***Fundamental Financial Accounting Concepts, 10e* (Edmonds)**

**Chapter 1 An Introduction to Accounting**

1) Which of the following groups has the primary responsibility for establishing generally accepted accounting principles for business entities in the United States?

A) Securities and Exchange Commission

B) U.S. Congress

C) International Accounting Standards Board

D) Financial Accounting Standards Board

2) The Heritage Company is a manufacturer of office furniture. Which term best describes Heritage's role in society?

A) Conversion agent

B) Regulatory agency

C) Consumer

D) Resource owner

3) Which resource providers lend financial resources to a business with the expectation of repayment with interest?

A) Consumers

B) Creditors

C) Investors

D) Owners

4) Which type of accounting information is intended to satisfy the needs of external users of accounting information?

A) Cost accounting

B) Managerial accounting

C) Tax accounting

D) Financial accounting

5) Which of the following statements is **false** regarding managerial accounting information?

A) It is often used by investors.

B) It is more detailed than financial accounting information.

C) It can include nonfinancial information.

D) It focuses on divisional rather than overall profitability.

6) Financial accounting standards are known collectively as GAAP. What does that acronym stand for?

A) Generally Accepted Accounting Principles

B) Generally Applied Accounting Procedures

C) Governmentally Approved Accounting Practices

D) Generally Authorized Auditing Principles

7) International accounting standards are formulated by the IASB. What does that acronym stand for?

A) Internationally Accepted Standards Board

B) International Accounting Standards Board

C) International Accountability Standards Bureau

D) International Accounting and Sustainability Board

8) Which of the following  is an example of revenue?

A) Cash received as a result of a bank loan

B) Cash received from investors from the sale of common stock

C) Cash received from customers at the time services were provided

D) Cash received from the sale of land for its original selling price

9) Which of the following is **not** an element of the financial statements?

A) Net income

B) Revenue

C) Assets

D) Cash

10) Algonquin Company reported assets of $50,000, liabilities of $22,000 and common stock of $15,000. Based on this information only, what is the amount  of the company's retained earnings?

A) $7,000.

B) $57,000.

C) $13,000.

D) $87,000.

11) Stosch Company's balance sheet reported assets of $40,000, liabilities of $15,000 and common stock of $12,000 as of December 31, Year 1. Retained earnings on the December 31, Year 2 balance sheet is $18,000 and Stosch paid a $14,000 dividend during Year 2. What is the amount of net income for Year 2?

A) $17,000

B) $19,000

C) $13,000

D) $21,000

12) Hazeltine Company issued common stock for $200,000 cash. What happened as a result of this event?

A) Assets increased.

B) Equity increased.

C) Claims increased.

D) Assets, claims, and equity all increased.

13) Ballard Company reported assets of $500 and liabilities of $200. What amount will Ballard's report for stockholders' equity?

A) $300

B) $500

C) $700

D) Cannot be determined

14) A company's total assets increased during the period while its liabilities and common stock were unchanged. No dividends were declared or paid during the period. Which of the following would explain this situation?

A) Revenues were greater than expenses during the period.

B) Retained earnings were less than net income during the period.

C) No dividends were paid during the period.

D) The company must have purchased assets with cash during the period.

15) Li Company paid cash to purchase land. What happened as a result of this business event?

A) Total assets decreased.

B) Total assets were unaffected.

C) Total equity decreased.

D) Both assets and total equity decreased.

16) Turner Company reported assets of $20,000 (including cash of $9,000), liabilities of $8,000, common stock of $7,000, and retained earnings of $5,000. Based on this information, what can be concluded?

A) 25% of Turner's assets are the result of prior earnings.

B) $5,000 is the maximum dividend that can be paid to shareholders.

C) 40% of Turner's assets are the result of borrowing from creditors.

D) 25% of Turner's assets are from prior earnings, $5,000 is the maximum possible dividend, and 40% of assets are the result of borrowed resources.

17) At the time of liquidation, Fairchild Company reported assets of $200,000, liabilities of $120,000, common stock of $70,000 and retained earnings of $10,000). What is the maximum amount of Fairchild's assets that the shareholders are entitled to receive?

A) $200,000

B) $80,000

C) $90,000

D) $100,000

18) As of December 31, Year 2, Bristol Company had $100,000 of assets, $40,000 of liabilities and $25,000 of retained earnings. What percentage of Bristol's assets were obtained through investors?

A) 60%

B) 25%

C) 40%

D) 35%

19) On January 1, Year 2, Chavez Company had beginning balances as follows: total assets of $12,500, total liabilities of $4,500, and common stock of $3,000. During Year 2, Chavez paid dividends to its stockholders of $2,000. Given that retained earnings amounted to $6,000 at the end of Year 2, what was Chavez's net income for Year 2?

A) $3,000

B) $5,000

C) $7,000

D) $2,000

20) When a business provides services for cash, which elements of the accounting equation are affected?

A) Revenue and Expense

B) Cash and Revenue

C) Cash and Expense

D) Cash and Dividends

21) During Year 2, Millstone Company provided $6,500 of services for cash, paid cash dividends of $1,000 to owners, and paid $4,000 cash for expenses. Liabilities were unchanged. Which of the following statements accurately describes the effect of these events on the elements of the company's financial statements?

A) Assets increased by $6,500.

B) Assets increased by $1,500.

C) Equity increased by $2,500.

D) Assets increased by $5,500.

22) At the end of Year 2, retained earnings for the Baker Company was $3,500. Revenue earned by the company in Year 2 was $1,500, expenses paid during the period were $800, and dividends paid during the period were $500. Based on this information alone, what was the amount of retained earnings at the beginning of Year 2?

A) $3,300

B) $3,700

C) $2,800

D) $3,800

23) Which of the following is **not** an example of an asset use transaction?

A) Paying cash dividends

B) Paying cash expenses

C) Paying off the principal of a loan

D) Paying cash to purchase land

24) Borrowing cash from the bank is an example of which type of transaction?

A) Asset source

B) Claims exchange

C) Asset use

D) Asset exchange

25) Which of the following could describe the effects of an asset exchange transaction on the elements of a company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **-** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | NA | = | NA | + | NA | NA | - | NA | = | NA | +OA |
| B. | + | = | NA | + | + | NA | - | NA | = | NA | +FA |
| C. | - | = | NA | + | - | NA | - | NA | = | NA | NA |
| D. | + | = | + | + | NA | NA | - | NA | = | NA | +FA |

A) Option A

B) Option B

C) Option C

D) Option D

26) Which of the following does **not** describe the effects of an asset use transaction on the elements of a company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **-** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | - | = | - | + | NA | NA | - | NA | = | NA | -OA |
| B. | - | = | - | + | NA | NA | - | NA | = | NA | -FA |
| C. | - | = | NA | + | - | NA | - | + | = | - | -OA |
| D. | NA | = | + | + | NA | + | - | + | = | - | NA |

A) Option A

B) Option B

C) Option C

D) Option D

27) Which of the following cash transactions would **not** affect total assets?

A) Borrowing cash from a bank

B) Issuing common stock for cash

C) Purchasing land for cash

D) Providing services for cash

28) Which of the following appears in the investing activities section of the statement of cash flows?

A) Cash inflow from interest revenue

B) Cash inflow from the issuance of common stock

C) Cash outflow for the payment of dividends

D) Cash outflow for the purchase of land

29) Jackson Company had a net increase in cash from operating activities of $10,000 and a net decrease in cash from financing activities of $2,000. If the beginning and ending cash balances for the company were $4,000 and $11,000, what was the net cash change from investing activities?

A) An outflow or decrease of $1,000

B) An inflow or increase of $2,000

C) An inflow or increase of $1,000

D) Zero

*[The following information applies to the questions displayed below.]*

The financial statements of Calloway Company prepared at the end of the current year contained the following elements and corresponding amounts: Assets = $50,000; Liabilities = ?; Common Stock = $15,000; Revenue = $22,000; Dividends = $1,500; Beginning Retained Earnings = $3,500; Ending Retained Earnings = $7,500.

30) Based on this information, what was the amount of expenses reported on Calloway's income statement for the current year?

A) $18,500

B) $13,000

C) $16,500

D) $10,000

31) What was the amount of total liabilities reported on the  balance sheet as of the end of the current year?

A) $27,500

B) $31,500

C) $35,000

D) $42,500

32) Which of the following financial statements provides information about a company as of a specific point in time?

A) Income statement

B) Balance sheet

C) Statement of cash flows

D) Statement of changes in stockholders' equity

33) Which of the following is a (are) permanent account(s)?

A) The Retained Earnings account

B) All income statement accounts

C) The Dividend account

D) All balance sheet accounts and the Dividends account

34) In which section of a statement of cash flows would the payment of cash dividends be reported?

A) Investing activities.

B) Operating activities.

C) Financing activities.

D) Dividends are not reported on the statement of cash flows.

35) Which financial statement matches asset increases from operating a business with asset decreases from operating the business?

A) Balance sheet

B) Statement of changes in equity

C) Income statement

D) Statement of cash flows

36) Chow Company earned $1,500 of cash revenue, paid $1,200 for cash expenses, and paid a $200 cash dividend to its owners. Which of the following statements is **true**?

A) The net cash inflow from operating activities was $100.

B) The net cash outflow for investing activities was $200.

C) The net cash inflow from operating activities was $300.

D) The net cash outflow for investing activities was $100.

37) Yi Company provided services to a customer for $5,500 cash. Based on this information alone, which of the following statements is **true**?

A) Total assets increased and total equity decreased.

B) Total assets were unchanged.

C) Liabilities decreased and net income increased.

D) Total assets increased and net income increased.

38) During Year 2, Chico Company earned $1,950 of cash revenue, paid $1,600 of cash expenses, and paid a $150 cash dividend to its owners. Based on this information alone, which of the following statements is **not** true?

A) Net income amounted to $350.

B) Total assets increased by $200.

C) Cash inflow from operating activities was $350.

D) Cash inflow from operating activities was $200.

39) Glavine Company repaid a bank loan with cash. How should the cash flow from this event be shown on the horizontal statements model?

A) An operating activity that decreases cash, decreases equity, and decreases net income

B) A financing activity that decreases cash and decreases liabilities

C) A financing activity that decreases cash, decreases equity, and decreases net income

D) An investing activity that decreases cash and decreases liabilities

40) Retained earnings at the beginning and ending of the accounting period were $300 and $800, respectively. Revenues of $1,100 and dividends paid to stockholders of $200 were reported during the period. What was the amount of expenses reported for the period?

A) $500

B) $400

C) $900

D) $700

*[The following information applies to the questions displayed below.]*

Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:

1) issued stock for $40,000

2) borrowed $25,000 from its bank

3) provided consulting services for $39,000

4) paid back $15,000 of the bank loan

5) paid rent expense for $9,000

6) purchased equipment costing $12,000

7) paid $3,000 dividends to stockholders

8) paid employees' salaries, $21,000

41) What is Yowell's net cash flow from operating activities?

A) Inflow of $6,000

B) Inflow of $9,000

C) Inflow of $18,000

D) Inflow of $30,000

42) What is Yowell's ending notes payable balance?

A) $0

B) $25,000

C) ($15,000)

D) $10,000

43) What is Yowell's net income?

A) $9,000

B) $30,000

C) $18,000

D) $6,000

*[The following information applies to the questions displayed below.]*

Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)

1) Acquired $950 cash from the issue of common stock.

2) Borrowed $420 from a bank.

3) Earned $650 of revenues.

4) Paid expenses of $250.

5) Paid a $50 dividend.

During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)

1) Issued an additional $325 of common stock.

2) Repaid $220 of its debt to the bank.

3) Earned revenues of $750.

4) Incurred expenses of $360.

5) Paid dividends of $100.

44) What is Packard Company's net cash flow from financing activities for Year 2?

A) $220 outflow

B) $320 outflow

C) $5 inflow

D) $225 inflow

45) What was the balance of Packard's Retained Earnings account **before** closing in Year 1?

A) $400

B) $0

C) $350

D) $450

46) What is the amount of total stockholders' equity that will be reported on Packard's balance sheet at the end of Year 1?

A) $1,350

B) $900

C) $250

D) $1,300

47) What is the after-closing amount of retained earnings that will be reported on Packard's  balance sheet at the end of Year 2? (Assume that closing entries have been passed).

A) $640

B) $800

C) $290

D) $740

48) What is the amount of assets that will be reported on Packard's balance sheet at the end of Year 2?

A) $2,115

B) $440

C) $2,215

D) $395

49) What is the net cash inflow from operating activities that will be reported on Packard's statement of cash flows for Year 1?

A) $400

B) $650

C) $350

D) $820

50) Which of the following would be reported in the cash flow from financing activities section of a statement of cash flows?

A) Paid cash for dividends

B) Received cash for common stock

C) Sold land for cash

D) Paying cash for dividends and receiving cash from common stock

51) Santa Fe Company was started on January 1, Year 1, when it acquired $9,000 cash by issuing common stock. During Year 1, the company earned cash revenues of $4,500, paid cash expenses of $3,750, and paid a cash dividend of $250. Which of the following is true based on this information?

A) The December 31, Year 1 balance sheet would show total equity of $8,750.

B) The Year 1 income statement would show net income of $500.

C) The Year 1 statement of cash flows would show net cash inflow from operating activities of $4,500.

D) The Year 1 statement of cash flows would show a net cash inflow from financing activities of $8,750.

52) Robertson Company paid $1,850 cash for rent expense. What happened as a result of this business event?

A) Total equity decreased.

B) Liabilities decreased.

C) The net cash flow from operating activities decreased.

D) Both total equity and net cash flow for operating activities decreased.

53) Mayberry Company paid $30,000 cash to purchase land. What happened as a result of this business event?

A) Total equity was not affected.

B) The net cash flow from investing activities decreased.

C) Total assets were not affected.

D) Total assets and total equity were not affected, and net cash flow from investing activities decreased.

*[The following information applies to the questions displayed below.]*

Lexington Company engaged in the following transactions during Year 1, its first year in operation: *(Assume all transactions are cash transactions)*

Acquired $6,000 cash from issuing common stock.

Borrowed $4,400 from a bank.

Earned $6,200 of revenues.

Incurred $4,800 in expenses.

Paid dividends of $800.

Lexington Company engaged in the following transactions during Year 2: *(Assume all transactions are cash transactions)*

Acquired an additional $1,000 cash from the issue of common stock.

Repaid $2,600 of its debt to the bank.

Earned revenues, $9,000.

Incurred expenses of $5,500.

Paid dividends of $1,280.

54) What was the net cash flow from financing activities reported on Lexington's statement of cash flows for Year 2?

A) $2,880 outflow

B) $2,880 inflow

C) $1,000 outflow

D) $1,000 inflow

55) What is the amount of total assets that will be reported on Lexington's  balance sheet at the end of Year 1?

A) $11,000

B) $12,000

C) $1,600

D) $7,600

56) What was the amount of retained earnings that will be reported on Lexington's balance sheet at the end of Year 1?

A) $6,200

B) $5,400

C) $1,400

D) $600

57) What was the amount of liabilities on Lexington's balance sheet at the end of Year 2?

A) $1,000.

B) $1,800.

C) ($2,600).

D) $480.

58) As of December 31, Year 1, Mason Company had $500 cash. During Year 2, Mason earned $1,200 of cash revenue and paid $800 of cash expenses. What is the amount of cash that will be reported on the balance sheet at the end of Year 2?

A) $900

B) $400

C) $1,700

D) $2,500

59) Expenses are reported on which of the following financial statement(s)?

A) Income statement

B) Balance sheet

C) Statement of changes in stockholders' equity

D) Income statement and statement of changes in stockholders' equity

60) Dividends paid by a company are reported on which of the following financial statement(s)?

A) Income statement

B) Statement of changes in stockholders' equity

C) Statement of cash flows

D) Statement of changes in stockholders' equity and statement of cash flows

61) Liabilities are reported on which of the following financial statement(s)?

A) Income statement

B) Balance sheet

C) Statement of cash flows

D) Statement of changes in stockholders' equity

62) Frank Company earned $15,000 of cash revenue. Which of the following accurately reflects how this event affects the company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | 15,000 | = | NA | + | 15,000 | NA | − | NA | = | NA | 15,000 OA |
| B. | 15,000 | = | NA | + | 15,000 | 15,000 | − | NA | = | 15,000 | NA |
| C. | 15,000 | = | NA | + | 15,000 | 15,000 | − | NA | = | 15,000 | 15,000 OA |
| D. | 15,000 | = | 15,000 | + | NA | 15,000 | − | NA | = | 15,000 | 15,000 OA |

A) Option A

B) Option B

C) Option C

D) Option D

63) Jackson Company paid $500 cash for salary expenses. Which of the following accurately reflects how this event affects the company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | NA | = | 500 | + | (500) | NA | − | 500 | = | (500) | NA |
| B. | (500) | = | NA | + | (500) | NA | − | 500 | = | (500) | (500) OA |
| C. | (500) | = | NA | + | (500) | NA | − | NA | = | NA | (500) OA |
| D. | (500) | = | NA | + | (500) | NA | − | 500 | = | (500) | (500) IA |

A) Option A

B) Option B

C) Option C

D) Option D

64) Perez Company paid a $300 cash dividend. Which of the following accurately reflects how this event affects the company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | NA | = | 300 | + | (300) | NA | − | 300 | = | (300) | NA |
| B. | (300) | = | NA | + | (300) | NA | − | 300 | = | (300) | (300) FA |
| C. | (300) | = | NA | + | (300) | NA | − | NA | = | NA | (300) FA |
| D. | (300) | = | NA | + | (300) | NA | − | NA | = | NA | (300) OA |

A) Option A

B) Option B

C) Option C

D) Option D

65) Garrison Company acquired $23,000 by issuing common stock. Which of the following accurately reflects how this event affects the company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | 23,000 | = | NA | + | 23,000 | NA | − | NA | = | NA | 23,000 FA |
| B. | 23,000 | = | NA | + | 23,000 | 23,000 | − | NA | = | 23,000 | 23,000 FA |
| C. | 23,000 | = | 23,000 | + | NA | 23,000 | − | NA | = | NA | 23,000 FA |
| D. | 23,000 | = | 23,000 | + | NA | 23,000 | − | NA | = | 23,000 | 23,000 OA |

A) Option A

B) Option B

C) Option C

D) Option D

66) Tandem Company borrowed $32,000 of cash from a local bank. Which of the following accurately reflects how this event affects the company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | − | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | 32,000 | = | 32,000 | + | NA | 32,000 | − | NA | = | 32,000 | 32,000 FA |
| B. | 32,000 | = | NA | + | 32,000 | NA | − | NA | = | NA | 32,000 FA |
| C. | 32,000 | = | NA | + | 32,000 | 32,000 | − | NA | = | 32,000 | 32,000 FA |
| D. | 32,000 | = | 32,000 | + | NA | NA | − | NA | = | NA | 32,000 FA |

A) Option A

B) Option B

C) Option C

D) Option D

67) Zimmerman Company sold land for $25,000 cash. The original cost of the land was $25,000. Which of the following accurately reflects how this event affects the company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | NA | = | NA | + | NA | NA | − | NA | = | NA | 25,000 IA |
| B. | (25,000) | = | NA | + | (25,000) | NA | − | NA | = | NA | (25,000) IA |
| C. | 25,000 | = | 25,000 | + | NA | NA | − | NA | = | NA | 25,000 FA |
| D. | None of these. | | | | | | | | | | |

A) Option A

B) Option B

C) Option C

D) Option D

68) Which of the following could represent the effects of an asset source transaction on a company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | + | = | NA | + | + | NA | − | NA | = | NA | +OA |
| B. | + | = | + | + | NA | NA | − | + | = | − | +IA |
| C. | + | = | NA | + | + | + | − | NA | = | + | +OA |
| D. | None of these could represent the effects of an asset source transaction. | | | | | | | | | | |

A) Option A

B) Option B

C) Option C

D) Option D

69) Which of the following could represent the effects of an asset exchange transaction on a company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | NA | = | NA | + | NA | NA | − | NA | = | NA | −IA |
| B. | NA | = | + | + | NA | NA | − | + | = | + | NA |
| C. | − | = | NA | + | − | NA | − | NA | = | NA | −OA |
| D. | None of these could represent the effects of an asset exchange transaction. | | | | | | | | | | | |

A) Option A

B) Option B

C) Option C

D) Option D

70) Which of the following describes the effects of an asset use transaction on the elements of a company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | − | = | NA | + | − | NA | − | NA | = | NA | −FA |
| B. | − | = | − | + | NA | NA | − | + | = | − | −IA |
| C. | − | = | NA | + | − | - | − | NA | = | − | −OA |
| D. | None of these could represent the effects of an asset source transaction. | | | | | | | | | | | |

A) Option A

B) Option B

C) Option C

D) Option D

71) Reynolds Company experienced an accounting event that affected its financial statements as indicated below:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| + |  | NA |  | + | + |  | NA |  | + | +OA |

Which of the following accounting events could have caused these effects on the elements of Reynolds' statements?

A) Paid a cash dividend.

B) Earned cash revenue.

C) Borrowed money from a bank.

D) The information provided does not represent a completed event.

72) Chico Company experienced an accounting event that affected its financial statements as indicated below:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | − | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flow** |
| + |  | NA |  | + | NA |  | NA |  | NA | +FA |

Which of the following accounting events could have caused these effects on the elements of Chico's financial statements?

A) Issued common stock

B) Earned cash revenue

C) Borrowed money from a bank

D) Paid a cash dividend

73) Delta Company experienced an accounting event that affected its financial statements as indicated below:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Asset** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp** | **=** | **Net Inc.** | **Stmt of**  **Cash Flow** |
| − |  | NA |  | − | NA |  | + |  | − | +OA |

Which of the following accounting events could have caused these effects on the elements of Delta's statements?

A) Paid a cash dividend

B) Incurred a cash expense

C) Borrowed money from a bank

D) Earned cash revenue

*[The following information applies to the questions displayed below.]*

Northern Corporation invested $800 cash in South Company stock.

74) Which of the following describes the effects of this transaction on the elements of Northern Corporation's books?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | − | = | + | + | NA | NA | − | - | = | − | −IA |
| B. | + | = | NA | + | + | NA | − | NA | = | NA | +FA |
| C. | NA | = | NA | + | NA | + | − | NA | = | + | −FA |
| D. | +/− | = | NA | + | NA | NA | − | NA | = | NA | −IA |

A) Option A

B) Option B

C) Option C

D) Option D

75) What happened as a result of this transaction?

A) The balance in the Cash account on Northern's books decreased, while the balance in the Cash account on South Company's books increased.

B) South Company has a cash inflow from investing activities.

C) Northern Corporation has a cash outflow from financing activities.

D) All of these statements are true.

76) Which of the following would not describe the effects of an asset source transaction on the elements of a company's financial statements?

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liab.** | **+** | **Equity** | **Rev.** | **−** | **Exp.** | **=** | **Net Inc.** | **Stmt of**  **Cash Flows** |
| A. | + | = | + | + | NA | NA | − | NA | = | NA | +FA |
| B. | + | = | NA | + | + | NA | − | NA | = | NA | +FA |
| C. | + | = | NA | + | + | + | − | NA | = | + | +OA |
| D. | NA | = | NA | + | NA | NA | − | NA | = | NA | −IA |

A) Option A

B) Option B

C) Option C

D) Option D

77) In a market, creditors are resource providers.

78) In a market, a company that manufactures cars would be referred to as a conversion agent.

79) The value created by a business is created by its assets.

80) The stockholders of a business have a priority claim to its assets in the event of liquidation.

81) The types of resources needed by a business are financial, physical, and labor resources.

82) Financial accounting information is usually less detailed than managerial accounting information.

83) The Financial Accounting Standards Board is a privately funded organization with authority for establishing accounting standards for businesses in the US.

84) A business and the person who owns the business are separate reporting entities.

85) The information reported in financial statements is organized into ten categories known as accounts.

86) Liabilities are obligations of a business to relinquish assets, provide services, or accept other obligations.

87) Liabilities are not a source of assets for a business.

88) Retained earnings reduces a company's commitment to use its assets for the benefit of its stockholders.

89) The historical cost concept requires that most assets be recorded at the amount paid for them, regardless of increases in market value.

90) An asset source transaction increases a business's assets and the claims to assets.

91) Borrowing money from the bank is an example of an asset source transaction.

92) An asset use transaction does not affect the total amount of claims to a company's assets.

93) The four financial statements prepared by a business bear no relationship to each other.

94) All of a business's temporary accounts appear on the income statement.