period of time.

Answer: TRUE

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

9) Which of the following is TRUE regarding revenue and profit?

A) The terms *revenue* and *profit* mean the same thing.

B) Both revenue and profit are found on the Income Statement.

C) Profit equals liabilities plus Stockholders' Equity.

D) Revenue is found on the Balance Sheet and profit is found on the Income Statement.

Answer: B

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

10) The first financial statement that is prepared is the:

A) Statement of Cash Flows.

B) Income Statement.

C) Statement of Retained Earnings.

D) Balance Sheet.

Answer: B

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

11) The net income figure is needed to prepare:

A) a Balance Sheet.

B) a Statement of Retained Earnings.

C) a Statement of Liabilities.

D) some other report.

Answer: B

Diff: 1

LO: 1-6

EOC Ref: P1-33A

AACSB: Analytical Thinking

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Measurement and Reporting

12) A Statement of Cash Flows is usually prepared:

A) first.

B) second.

C) third.

D) last.

Answer: D

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

13) Net income or loss is originally shown on the:

A) Statement of Cash Flows.

B) Balance Sheet.

C) Statement of Retained Earnings.

D) Income Statement.

Answer: D

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

14) Which of the following financial statements illustrates the accounting equation?

A) Statement of Retained Earnings

B) Income Statement

C) Balance Sheet

D) Statement of Cash Flows

Answer: C

Diff: 2

LO: 1-6

EOC Ref: E1-20A

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

15) Beginning Retained Earnings for the period would be shown on the:

A) Statement of Retained Earnings.

B) Income Statement.

C) Balance Sheets.

D) Statement of Cash Flows.

Answer: A

Diff: 1

LO: 1-6

EOC Ref: E1-30B

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

16) Of the financial statements, which is dated as of a specific date?

A) Statement of Cash Flows

B) Income Statement

C) Balance Sheet

D) Statement of Retained Earnings

Answer: C

Diff: 1

LO: 1-6

EOC Ref: E1-28B

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

17) Which of the financial statements includes a listing of assets owned by the company?

A) Statement of Cash Flows

B) Income Statement

C) Balance Sheet

D) Statement of Retained Earnings

Answer: C

Diff: 1

LO: 1-6

EOC Ref: E1-28B

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

18) The correct order for the preparation of financial statements is:

1. Statement of Cash Flows

2. Income Statement

3. Balance Sheet

4. Statement of Retained Earnings

A) 4, 3, 2, 1.

B) 1, 2, 3, 4.

C) 2, 3, 4, 1.

D) 2, 4, 3, 1.

Answer: D

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

19) Dividends are shown on the:

A) Income Statement.

B) Statement of Retained Earnings.

C) Balance Sheet.

D) Statement of Cash Flows.

Answer: B

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

20) The Balance Sheet is used to report:

A) results of operations for a specific date.

B) the financial position on a specific date.

C) results of operations for a specific period.

D) the financial position for a specific period.

Answer: B

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

21) The Income Statement is used to report:

A) results of operations for a specific date.

B) the financial position on a specific date.

C) results of operations for a specific period.

D) the financial position for a specific period.

Answer: C

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)

AICPA Business: Strategic/Critical Thinking

AICPA Functional: Decision Modeling

22) Which of the following would be reported in the Investing Activities section of the Statement of Cash Flows?

A) Sale of common stock

B) Purchase of equipment

C) Payment of dividends

D) Both A and C would be in this section.

Answer: B

Diff: 1

LO: 1-6

EOC Ref: Vocabulary

AACSB: Reflective Thinking (Able to understand oneself in the context of society)