

Financial Accounting - Information for Decisions
11th edition Wild Test Bank

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Chapter 01 Test Bank - Algorithmic and Static

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

- 1) Accounting is an information and measurement system that identifies, records, and communicates an organization's business activities.
 - ☐ true
 - ☐ false

- 2) Accounting includes the analysis and interpretation of information.
 - ☐ true
 - ☐ false

- 3) Financial accounting focuses on the needs of external users, who get accounting information from general-purpose financial statements.
 - ☐ true
 - ☐ false

- 4) Internal users of accounting information do *not* directly manage the organization and have limited access to its accounting information.
 - ☐ true
 - ☐ false

- 5) Auditors verify the effectiveness of internal controls.
 - ☐ true
 - ☐ false

- 6) External auditors examine financial statements to verify that they are prepared according to generally accepted accounting principles.
 - ☐ true
 - ☐ false

- 7) External users include lenders, shareholders, customers, and regulators.
 - ☐ true
 - ☐ false

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- 8) Internal users include lenders, shareholders, brokers and nonexecutive employees.
- ☐ true
 - ☐ false
- 9) Opportunities in accounting include auditing, consulting, market research, and tax planning.
- ☐ true
 - ☐ false
- 10) The fraud triangle shows that three factors that push a person to commit fraud are opportunity, pressure, and rationalization.
- ☐ true
 - ☐ false
- 11) Internal controls are procedures to protect assets, ensure reliable accounting, promote efficiency, and uphold company policies.
- ☐ true
 - ☐ false
- 12) A partnership is a business owned by two or more people.
- ☐ true
 - ☐ false
- 13) Owners of a corporation are called shareholders or stockholders.
- ☐ true
 - ☐ false
- 14) In a partnership, the owners are called stockholders.
- ☐ true
 - ☐ false

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- 15) The balance sheet shows a company's net income or loss over a period of time.
- ☐ true
 - ☐ false
- 16) The Financial Accounting Standards Board (FASB) is given the task of setting generally accepted accounting principles (GAAP) from the Securities and Exchange Commission.
- ☐ true
 - ☐ false
- 17) The business entity assumption means that accounting information presumes that the business will continue operating instead of being closed or sold.
- ☐ true
 - ☐ false
- 18) GAAP wants information to have relevance and faithful representation.
- ☐ true
 - ☐ false
- 19) The business entity assumption means that a business is accounted for separately from other business entities and its owner(s).
- ☐ true
 - ☐ false
- 20) Revenues should not be recognized in the accounting records when earned, but rather when cash is received.
- ☐ true
 - ☐ false
- 21) Specific accounting principles are basic assumptions, concepts, and guidelines for preparing financial statements and arise out of long-used accounting practice.
- ☐ true
 - ☐ false

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- 22) A sole proprietorship is a business with multiple owners.
- ☐ true
 - ☐ false
- 23) Unlimited liability and separate taxation of the business are advantages of a sole proprietorship.
- ☐ true
 - ☐ false
- 24) Objectives, qualitative characteristics, elements, and recognition and measurement are components of the FASB conceptual framework.
- ☐ true
 - ☐ false
- 25) Objectivity means that information is supported by independent, unbiased evidence.
- ☐ true
 - ☐ false
- 26) The going-concern assumption presumes that a business will continue operating instead of being closed or sold.
- ☐ true
 - ☐ false
- 27) The measurement principle prescribes that accounting information is based on subjective opinion rather than cost.
- ☐ true
 - ☐ false
- 28) The monetary unit assumption means that companies should express transactions and events in terms such as “a lot” or “very little”.
- ☐ true
 - ☐ false

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- 29) The International Accounting Standards Board (IASB) issues International Financial Reporting Standards (IFRS) that identify preferred accounting practices.
- ☐ true
 - ☐ false
- 30) A limited liability company (LLC) offers the limited liability of a partnership or proprietorship and the tax treatment of a corporation.
- ☐ true
 - ☐ false
- 31) A limited liability company (LLC) offers the limited liability of a corporation and the tax treatment of a partnership or proprietorship.
- ☐ true
 - ☐ false
- 32) The Securities and Exchange Commission (SEC) is a U.S. government agency that oversees proper use of GAAP by companies that sell stock and debt to the public.
- ☐ true
 - ☐ false
- 33) The four common forms of business ownership include sole proprietorship, partnership, I-corporation, and non-profit.
- ☐ true
 - ☐ false
- 34) The statement of cash flows reports cash flows from operating activities, investing activities, and financing activities.
- ☐ true
 - ☐ false
- 35) Materiality is the ability of information to influence decisions.
- ☐ true
 - ☐ false

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- 36) Financing activities on the statement of cash flows include long-term borrowing and repaying of cash from lenders.
- ☐ true
 - ☐ false
- 37) Investing activities on the statement of cash flows include long-term borrowing and repaying of cash from lenders.
- ☐ true
 - ☐ false
- 38) Investing activities on the statement of cash flows include buying equipment that is held for long-term use.
- ☐ true
 - ☐ false
- 39) Return on assets equals total revenues divided by average total assets.
- ☐ true
 - ☐ false
- 40) Revenues are increases in equity (via net income) from sales of products and services to customers.
- ☐ true
 - ☐ false
- 41) A net loss occurs when revenues exceed expenses.
- ☐ true
 - ☐ false
- 42) Net income occurs when revenues exceed expenses.
- ☐ true
 - ☐ false

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43) Liabilities are the owner's claim on assets.

- ☐ true
- ☐ false

44) Assets are the resources a company owns or controls and are expected to yield future benefits.

- ☐ true
- ☐ false

45) Maintenance expenses incurred increase equity.

- ☐ true
- ☐ false

46) The accounting equation can be restated as: $\text{Assets} - \text{Equity} = \text{Liabilities}$.

- ☐ true
- ☐ false

47) The accounting equation can be restated as: $\text{Assets} + \text{Liabilities} = \text{Equity}$.

- ☐ true
- ☐ false

48) Total assets of Morris Company equal \$7,000,000 and its equity is \$4,200,000. Morris Company has total liabilities of \$11,200,000.

- ☐ true
- ☐ false

49) After each transaction and event, assets always equal liabilities plus equity.

- ☐ true
- ☐ false

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- 50) From an accounting perspective, an event is a happening that affects the accounting equation but cannot be measured.
- ☐ true
 - ☐ false
- 51) A company paid \$15,000 cash for rent of office space for the month. This transaction increases both assets and equity by \$15,000.
- ☐ true
 - ☐ false
- 52) At the beginning of the year, Shepard Company's assets are \$3,000,000 and its equity is \$1,000,000. If during the year, assets increase by \$800,000 and liabilities increase by \$500,000, then equity at year-end equals \$700,000.
- ☐ true
 - ☐ false
- 53) Return on assets is often stated in ratio form as the amount of average total assets divided by revenue.
- ☐ true
 - ☐ false
- 54) Return on assets is often stated in ratio form as the amount of net income divided by average total assets.
- ☐ true
 - ☐ false
- 55) The four basic financial statements include the balance sheet, income statement, statement of revenue recognition, and statement of cash flows.
- ☐ true
 - ☐ false

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- 56) An income statement reports on investing and financing activities.
- ☐ true
 - ☐ false
- 57) The income statement reports revenues and expenses and computes net income or loss over a period of time.
- ☐ true
 - ☐ false
- 58) The statement of cash flows shows the net effect of revenues and expenses for a reporting period.
- ☐ true
 - ☐ false
- 59) The left side of the balance sheet lists a company's assets.
- ☐ true
 - ☐ false
- 60) On the statement of cash flows, investing activities involve selling assets such as equipment that is held for long-term use.
- ☐ true
 - ☐ false
- 61) The purchase of supplies appears on the statement of cash flows as an investing activity because it involves the purchase of assets.
- ☐ true
 - ☐ false
- 62) The income statement reports on operating activities at a point in time.
- ☐ true
 - ☐ false

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63) The statement of cash flows identifies cash flows from operating, investing, and financing activities over a period of time.

- ☐ true
- ☐ false

64) Butler company records show the following items and amounts on December 31:

Consulting revenue	\$ 70,000
Rent expense	17,750
Salaries expense	35,000
Telephone expense	3,800
Miscellaneous expenses	2,900

Butler's net income for the month of December is \$10,550.

- ☐ true
- ☐ false

65) The cost-benefit constraint says that information disclosed by an entity must have benefits to the user that are greater than the costs of providing it.

- ☐ true
- ☐ false

66) Net income is sometimes called earnings or profit.

- ☐ true
- ☐ false

67) Which of the following is not accomplished by accounting?

- A) Identifies business activities.
- B) Records business activities.
- C) Communicates business activities.
- D) Eliminates the need for interpreting financial data.
- E) Helps people make better decisions.

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- 68) Which of the following is an external user of accounting information?
- A) Purchasing manager.
 - B) Human resource manager.
 - C) Lender.
 - D) Chief executive officer (CEO).
 - E) Marketing manager.
- 69) The primary objective of financial accounting is to:
- A) Serve the decision-making needs of internal users.
 - B) Provide accounting information that serves external users.
 - C) Monitor consumer needs, tastes, and price concerns.
 - D) Provide information on both costs and benefits of looking after products and services.
 - E) Know what, when, and how much product to produce.
- 70) The area of accounting aimed at serving the decision-making needs of internal users is:
- A) Financial accounting.
 - B) Managerial accounting.
 - C) External auditing.
 - D) SEC reporting.
 - E) Bookkeeping.
- 71) Which of the following is *not* an external user of accounting information?
- A) Shareholders.
 - B) Customers.
 - C) Purchasing managers.
 - D) Government regulators.
 - E) Creditors.
- 72) Which of the following is *not* true regarding a Certified Public Accountant?
- A) Must meet education requirements.
 - B) Must pass an examination.
 - C) Must exhibit ethical character.
 - D) Must meet experience requirements.
 - E) Cannot hold any certificate other than a CPA.

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- 73) Which of the following factors is *not* a component of the fraud triangle?
- A) Opportunity
 - B) Pressure
 - C) Rationalization
 - D) All of the above are components of the fraud triangle.
- 74) Which of the following is not true regarding ethics:
- A) Ethics are beliefs that separate right from wrong.
 - B) Good ethics are good business.
 - C) Ethics do not affect the operations or outcome of a company.
 - D) Accountants face ethical choices as they prepare financial reports.
 - E) Ethics are accepted standards of good and bad behavior.
- 75) A corporation is:
- A) A business legally separate from its owners.
 - B) Controlled by the FASB.
 - C) Not responsible for its own acts and own debts.
 - D) The same as a limited liability partnership.
 - E) Not subject to double taxation.
- 76) The group that sets international preferred accounting practices is called the:
- A) AICPA.
 - B) IASB.
 - C) CAP.
 - D) SEC.
 - E) FASB.
- 77) The Securities and Exchange Commission (SEC) has given the task of setting GAAP to the:
- A) APB.
 - B) FASB.
 - C) AAA.
 - D) AICPA.
 - E) IASB.

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- 78) The accounting concept that requires every business to be accounted for separately from other business entities, including its owner or owners is known as the:
- A) Time-period assumption.
 - B) Business entity assumption.
 - C) Going-concern assumption.
 - D) Revenue recognition principle.
 - E) Measurement (Cost) principle.
- 79) The rule that requires financial statements to assume that the business will continue operating instead of being closed or sold is the:
- A) Going-concern assumption.
 - B) Business entity assumption.
 - C) Objectivity principle.
 - D) Measurement (Cost) principle.
 - E) Monetary unit assumption.
- 80) A company is considering purchasing a parcel of land that was originally acquired by the seller for \$100,000. While the land is currently offered for sale at \$180,000, it is considered by the purchaser as easily being worth \$170,000, and is finally purchased for \$167,000, the land should be recorded in the purchaser's books at:
- A) \$110,000.
 - B) \$167,000.
 - C) \$168,500.
 - D) \$170,000.
 - E) \$180,000.
- 81) A company is considering purchasing a parcel of land that was originally acquired by the seller for \$85,000. While the land is currently offered for sale at \$150,000, it is considered by the purchaser as easily being worth \$140,000, and is finally purchased for \$137,000, the land should be recorded in the purchaser's books at:
- A) \$95,000.
 - B) \$137,000.
 - C) \$138,500.
 - D) \$140,000.
 - E) \$150,000.

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- 82) To include the personal assets and transactions of a business's owner in the records and reports of the business would be in conflict with the:
- A) Objectivity principle.
 - B) Monetary unit assumption.
 - C) Business entity assumption.
 - D) Going-concern assumption.
 - E) Revenue recognition principle.
- 83) The accounting principle that requires accounting information to be based on actual cost and requires assets and services to be recorded initially at the cash or cash-equivalent amount given in exchange, is the:
- A) Accounting equation.
 - B) Measurement (Cost) principle.
 - C) Going-concern assumption.
 - D) Cost-benefit constraint.
 - E) Business entity assumption.
- 84) The rule that requires revenue to be recognized when (1) goods or services are provided to customers and (2) at the amount expected to be received from the customer is called the:
- A) Going-concern assumption.
 - B) Measurement (Cost) principle.
 - C) Revenue recognition principle.
 - D) Objectivity principle.
 - E) Business entity assumption.
- 85) In accordance with GAAP, the question of when revenue should be recognized on the income statement is addressed by the:
- A) Revenue recognition principle.
 - B) Going-concern assumption.
 - C) Objectivity principle.
 - D) Business entity assumption.
 - E) Measurement (Cost) principle.

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- 86) The Superior Company acquired a building for \$500,000. The building was appraised at a value of \$575,000. The seller had paid \$300,000 for the building 6 years ago. Which accounting principle would require Superior to record the building on its records at \$500,000?
- A) Monetary unit assumption.
 - B) Going-concern assumption.
 - C) Measurement (Cost) principle.
 - D) Business entity assumption.
 - E) Revenue recognition principle.
- 87) On December 15 of the current year, Conrad Accounting Services received \$40,000 from a client to provide bookkeeping services for the client in the following year. Which accounting principle would require Conrad Accounting Services to record the bookkeeping revenue in the following year and not in the year the cash was received?
- A) Monetary unit assumption.
 - B) Going-concern assumption.
 - C) Measurement (Cost) principle.
 - D) Business entity assumption.
 - E) Revenue recognition principle.
- 88) Marsha Bogs is the owner of Bogs Legal Services. Which accounting principle requires Marsha to keep her personal financial information separate from the financial information of Bogs Legal Services?
- A) Monetary unit assumption.
 - B) Going-concern assumption.
 - C) Measurement (Cost) principle.
 - D) Business entity assumption.
 - E) Expense recognition (Matching) principle.
- 89) A limited liability company (LLC):
- A) Has owners called members.
 - B) Is subject to additional business income tax.
 - C) Includes a general owner with unlimited liability.
 - D) Is the same as a corporation.
 - E) Must have more than one owner.

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90) A partnership:

- A) Is also called a sole proprietorship.
- B) Has unlimited liability for its partners.
- C) Has an indefinite business life.
- D) Is a separate legal entity from its owners.
- E) Has owners called shareholders.

91) Which of the following accounting principles require that all goods and services purchased be recorded at actual cost?

- A) Going-concern assumption.
- B) Expense recognition (Matching) principle.
- C) Measurement (Cost) principle.
- D) Business entity assumption.
- E) Consideration assumption.

92) Which of the following accounting principles prescribes that a company record its expenses incurred to generate the revenue reported?

- A) Going-concern assumption.
- B) Expense recognition (Matching) principle.
- C) Measurement (Cost) principle.
- D) Business entity assumption.
- E) Consideration assumption.

93) Revenue is properly recognized:

- A) When the customer makes an order.
- B) Only if the transaction creates an account receivable.
- C) At the end of the accounting period.
- D) When goods or services are provided to customers and at the amount expected to be received from the customer.
- E) When cash from a sale is received.

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- 94) Which of the following is not an external user of accounting information?
- A) Lenders.
 - B) Shareholders.
 - C) Politicians.
 - D) Chief executive officer (CEO).
 - E) Customers.
- 95) Which of the following is an internal user of accounting information?
- A) Customers.
 - B) Internal Revenue Service.
 - C) Human resource manager.
 - D) Shareholders.
 - E) Lenders.
- 96) If a company uses \$1,450 of its cash to purchase supplies, the effect on the accounting equation would be:
- A) Assets increase \$1,450 and liabilities decrease \$1,450.
 - B) One asset increases \$1,450 and another asset decreases \$1,450, causing no effect.
 - C) Assets decrease \$1,450 and equity decreases \$1,450.
 - D) Assets decrease \$1,450 and equity increases \$1,450.
 - E) Assets increase \$1,450 and liabilities increase \$1,450.
- 97) If a company uses \$1,300 of its cash to purchase supplies, the effect on the accounting equation would be:
- A) Assets increase \$1,300 and liabilities decrease \$1,300.
 - B) One asset increases \$1,300 and another asset decreases \$1,300, causing no effect.
 - C) Assets decrease \$1,300 and equity decreases \$1,300.
 - D) Assets decrease \$1,300 and equity increases \$1,300.
 - E) Assets increase \$1,300 and liabilities increase \$1,300.

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- 98) If a company receives \$11,600 from a client for services provided, the effect on the accounting equation would be:
- A) Assets decrease \$11,600 and equity decreases \$11,600.
 - B) Assets increase \$11,600 and liabilities decrease \$11,600.
 - C) Assets increase \$11,600 and liabilities increase \$11,600.
 - D) Liabilities increase \$11,600 and equity decreases \$11,600.
 - E) Assets increase \$11,600 and equity increases \$11,600.
- 99) If a company receives \$12,000 from a client for services provided, the effect on the accounting equation would be:
- A) Assets decrease \$12,000 and equity decreases \$12,000.
 - B) Assets increase \$12,000 and liabilities decrease \$12,000.
 - C) Assets increase \$12,000 and liabilities increase \$12,000.
 - D) Liabilities increase \$12,000 and equity decreases \$12,000.
 - E) Assets increase \$12,000 and equity increases \$12,000.
- 100) If a company purchases equipment costing \$3,300 on credit, the effect on the accounting equation would be:
- A) Assets increase \$3,300 and liabilities decrease \$3,300.
 - B) Equity decreases \$3,300 and liabilities increase \$3,300.
 - C) One asset increases \$3,300 and another asset decreases \$3,300.
 - D) Assets increase \$3,300 and liabilities increase \$3,300.
 - E) Equity increases \$3,300 and liabilities decrease \$3,300.
- 101) If a company purchases equipment costing \$4,500 on credit, the effect on the accounting equation would be:
- A) Assets increase \$4,500 and liabilities decrease \$4,500.
 - B) Equity decreases \$4,500 and liabilities increase \$4,500.
 - C) One asset increases \$4,500 and another asset decreases \$4,500.
 - D) Assets increase \$4,500 and liabilities increase \$4,500.
 - E) Equity increases \$4,500 and liabilities decrease \$4,500.

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- 102) An example of a financing activity reported on the statement of cash flows is:
- A) Buying office supplies.
 - B) Obtaining a long-term loan.
 - C) Buying office equipment.
 - D) Selling inventory.
 - E) Buying land.
- 103) Increases in equity that result from providing products or services to customers are called:
- A) Liabilities.
 - B) Revenues.
 - C) Financing activities.
 - D) Investing activities.
 - E) Expenses.
- 104) Which of the following decreases equity:
- A) Investing activities.
 - B) Assets.
 - C) Accounts receivable.
 - D) Revenues.
 - E) Expenses.
- 105) An example of an investing activity on a statement of cash flows is:
- A) Paying wages of employees.
 - B) Cash received from clients for services provided.
 - C) Purchase of land.
 - D) Selling inventory.
 - E) Long-term borrowing of cash from lenders.
- 106) Net Income:
- A) Decreases equity.
 - B) Equals equity minus liabilities.
 - C) Equals assets minus liabilities.
 - D) Occurs when revenues exceed expenses.
 - E) Represents creditor claims against assets.

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- 107) If equity is \$329,000 and liabilities are \$189,000, then assets equal:
- A) \$140,000.
 - B) \$189,000.
 - C) \$329,000.
 - D) \$518,000.
 - E) \$847,000.
- 108) If equity is \$300,000 and liabilities are \$192,000, then assets equal:
- A) \$108,000.
 - B) \$192,000.
 - C) \$300,000.
 - D) \$492,000.
 - E) \$792,000.
- 109) If assets are \$319,000 and liabilities are \$190,000, then equity equals:
- A) \$129,000.
 - B) \$190,000.
 - C) \$319,000.
 - D) \$509,000.
 - E) \$828,000.
- 110) If assets are \$300,000 and liabilities are \$192,000, then equity equals:
- A) \$108,000.
 - B) \$192,000.
 - C) \$300,000.
 - D) \$492,000.
 - E) \$792,000.
- 111) Resources a company owns or controls that are expected to yield future benefits are:
- A) Assets.
 - B) Revenues.
 - C) Liabilities.
 - D) Payables.
 - E) Expenses.

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- 112) Increases in equity from a company's sales of products or services to customers are:
- A) Assets.
 - B) Revenues.
 - C) Liabilities.
 - D) Accounts payable.
 - E) Expenses.
- 113) The difference between a company's assets and its liabilities, or net assets is:
- A) Net income.
 - B) Expense.
 - C) Equity.
 - D) Revenue.
 - E) Net loss.
- 114) Creditors' claims on assets are called:
- A) Net losses.
 - B) Expenses.
 - C) Revenues.
 - D) Equity.
 - E) Liabilities.
- 115) Decreases in equity from costs of providing products or services to customers are called:
- A) Liabilities.
 - B) Equity.
 - C) Accounts receivable.
 - D) Expenses.
 - E) Wages receivable.
- 116) The description of the relation between a company's assets, liabilities, and equity, which is expressed as $\text{Assets} = \text{Liabilities} + \text{Equity}$, is known as the:
- A) Income statement equation.
 - B) Accounting equation.
 - C) Business equation.
 - D) Return on equity ratio.
 - E) Net income.

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- 117) Revenues are:
- A) The same as net income.
 - B) The excess of expenses over assets.
 - C) Resources owned or controlled by a company.
 - D) Increases in equity from a company's sales of products and services.
 - E) The costs of assets or services used.
- 118) If assets are \$93,000 and liabilities are \$30,300, then equity equals:
- A) \$30,300.
 - B) \$62,700.
 - C) 93,000.
 - D) \$123,300.
 - E) \$216,300.
- 119) If assets are \$99,000 and liabilities are \$32,000, then equity equals:
- A) \$32,000.
 - B) \$67,000.
 - C) \$99,000.
 - D) \$131,000.
 - E) \$198,000.
- 120) Another name for equity is:
- A) Net income.
 - B) Expenses.
 - C) Net assets.
 - D) Revenue.
 - E) Net loss.
- 121) When expenses exceed revenues, the result is called:
- A) Net assets.
 - B) Negative equity.
 - C) Net loss.
 - D) Net income.
 - E) A liability.

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- 122) Haro Company has assets equal to \$1,230,000 and liabilities equal to \$470,000 at year-end. Equity for Haro Company at year-end equals:
- A) \$1,700,000.
 - B) \$760,000.
 - C) \$615,000.
 - D) \$235,000.
 - E) \$1,085,000.
- 123) At the beginning of the year, Cassius Company's liabilities equal \$350,000. During the year, assets increase by \$300,000, and at year-end assets equal \$950,000. Liabilities decrease \$25,000 during the year. The ending amount of equity is:
- A) \$625,000.
 - B) \$650,000.
 - C) \$600,000.
 - D) \$900,000.
 - E) \$675,000.
- 124) The assets of a company total \$736,000; the liabilities, \$218,000. What is the amount of equity?
- A) \$954,000.
 - B) \$736,000.
 - C) \$518,000.
 - D) \$218,000.
 - E) \$1,772,000.
- 125) The assets of a company total \$700,000; the liabilities, \$200,000. What is the amount of equity?
- A) \$900,000.
 - B) \$700,000.
 - C) \$500,000.
 - D) \$200,000.
 - E) \$1,700,000.

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- 126) On May 31 of the current year, the assets and liabilities of Riser, Incorporated are as follows: Cash \$24,000; Accounts Receivable, \$7,650; Supplies, \$1,000; Equipment, \$12,450; Accounts Payable, \$9,700. What is the amount of equity as of May 31 of the current year?
- A) \$54,800.
 - B) \$13,150.
 - C) \$24,000.
 - D) \$35,400.
 - E) \$45,100.
- 127) On May 31 of the current year, the assets and liabilities of Riser, Incorporated are as follows: Cash \$20,500; Accounts Receivable, \$7,250; Supplies, \$650; Equipment, \$12,000; Accounts Payable, \$9,300. What is the amount of equity as of May 31 of the current year?
- A) \$49,700.
 - B) \$13,050.
 - C) \$20,500.
 - D) \$31,100.
 - E) \$40,400.
- 128) On August 31 of the current year, the assets and liabilities of Gladstone, Incorporated are as follows: Cash \$28,800; Supplies, \$820; Equipment, \$9,200; Accounts Payable, \$8,000. What is the amount of equity as of August 31 of the current year?
- A) \$30,000.
 - B) \$30,820.
 - C) \$29,180.
 - D) \$10,780.
 - E) \$12,420.
- 129) On August 31 of the current year, the assets and liabilities of Gladstone, Incorporated are as follows: Cash \$30,000; Supplies, \$600; Equipment, \$10,000; Accounts Payable, \$8,500. What is the amount of equity as of August 31 of the current year?
- A) \$49,100.
 - B) \$32,100.
 - C) \$12,100.
 - D) \$10,900.
 - E) \$30,900.

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- 130) Assets created by selling goods and services on credit are:
- A) Accounts payable.
 - B) Accounts receivable.
 - C) Liabilities.
 - D) Expenses.
 - E) Equity.
- 131) An exchange of value between two entities which causes a change in the accounting equation is called:
- A) The accounting equation.
 - B) Recordkeeping or bookkeeping.
 - C) An external transaction.
 - D) An asset.
 - E) Net Income.
- 132) Saddleback Company paid off \$45,000 of its accounts payable in cash. What would be the effects of this transaction on the accounting equation?
- A) Assets increase \$45,000; equity increases \$45,000.
 - B) Assets decrease \$45,000; liabilities decrease \$45,000.
 - C) Assets decrease \$45,000; liabilities increase \$45,000.
 - D) Liabilities decrease \$45,000; equity increases \$45,000.
 - E) Assets decrease \$45,000; equity decreases \$45,000.
- 133) Saddleback Company paid off \$30,000 of its accounts payable in cash. What would be the effects of this transaction on the accounting equation?
- A) Assets increase \$30,000; equity increases \$30,000.
 - B) Assets decrease \$30,000; liabilities decrease \$30,000.
 - C) Assets decrease \$30,000; liabilities increase \$30,000.
 - D) Liabilities decrease \$30,000; equity increases \$30,000.
 - E) Assets decrease \$30,000; equity decreases \$30,000.

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- 134) If Dallas Company billed a client for \$16,000 of consulting work completed, the accounts receivable asset increases by \$16,000 and:
- A) Accounts payable decreases \$16,000.
 - B) Accounts payable increases \$16,000.
 - C) Cash increases \$16,000.
 - D) Revenue increases \$16,000.
 - E) Revenue decreases \$16,000.
- 135) If Dallas Company billed a client for \$10,000 of consulting work completed, the accounts receivable asset increases by \$10,000 and:
- A) Accounts payable decreases \$10,000.
 - B) Accounts payable increases \$10,000.
 - C) Cash increases \$10,000.
 - D) Revenue increases \$10,000.
 - E) Revenue decreases \$10,000.
- 136) Echo Company has assets of \$614,000, liabilities of \$257,000, and equity of \$357,000. It buys office equipment on credit for \$82,000. What would be the effects of this transaction on the accounting equation?
- A) Assets increase by \$82,000 and expenses increase by \$82,000.
 - B) Assets increase by \$82,000 and expenses decrease by \$82,000.
 - C) Liabilities increase by \$82,000 and expenses decrease by \$82,000.
 - D) Assets decrease by \$82,000 and expenses decrease by \$82,000.
 - E) Assets increase by \$82,000 and liabilities increase by \$82,000.
- 137) Echo Company has assets of \$600,000, liabilities of \$250,000, and equity of \$350,000. It buys office equipment on credit for \$75,000. What would be the effects of this transaction on the accounting equation?
- A) Assets increase by \$75,000 and expenses increase by \$75,000.
 - B) Assets increase by \$75,000 and expenses decrease by \$75,000.
 - C) Liabilities increase by \$75,000 and expenses decrease by \$75,000.
 - D) Assets decrease by \$75,000 and expenses decrease by \$75,000.
 - E) Assets increase by \$75,000 and liabilities increase by \$75,000.

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- 138) Mayfly Company collected \$42,000 cash on its accounts receivable. The effects of this transaction as reflected in the accounting equation are:
- A) Total assets decrease and equity increases.
 - B) Both total assets and total liabilities decrease.
 - C) Total assets, total liabilities, and total equity are unchanged.
 - D) Both total assets and equity are unchanged and liabilities increase.
 - E) Total assets increase and equity decreases.
- 139) If the liabilities of a business increased \$85,000 during a period of time and equity in the business decreased \$35,000 during the same period, the assets of the business must have:
- A) Decreased \$120,000.
 - B) Decreased \$50,000.
 - C) Increased \$35,000.
 - D) Increased \$50,000.
 - E) Increased \$120,000.
- 140) If the liabilities of a business increased \$75,000 during a period of time and equity in the business decreased \$30,000 during the same period, the assets of the business must have:
- A) Decreased \$105,000.
 - B) Decreased \$45,000.
 - C) Increased \$30,000.
 - D) Increased \$45,000.
 - E) Increased \$105,000.
- 141) If the assets of a business increased \$101,000 during a period of time and its liabilities increased \$73,000 during the same period, equity in the business must have:
- A) Increased \$28,000.
 - B) Decreased \$28,000.
 - C) Increased \$101,000.
 - D) Decreased \$174,000.
 - E) Increased \$174,000.

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- 142) If the assets of a business increased \$89,000 during a period of time and its liabilities increased \$67,000 during the same period, equity in the business must have:
- A) Increased \$22,000.
 - B) Decreased \$22,000.
 - C) Increased \$89,000.
 - D) Decreased \$156,000.
 - E) Increased \$156,000.
- 143) If the liabilities of a company increased \$86,000 during a period of time and equity in the company decreased \$25,000 during the same period, what was the effect on the assets?
- A) Assets would have increased \$61,000.
 - B) Assets would have decreased \$61,000.
 - C) Assets would have increased \$111,000.
 - D) Assets would have decreased \$111,000.
 - E) None of the above.
- 144) If the liabilities of a company increased \$74,000 during a period of time and equity in the company decreased \$19,000 during the same period, what was the effect on the assets?
- A) Assets would have increased \$55,000.
 - B) Assets would have decreased \$55,000.
 - C) Assets would have increased \$93,000.
 - D) Assets would have decreased \$93,000.
 - E) None of the above.
- 145) If a company paid \$38,000 of its accounts payable in cash, what was the effect on the accounting equation?
- A) Assets would decrease \$38,000, liabilities would decrease \$38,000, and equity would decrease \$38,000.
 - B) Assets would decrease \$38,000, liabilities would decrease \$38,000, and equity would increase \$38,000.
 - C) Assets would decrease \$38,000, liabilities would decrease \$38,000, and equity remains unchanged.
 - D) There would be no effect on the accounts because the accounts are affected by the same amount.
 - E) Assets would increase \$38,000 and liabilities would decrease \$38,000.

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- 146) If assets are \$395,000 and equity is \$135,000, then liabilities are:
- A) \$135,000.
 - B) \$260,000.
 - C) \$395,000.
 - D) \$530,000.
 - E) \$655,000.
- 147) If assets are \$365,000 and equity is \$120,000, then liabilities are:
- A) \$120,000.
 - B) \$245,000.
 - C) \$365,000.
 - D) \$485,000.
 - E) \$610,000.
- 148) Rush Company had net income of \$201 million and average total assets of \$1,980 million. Its return on assets (ROA) is:
- A) 10.2%.
 - B) 101.5%.
 - C) 120.0%.
 - D) 99.0%.
 - E) 20.3%.
- 149) Rush Company had net income of \$240 million and average total assets of \$2,000 million. Its return on assets (ROA) is:
- A) 12%.
 - B) 120%.
 - C) 80%.
 - D) 8%.
 - E) 800%.

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- 150) Cage Company had net income of \$428 million and average total assets of \$2,200 million. Its return on assets (ROA) is:
- A) 1.9%.
 - B) 39.0%.
 - C) 19.5%.
 - D) 5.1%.
 - E) 3.9%.
- 151) Cage Company had net income of \$160 million and average total assets of \$2,000 million. Its return on assets (ROA) is:
- A) 80%.
 - B) 0.8%.
 - C) 8%.
 - D) 12.5%.
 - E) 125%.
- 152) Speedy Company has net income of \$22,955, and assets at the beginning of the year of \$204,000. Assets at the end of the year total \$250,000. Compute its return on assets.
- A) 9.2%.
 - B) 10.1%.
 - C) 11.3%.
 - D) 11.4%.
 - E) 14.2%.
- 153) Speedy Company has net income of \$18,955, and assets at the beginning of the year of \$200,000. Assets at the end of the year total \$246,000. Compute its return on assets.
- A) 7.7%.
 - B) 8.5%.
 - C) 9.5%.
 - D) 11.8%.
 - E) 13.0%.

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- 154) Chou Company has a net income of \$49,000, assets at the beginning of the year are \$256,000 and assets at the end of the year are \$306,000. Compute its return on assets.
- A) 9.5%.
 - B) 19.1%.
 - C) 16.0%.
 - D) 17.4%.
 - E) 1.6%.
- 155) Chou Company has a net income of \$42,900, assets at the beginning of the year are \$250,000 and assets at the end of the year are \$300,000. Compute its return on assets.
- A) 8.4%.
 - B) 17.2%.
 - C) 14.3%.
 - D) 15.6%.
 - E) 1.5%.
- 156) Return on assets (ROA) falls into which area of financial statement analysis.
- A) Liquidity and efficiency.
 - B) Solvency.
 - C) Profitability.
 - D) Market prospects.
 - E) Market research.
- 157) Equity is:
- A) Net income divided by average total assets.
 - B) Equal to assets plus liabilities.
 - C) The owner's claim on assets.
 - D) Increased by expenses.
 - E) Decreased by revenue.

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- 158) Which of the following is not reported on the statement of cash flows?
- A) Cash flows from operating activities.
 - B) Cash flows from investing activities.
 - C) Cash flows from financing activities.
 - D) The net increase or decrease in equity for the period reported.
 - E) The net increase or decrease in cash for the period reported.
- 159) Which of the following is *not* a financial statement?
- A) Balance Sheet.
 - B) Income Statement.
 - C) Statement of Changes in Assets.
 - D) Statement of Cash Flows.
 - E) All of the above are financial statements.
- 160) Using the cash flow information in the table below for the month of December, determine the cash balance for Studio Two as of December 31. The cash balance at the start of December 1 was \$10,000.
- | | |
|-------------------------------------|------------|
| Cash received from customers | \$ 345,000 |
| Cash paid for equipment | 50,000 |
| Cash paid for truck | 220,000 |
| Cash paid for expenditures | 60,000 |
- A) \$75,000.
 - B) \$25,000.
 - C) \$85,000.
 - D) \$15,000.
 - E) \$65,000.
- 161) The financial statement that reports whether the business earned a profit and also lists the revenues and expenses is called the:
- A) Balance sheet.
 - B) Statement of return on assets.
 - C) Statement of cash flows.
 - D) Income statement.
 - E) Statement of financial position.

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- 162) A balance sheet lists:
- A) The types and amounts of the revenues and expenses of a business.
 - B) Only the information about what happened to equity during a time period.
 - C) The types and amounts of assets, liabilities, and equity of a business at a point in time.
 - D) The inflows and outflows of cash during the period.
 - E) The assets and liabilities of a company but not the equity.
- 163) A financial statement providing information that helps users understand a company's financial status, and which lists the types and amounts of assets, liabilities, and equity as of a specific date, is called a(n):
- A) Balance sheet.
 - B) Income statement.
 - C) Statement of cash flows.
 - D) Statement of return on assets.
 - E) Financial status statement.
- 164) The financial statement that identifies a company's cash inflows (receipts) and cash outflows (payments) over a period of time is the:
- A) Statement of financial position.
 - B) Statement of cash flows.
 - C) Balance sheet.
 - D) Income statement.
 - E) Statement of return on assets.
- 165) A company purchased a truck. The seller asked for \$22,000, but the company paid only \$20,000 after negotiation. The owner of the company believes he got a great deal, and the truck is really worth \$30,000. What amount should the company record on its financial statements for the truck?
- A) \$30,000.
 - B) \$27,000.
 - C) \$22,000.
 - D) \$21,000.
 - E) \$20,000.

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- 166) Using the information provided in the table below, determine the missing amount for assets.

Assets	Liabilities	Equity
?	\$ 200,000	\$ 450,000
A) \$200,000.		
B) \$250,000.		
C) \$300,000.		
D) \$450,000.		
E) \$650,000.		

- 167) Accounts payable appear on which of the following statements?

- A) Balance sheet.
- B) Income statement.
- C) Statement of return on assets.
- D) Statement of cash flows.
- E) Transaction statement.

- 168) Which of the following items is *not* reported on the income statement?

- A) Revenues earned by a business.
- B) Expenses incurred by a business.
- C) Assets owned by a business.
- D) Net income or loss earned by a business.
- E) The time period over which the earnings occurred.

- 169) Use the following information as of December 31 to determine equity.

Cash	\$ 69,000
Buildings	187,000
Equipment	218,000
Liabilities	153,000

- A) \$69,000.
- B) \$153,000.
- C) \$321,000.
- D) \$474,000.
- E) \$627,000.

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170) Use the following information as of December 31 to determine equity.

Cash	\$ 57,000
Buildings	175,000
Equipment	206,000
Liabilities	141,000

- A) \$57,000.
- B) \$141,000.
- C) \$297,000.
- D) \$438,000.
- E) \$579,000.

171) Use the following information for Meeker Corporation to determine the amount of equity to report.

Cash	\$ 78,000
Buildings	129,500
Land	215,800
Liabilities	135,000

- A) \$558,300.
- B) \$299,300.
- C) \$423,300.
- D) \$29,300.
- E) \$288,300.

172) Use the following information for Meeker Corporation to determine the amount of equity to report.

Cash	\$ 70,000
Buildings	125,000
Land	205,000
Liabilities	130,000

- A) \$390,000.
- B) \$140,000.
- C) \$20,000.
- D) \$530,000.
- E) \$270,000.

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- 173) Determine the net income of a company for which the following information is available for the month of July.

Employee salaries expense	\$ 184,000
Interest expense	14,000
Rent expense	24,000
Consulting revenue	416,000

- A) \$194,000.
- B) \$222,000.
- C) \$242,000.
- D) \$416,000.
- E) \$638,000.

- 174) Determine the net income of a company for which the following information is available for the month of July.

Employee salaries expense	\$ 180,000
Interest expense	10,000
Rent expense	20,000
Consulting revenue	400,000

- A) \$190,000.
- B) \$210,000.
- C) \$230,000.
- D) \$400,000.
- E) \$610,000.

- 175) Determine the net income of a company for which the following information is available for the month of September.

Service revenue	\$ 318,000
Rent expense	57,000
Utilities expense	4,100
Salaries expense	90,000

- A) \$280,900.
- B) \$469,100.
- C) \$171,000.
- D) \$166,900.
- E) \$261,000.

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- 176) Determine the net income of a company for which the following information is available for the month of September.

Service revenue	\$ 300,000
Rent expense	48,000
Utilities expense	3,200
Salaries expense	81,000

- A) \$263,800.
 - B) \$432,200.
 - C) \$171,000.
 - D) \$167,800.
 - E) \$252,000.
- 177) A company purchases equipment for \$75,000 cash. This represents a(n):
- A) Operating activity.
 - B) Investing activity.
 - C) Financing activity.
 - D) Revenue activity.
 - E) Expense activity.
- 178) A company borrows \$125,000 from the Northern Bank and receives the loan proceeds in cash. This represents a(n):
- A) Revenue activity.
 - B) Operating activity.
 - C) Expense activity.
 - D) Investing activity.
 - E) Financing activity.
- 179) Zippy had cash inflows from operating activities of \$74,500; cash outflows from investing activities of \$59,000; and cash inflows from financing activities of \$37,000. The net change in cash was:
- A) \$52,500 increase.
 - B) \$52,500 decrease.
 - C) \$170,500 decrease.
 - D) \$170,500 increase.
 - E) \$21,500 decrease.

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- 180) Zippy had cash inflows from operating activities of \$60,500; cash outflows from investing activities of \$47,000; and cash inflows from financing activities of \$25,000. The net change in cash was:
- A) \$38,500 increase.
 - B) \$38,500 decrease.
 - C) \$132,500 decrease.
 - D) \$132,000 increase.
 - E) \$11,500 decrease.
- 181) Zinc has beginning equity of \$275,000, total revenues of \$75,000, and total expenses of \$49,000. The company has no other transactions impacting equity. Its ending equity is:
- A) \$241,000.
 - B) \$249,000.
 - C) \$286,000.
 - D) \$301,000.
 - E) \$212,500.
- 182) Zinc has beginning equity of \$257,000, total revenues of \$57,000, and total expenses of \$40,000. The company has no other transactions impacting equity. Its ending equity is:
- A) \$223,000.
 - B) \$240,000.
 - C) \$268,000.
 - D) \$274,000.
 - E) \$208,000.
- 183) Darden has beginning equity of \$295,000, total revenues of \$81,000, and total expenses of \$43,000. The company has no other transactions impacting equity. The company's ending equity is:
- A) \$419,000.
 - B) \$257,000.
 - C) \$171,000.
 - D) \$333,000.
 - E) \$295,000.

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- 184) Darden has beginning equity of \$277,000, total revenues of \$63,000, and total expenses of \$25,000. The company has no other transactions impacting equity. The company's ending equity is:
- A) \$365,000.
 - B) \$239,000.
 - C) \$189,000.
 - D) \$315,000.
 - E) \$277,000.
- 185) Rent expense appears on which of the following statements?
- A) Balance sheet.
 - B) Income statement.
 - C) Statement of assets.
 - D) Income statement and balance sheet.
 - E) Statement of cash flows and balance sheet.
- 186) A company's balance sheet shows: Cash \$40,000, Accounts receivable \$25,000, Office equipment \$59,000, and Accounts payable \$26,000. What is the amount of total equity?
- A) \$26,000.
 - B) \$38,000.
 - C) \$98,000.
 - D) \$124,000.
 - E) \$150,000.
- 187) A company's balance sheet shows: Cash \$22,000, Accounts receivable \$16,000, Office equipment \$50,000, and Accounts payable \$17,000. What is the amount of total equity?
- A) \$17,000.
 - B) \$29,000.
 - C) \$71,000.
 - D) \$88,000.
 - E) \$105,000.

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- 188) A company reported total equity of \$161,000 at the beginning of the year. The company reported \$226,000 in revenues and \$173,000 in expenses for the year. Liabilities at the end of the year totaled \$100,000. What are the total assets of the company at the end of the year?
- A) \$53,000.
 - B) \$100,000.
 - C) \$114,000.
 - D) \$226,000.
 - E) \$314,000.
- 189) A company reported total equity of \$145,000 at the beginning of the year. The company reported \$210,000 in revenues and \$165,000 in expenses for the year. Liabilities at the end of the year totaled \$92,000. What are the total assets of the company at the end of the year?
- A) \$45,000.
 - B) \$92,000.
 - C) \$98,000.
 - D) \$210,000.
 - E) \$282,000.
- 190) Flitter reported net income of \$18,500 for the past year. At the beginning of the year the company had \$202,000 in assets and \$52,000 in liabilities. By year end, assets had increased to \$302,000 and liabilities were \$77,000. Calculate its return on assets:
- A) 9.2%.
 - B) 7.3%.
 - C) 6.1%.
 - D) 35.1%.
 - E) 23.7%.
- 191) Flitter reported net income of \$17,500 for the past year. At the beginning of the year the company had \$200,000 in assets and \$50,000 in liabilities. By year end, assets had increased to \$300,000 and liabilities were \$75,000. Calculate its return on assets:
- A) 8.8%.
 - B) 7.0%.
 - C) 5.8%.
 - D) 35.0%.
 - E) 23.3%.

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- 192) Cruz Company had revenues of \$112,000 and expenses of \$66,000 for the year. Its assets at the beginning of the year were \$416,000. At the end of the year, assets were worth \$466,000. Calculate its return on assets.
- A) 10.4%.
 - B) 11.1%.
 - C) 9.9%.
 - D) 26.9%.
 - E) 25.4%.
- 193) Cruz Company had revenues of \$80,175 and expenses of \$50,000 for the year. Its assets at the beginning of the year were \$400,000. At the end of the year, assets were worth \$450,000. Calculate its return on assets.
- A) 7.1%.
 - B) 7.5%.
 - C) 6.7%.
 - D) 20.0%.
 - E) 18.8%.
- 194) Lito Company had cash inflows from operating activities of \$45,000; cash outflows from investing activities of \$40,000, and cash outflows from financing activities of \$30,000. Calculate the net increase or decrease in cash.
- A) \$115,000 increase.
 - B) \$55,000 increase.
 - C) \$25,000 decrease.
 - D) \$25,000 increase.
 - E) \$70,000 decrease.
- 195) Lito Company had cash inflows from operating activities of \$27,000; cash outflows from investing activities of \$22,000, and cash outflows from financing activities of \$12,000. Calculate the net increase or decrease in cash.
- A) \$61,000 increase.
 - B) \$37,000 increase.
 - C) \$7,000 decrease.
 - D) \$7,000 increase.
 - E) \$34,000 decrease.

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- 196) Charlie's Chocolates' has accounts receivable of \$54,000 and accounts payable of \$22,000. The company has revenues of \$87,000 and expenses of \$66,000. Calculate its net income.
- A) \$32,000.
 - B) \$87,000.
 - C) \$66,000.
 - D) \$21,000.
 - E) \$53,000.
- 197) Charlie's Chocolates' has accounts receivable of \$50,000 and accounts payable of \$20,000. The company has revenues of \$83,000 and expenses of \$64,000. Calculate its net income.
- A) \$30,000.
 - B) \$83,000.
 - C) \$64,000.
 - D) \$19,000.
 - E) \$49,000.
- 198) Nexis had beginning equity of \$86,000; revenues of \$132,000, and expenses of \$89,400. The company had no other transactions impacting equity. Calculate the ending equity.
- A) \$128,600.
 - B) \$53,000.
 - C) \$139,000.
 - D) \$22,600.
 - E) \$33,000.
- 199) Nexis had beginning equity of \$72,000; revenues of \$90,000, and expenses of \$74,000. The company had no other transactions impacting equity. Calculate the ending equity.
- A) \$88,000.
 - B) \$25,000.
 - C) \$97,000.
 - D) \$38,000.
 - E) \$47,000.

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- 200) Doc's Ribhouse had beginning equity of \$79,000; net income of \$23,000. The company has no other transactions impacting equity. Calculate the ending equity.
- A) \$(14,000).
 - B) \$56,000.
 - C) \$14,000.
 - D) \$144,000.
 - E) \$102,000.
- 201) Samsung has beginning equity of \$52,000 and net income of \$23,000. The company has no other transactions impacting equity. Calculate the ending equity.
- A) \$(5,000).
 - B) \$29,000.
 - C) \$5,000.
 - D) \$99,000.
 - E) \$75,000.
- 202) A company's balance sheet shows cash of \$31,000, accounts receivable of \$37,000, equipment of \$64,000, and equity of \$79,000. What is the amount of liabilities?
- A) \$132,000.
 - B) \$111,000.
 - C) \$53,000.
 - D) \$75,000.
 - E) \$211,000.
- 203) A company's balance sheet shows cash of \$24,000, accounts receivable of \$30,000, equipment of \$50,000, and equity of \$72,000. What is the amount of liabilities?
- A) \$104,000.
 - B) \$76,000.
 - C) \$32,000.
 - D) \$68,000.
 - E) \$176,000.

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- 204) If a company has excess space in its building that it rents to another company for \$700, what is the effect on the accounting equation during the first month?
- A) Assets would decrease \$700 and liabilities would decrease \$700.
 - B) Assets would decrease \$700 and equity would increase \$700.
 - C) Assets would increase \$700 and equity would decrease \$700.
 - D) Assets would increase \$700 and equity would increase \$700.
 - E) Liabilities would decrease \$700 and equity would increase \$700.
- 205) Which of the following is a *not* an asset account?
- A) Accounts Receivable.
 - B) Supplies.
 - C) Equipment.
 - D) Accounts Payable.
 - E) Land.
- 206) Which of the following accounts is *not* included in the calculation of net income?
- A) Consulting revenue.
 - B) Services revenue.
 - C) Rent expense.
 - D) Salaries expense.
 - E) Accounts receivable.
- 207) Which of the following is *not* classified as a liability?
- A) Accounts Receivable.
 - B) Notes Payable.
 - C) Wages Payable.
 - D) Accounts Payable.
 - E) Taxes Payable.

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- 208) Billington Corporation borrows \$80,000 cash from U.S. Bank. How does this transaction affect the accounting equation?
- A) Assets would decrease \$80,000 and liabilities would decrease \$80,000.
 - B) Assets would decrease \$80,000 and equity would increase \$80,000.
 - C) Assets would increase \$80,000 and equity would decrease \$80,000.
 - D) Assets would increase \$80,000 and liabilities would increase \$80,000.
 - E) Liabilities would decrease \$80,000 and equity would increase \$80,000.
- 209) If the assets of a company increase by \$55,000 during the year and its liabilities increase by \$25,000 during the same year, then the change in equity of the company during the year must have been:
- A) An increase of \$80,000.
 - B) A decrease of \$80,000.
 - C) An increase of \$30,000.
 - D) A decrease of \$30,000.
 - E) An increase of \$25,000.
- 210) Which of the following is liability account?
- A) Accounts Payable.
 - B) Accounts Receivable.
 - C) Cash.
 - D) Supplies.
 - E) Prepaid Insurance.
- 211) Grandmark Printing pays the current month's rent of \$2,000 to the landlord of the building where its facilities are located. How does this transaction affect the accounting equation for Grandmark?
- A) Assets would decrease \$2,000 and liabilities would decrease \$2,000.
 - B) Assets would decrease \$2,000 and equity would decrease \$2,000.
 - C) Assets would increase \$2,000 and equity would increase \$2,000.
 - D) Assets would increase \$2,000 and liabilities would increase \$2,000.
 - E) Liabilities would decrease \$2,000 and equity would increase \$2,000.

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- 212) Atkins Company collected \$1,750 as payment for the amount owed by a customer from services provided the prior month on credit. How does this transaction affect the accounting equation for Atkins?
- A) Assets would decrease \$1,750 and liabilities would decrease \$1,750.
 - B) One asset would increase \$1,750 and a different asset would decrease \$1,750, causing no net change in the accounting equation.
 - C) Assets would increase \$1,750 and equity would increase \$1,750.
 - D) Assets would increase \$1,750 and liabilities would increase \$1,750.
 - E) Liabilities would decrease \$1,750 and equity would increase \$1,750.
- 213) The accounting equation for Ying Company shows a decrease in its assets and a decrease in its equity. Which of the following transactions could have caused that effect?
- A) Cash was received from providing services to a customer.
 - B) The company paid an amount due on credit.
 - C) Equipment was purchased for cash.
 - D) A utility bill was received for the current month, to be paid in the following month.
 - E) Advertising expense for the month was paid in cash.
- 214) The accounting equation for Long Company shows an increase in its assets and an increase in its liabilities. Which of the following transactions could have caused that effect?
- A) Cash was received from providing services to a customer.
 - B) Cash was paid toward an account payable.
 - C) Equipment was purchased on credit.
 - D) Supplies were purchased for cash.
 - E) Advertising expense for the month was paid in cash.
- 215) The expense recognition principle, also called the matching principle:
- A) Prescribes that accounting information is based on actual cost.
 - B) Provides guidance on when a company must recognize revenue.
 - C) Prescribes that a company report the details behind financial statements that would impact users' decisions.
 - D) Prescribes that a company record the expenses it incurred to generate the revenue reported.
 - E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

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- 216) The measurement principle, also called the cost principle:
- A) Prescribes that accounting information is based on actual cost.
 - B) Provides guidance on when a company must recognize revenue.
 - C) Prescribes that a company report the details behind financial statements that would impact users' decisions.
 - D) Prescribes that a company record the expenses it incurred to generate the revenue reported.
 - E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.
- 217) The revenue recognition principle:
- A) Prescribes that accounting information is based on actual cost.
 - B) Provides guidance on when a company must recognize revenue.
 - C) Prescribes that a company report the details behind financial statements that would impact users' decisions.
 - D) Prescribes that a company record the expenses it incurred to generate the revenue reported.
 - E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.
- 218) The full disclosure principle:
- A) Prescribes that accounting information is based on actual cost.
 - B) Provides guidance on when a company must recognize revenue.
 - C) Prescribes that a company report the details behind financial statements that would impact users' decisions.
 - D) Prescribes that a company record the expenses it incurred to generate the revenue reported.
 - E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.

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- 219) The cost-benefit constraint:
- A) Prescribes that accounting information is based on actual cost.
 - B) Provides guidance on when a company must recognize revenue.
 - C) Says that information disclosed by an entity must have benefits to the user that are greater than the costs of providing it.
 - D) Prescribes that a company record the expenses it incurred to generate the revenue reported.
 - E) Means that accounting information reflects a presumption that the business will continue operating instead of being closed or sold.
- 220) The going concern assumption:
- A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.
 - B) Means that we can express transactions and events in monetary, or money, units.
 - C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.
 - D) Means that a business is accounted for separately from other business entities, including its owner.
 - E) Prescribes that a company record the expenses it incurred to generate the revenue reported.
- 221) The monetary unit assumption:
- A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.
 - B) Means that transactions and events are expressed in monetary, or money, units.
 - C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.
 - D) Means that a business is accounted for separately from other business entities, including its owner.
 - E) Prescribes that a company record the expenses it incurred to generate the revenue reported.

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- 222) The time period assumption:
- A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.
 - B) Means that we can express transactions and events are expressed in monetary, or money, units.
 - C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.
 - D) Means that a business is accounted for separately from other business entities, including its owner.
 - E) Prescribes that a company record the expenses it incurred to generate the revenue reported.
- 223) The business entity assumption:
- A) Means that accounting information presumes that the business will continue operating instead of being closed or sold.
 - B) Means that we can express transactions and events in monetary, or money, units.
 - C) Presumes that the life of a company can be divided into time periods, such as months and years, and that useful reports can be prepared for those periods.
 - D) Means that a business is accounted for separately from other business entities, including its owner.
 - E) Prescribes that a company record the expenses it incurred to generate the revenue reported.
- 224) Internal controls are:
- A) Beliefs that separate right from wrong.
 - B) Procedures to protect assets, ensure reliable accounting, promote efficiency, and uphold company policies.
 - C) An example of a general principle.
 - D) An example of a specific principle.
 - E) The same across all companies.

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- 225) The Financial Accounting Standards Board (FASB) is given the task of setting GAAP from the:
- A) U.S. State Department.
 - B) Securities and Exchange Commission (SEC).
 - C) International Accounting Standards Board (IASB).
 - D) International Financial Reporting Standards (IFRS).
 - E) American Institute of Certified Public Accountants (AICPA).
- 226) Which of the following accounts is *not* included in the asset section of the balance sheet?
- A) Cash.
 - B) Accounts receivable.
 - C) Supplies.
 - D) Land.
 - E) Services revenue.
- 227) Which of the following accounts is *not* included in the asset section of the balance sheet?
- A) Buildings.
 - B) Wages expense.
 - C) Supplies.
 - D) Land.
 - E) Furniture.
- 228) Which of the following accounts is *not* included in the liabilities section of the balance sheet?
- A) Accounts receivable.
 - B) Wages payable.
 - C) Accounts payable.
 - D) Notes payable.
 - E) Taxes payable.

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- 229) Which of the following accounts is *not* included in the calculation of net income?
- A) Services revenue.
 - B) Wages expense.
 - C) Rent expense.
 - D) Cash.
 - E) Rent revenue.
- 230) Which of the following combinations results in a net loss reported on the income statement?
- A) Total revenues of \$80,000 and total expenses of \$74,000.
 - B) Total revenues of \$70,000 and total expenses of \$74,000.
 - C) Total revenues of \$60,000 and total expenses of \$52,000.
 - D) Total revenues of \$20,000 and total expenses of \$16,000.
 - E) Total revenues of \$40,000 and total expenses of \$31,000.

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Answer Key

Test name: Chapter 01 Test Bank - Algorithmic and Static

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

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

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

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

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

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