***College Accounting, 15e* (Slater)**

**Chapter 1 Accounting Concepts and Procedures**

Learning Objective 1-1

1) The type of business organization where the owners are NOT personally liable for the business’s debts is a:

A) corporation

B) partnership

C) sole proprietorship

D) All of the above

Answer: A

Diff: 2

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

2) The purpose of the accounting process is to provide financial information about:

A) sole proprietorships

B) small businesses

C) large corporations

D) All of these answers are correct

Answer: D

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

3) Accounting provides information to:

A) investors

B) government

C) managers

D) All of these answers are correct

Answer: D

Diff: 2

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

4) Which of the following is a characteristic of a sole proprietorship?

A) Business owned by more than one person.

B) Easy to form.

C) Each stockholder acts as an owner of the company.

D) Can continue indefinitely.

Answer: B

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

5) A partnership is a business which:

A) is easy to form

B) ends with the death of a partner

C) is owned by more than one person

D) All of these answers are correct

Answer: D

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

6) Which is an advantage of a sole proprietorship form of business?

A) There is limited personal risk.

B) The business can continue indefinitely.

C) The owner makes all the decisions.

D) The business is owned by stockholders.

Answer: C

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

7) Which of the following is NOT a type of business organization?

A) Corporation

B) Partnership

C) Sole proprietorship

D) Limited Asset Corporation

Answer: D

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

8) A corporation:

A) is legally separate from its owners

B) is owned by stockholders

C) has limited risk to stockholders

D) All of the above

Answer: D

Diff: 2

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

9) The basic accounting equation is:

A) Assets + Liabilities = Owner’s Equity

B) Assets = Liabilities - Owner's Equity

C) Assets = Owner’s Equity - Liabilities

D) Assets = Liabilities + Owner's Equity

Answer: D

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

10) A law firm would be considered a:

A) merchandise company

B) manufacturer

C) service company

D) retailer

Answer: C

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

11) GAAP stand for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

A) Generally Accepted Accounting Practices

B) General Accounting Accepted Practices

C) Generally Accepted Accounting Principles

D) General Accounting Application Practices

Answer: C

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

12) The purchase of supplies for cash would affect which account category?

A) Assets

B) Liabilities

C) Capital

D) Expense

Answer: A

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

13) Items owned by the business such as land, supplies and equipment are:

A) Assets

B) Liabilities

C) Owner's Equity

D) Expenses

Answer: A

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

14) Which of the following is NOT an Asset?

A) Cash

B) Accounts Receivable

C) Buildings

D) All of the above are Assets

Answer: D

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

15) If total liabilities increased by $10,000 and the assets increased by $10,000 during the accounting period, what is the change in the owner's equity amount?

A) No effect on owner's equity

B) Decrease of $10,000

C) Increase of $20,000

D) Decrease of $40,000

Answer: A

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

16) The claims of creditors against the Assets are:

A) Expenses

B) Revenues

C) Liabilities

D) Owner's Equity

Answer: C

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

17) The Owner's Equity of Logan's Company is equal to one-half of the total Assets. Liabilities equal $90,000. What is the amount of Owner's Equity?

A) $45,000

B) $90,000

C) $135,000

D) None of these answers is correct.

Answer: B

Explanation: If owner’s equity equals one-half of total assets, then liabilities also equal one-half of total assets because Assets = Liabilities + Owner’s Equity.

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

18) Assets are equal to:

A) Liabilities + Owner's Equity.

B) Liabilities - Owner's Equity.

C) Liabilities - Revenues.

D) Revenues - Expenses.

Answer: A

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

19) The basic accounting equation can be written as:

A) Assets = Revenues - Expenses

B) Assets = Liabilities - Owner's Equity

C) Profit = Revenues - Expenses

D) Assets — Owner’s Equity = Liabilities

Answer: D

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

20) An acceptable variation of the accounting equation is:

A) Assets - Owner's Equity = Liabilities

B) Revenues = Profit - Expenses

C) Assets = Liabilities - Owner's Equity

D) All of these answers are correct

Answer: A

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

21) If total Liabilities are $50,000 and Owner's Equity is $35,000, the total Assets must be:

A) $85,000

B) $15,000

C) $42,500

D) $70,000

Answer: A

Explanation: Total assets = Total liabilities $50,000 + Total owner’s equity $35,000 = $85,000

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

22) If total Liabilities are $2000 and total Assets are $16,000, Owner's Equity must be:

A) $14,000

B) $9000

C) $16,000

D) $18,000

Answer: A

Explanation: Total Assets $16,000 = Total liabilities $2,000 + Total owner’s equity $14,000

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

23) How does the purchase of supplies on account affect the accounting equation?

A) Assets increase; Liabilities decrease

B) Assets increase; Owner's Equity increases

C) Assets increase; Liabilities increase

D) Liabilities increase; Owner's Equity decreases

Answer: C

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

24) Strum Hardware has total Assets of $60,000. What are the total Assets if a new building is purchased for $5000 cash?

A) $70,000

B) $65,000

C) $55,000

D) $60,000

Answer: D

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

25) Harvest Moon Company has total Assets of $37,000. If $2000 cash is used to purchase a new computer, the total Assets would be:

A) $37,000

B) $35,000

C) $39,000

D) $2000

Answer: A

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

26) Katie's Vegetarian Restaurant, with total Assets of $121,000, borrows $27,000 cash from the bank. Which of the following is a true statement after borrowing the money?

A) Total Assets are now $148,000.

B) Total Assets are now $94,000.

C) Total Assets are now $175,000.

D) Total Assets are now $121,000.

Answer: A

Explanation: Total Assets $121,000 + Cash $27,000 = $148,000

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

27) Logan's Motor Sports buys $47,000 of supplies for cash. Which of the following is a true statement?

A) Total Assets increase.

B) Total Assets are unchanged.

C) Total Assets decrease.

D) Total Liabilities increase.

Answer: B

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

28) Bonnie's Baskets purchases $3000 worth of office equipment on account. This causes:

A) Cash and Capital to decrease

B) Office Equipment and Accounts Payable to increase

C) Office Equipment to decrease and Accounts Payable to increase

D) Accounts Payable to increase and Capital to decrease

Answer: B

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

29) Eileen's Corner Shoppe purchases a desk for cash. This causes:

A) Cash and Capital to increase

B) Furniture and Cash to increase

C) Furniture to increase and Cash to decrease

D) Accounts Payable to increase and Capital to increase

Answer: C

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

30) Bob purchased a new computer for the company for cash. The transaction will:

A) increase Computer; increase Capital

B) decrease Cash; increase Accounts Payable

C) decrease Cash; increase Computer

D) increase Supplies; increase Accounts Payable

Answer: C

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

31) Pat purchased $8000 of new electronic equipment for her BJ Company on account. The effect on the basic accounting equation was to:

A) increase Cash $8000 and increase Equipment $8000.

B) increase Equipment $8000 and increase Accounts Payable $8000.

C) decrease Cash $8000and increase Accounts Payable $8000.

D) decrease Cash $8000 and increase Equipment $8000.

Answer: B

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

32) If Total Assets are $68,000 and Total Owner’s Equity is $30,000, Liabilities must equal:

A) $38,000

B) $30,000

C) $98,000

D) $68,000

Answer: A

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

33) Which of the following would result if the business purchased equipment for cash?

A) Supplies would increase and Cash would decrease.

B) Supplies would increase and Capital would increase.

C) Equipment would increase and Cash would decrease.

D) The purchase of supplies is not a business transaction.

Answer: C

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

34) Which of the following would result if a business purchased Equipment with a 40% down payment and the rest on account?

A) Equipment and Cash would increase, and Accounts Payable would decrease.

B) Accounts Payable would increase, Equipment and Cash would decrease.

C) Since the equipment has not been paid in full, there is nothing to record.

D) Equipment and Accounts Payable would increase, Cash would decrease.

Answer: D

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

35) Mary invested cash in her new business. What effect will this have?

A) Increase an Asset and increase a Liability

B) Decrease an Asset and increase a Liability

C) Increase an Asset and increase Owner's Equity

D) Decrease an Asset and decrease Owner's Equity

Answer: C

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

36) A business received $10,000 from a customer in payment of an amount owed. The effect of the transaction on the accounting equation was to:

A) increase one Asset, decrease another Asset.

B) increase an Asset, increase a Liability.

C) decrease an Asset, decrease a Liability.

D) increase an Asset, increase Owner's Equity.

Answer: A

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

37) The purchase of supplies with both cash and on account was recorded as only an open account purchase. Due to this error:

A) Assets would be understated.

B) Liabilities would be overstated.

C) Owner's Equity would be overstated.

D) None of the above is correct.

Answer: B

Diff: 3

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

38) A purchase of a vehicle on credit would have what effect on the accounting equation?

A) Total Assets and total Liabilities increase.

B) Total Liabilities are overstated.

C) Total Owner's Equity is overstated.

D) Both A and B are correct.

Answer: A

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

39) The cash purchase of a truck was recorded as a credit purchase. Due to this error:

A) Assets were understated.

B) Liabilities were understated.

C) Answers A and B are both correct.

D) None of the above is correct.

Answer: D

Diff: 3

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

40) The right side of the basic accounting equation shows what is owed by the business.

Answer: TRUE

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

41) Generally Accepted Accounting Principles are the procedures and guidelines that must be followed every other year.

Answer: FALSE

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

42) The functions of accounting include analyzing, recording, classifying, summarizing, reporting, strategic management, and environmental assessment.

Answer: FALSE

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

43) A sole proprietorship ends with the death of the owner.

Answer: TRUE

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

44) If the Liabilities owed by a business total $150,000, then the Assets must also total $150,000.

Answer: FALSE

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

45) The left side of the basic accounting equation must always be greater than the right side of the equation.

Answer: FALSE

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

46) If the Assets owned by a business total $59,000, Owner's Equity must also total $59,000.

Answer: FALSE

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

47) In a shift of Assets, the composition of the Assets changes but total Assets do not change.

Answer: TRUE

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

48) If Owner's Equity totals $73,000 and Liabilities total $40,000, then Assets owned by a business totals $113,000.

Answer: TRUE

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

49) Creditors' claims against Assets are called Liabilities.

Answer: TRUE

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

50) The basic accounting equation states that total Assets must always equal total Liabilities plus Owner's Equity.

Answer: TRUE

Diff: 1

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

51) If Liabilities are $22,000 and Assets are $42,000, Owner's Equity will be $20,000.

Answer: TRUE

Diff: 1

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

52) Put the 7 main steps of the accounting process in order (from 1 -7) below:

\_\_\_\_\_\_\_\_ Interpreting

\_\_\_\_\_\_\_\_ Analyzing

\_\_\_\_\_\_\_\_ Recording

\_\_\_\_\_\_\_\_ Classifying

\_\_\_\_\_\_\_\_ Reporting

\_\_\_\_\_\_\_\_ Communication

\_\_\_\_\_\_\_\_ Summarizing

Answer:

6 Interpreting

1 Analyzing

2 Recording

3 Classifying

5 Reporting

7 Communication

4 Summarizing

Diff: 3

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

53) Discuss the advantages and disadvantages of sole proprietorships, partnerships and corporations.

Answer: A sole proprietorship is a business that has one owner. The advantage of a sole proprietorship is that the owner makes all of the decisions for the business. Another advantage is ease of formation. A disadvantage is that if the business cannot pay its obligations, the business owner must pay them from personal assets. The business ends with the death of the owner or the closing of the business.

A partnership is a business owned by more than one person. Its advantage is ease of formation. The disadvantages are that partners could lose personal assets to meet obligations of the partnership and a partnership ends with death of a partner from the partnership.

A corporation is a business owned by stockholders. The advantages are that stockholders have limited personal risk which is limited to their investment in the company. In addition, the corporation has an unlimited life and it is easy to raise capital. A disadvantage is that a corporation is more difficult to form and stockholders have a limited ability to influence business decisions.

Diff: 2

LO: 1-1

AACSB: Written and Oral Communication

Learning Outcome: Define accounting terms, accounting concepts and principles

54) What is the difference between Bookkeeping and Accounting?

Answer: Bookkeeping is the recording function within the accounting process. A bookkeeper records the transactions into the company's books (more transactional), while an accountant reviews and analyzes the information including the transactions which are recorded. The accountant then takes the information and prepares the financial statements.

Diff: 2

LO: 1-1

AACSB: Written and Oral Communication

Learning Outcome: Define accounting terms, accounting concepts and principles

55) Determine the missing amount in each accounting equation.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Assets | Liabilities | Owner’s Equity |
| A. | $10,000 | $2,000 | ? |
| B. | ? | $5,000 | $4,000 |
| C. | $15,000 | ? | $10,000 |
| D. | $12,000 | $4,000 | ? |

Answer:

A. $8,000

B. $9,000

C. $5,000

D. $8,000

Diff: 2

LO: 1-1

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

56) Record the following transactions in the basic accounting equation:

a. Brian invests $30,000 cash to begin an accounting service.

b. The company buys office furniture for cash, $900.

c. The company buys additional office furniture on account, $200.

d. The company makes a payment on the office furniture purchased in (c), $100.

Brian's Accounting Service

ASSETS = LIABILITIES + OWNER'S EQUITY

Cash + Office Furniture = Accounts Payable + Brian, Capital

a.

b.

c.

d.

Totals

Answer:

Brian's Accounting Service

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | ASSETS |  | = | LIABILITIES | OWNER'S EQUITY |
|  | Cash + | Office Furniture | = | Accounts Payable | + Brian, Capital |
| a. | +$30,000 |  | = |  | +$30,000 |
| b. | - 900 | +$900 | = |  |  |
| c. |  | + 200 | = | +$200 |  |
| d. | - 100 | \_\_\_\_\_\_ | = | - 100 | \_\_\_\_\_\_\_\_ |
| T | +$29,000 | +$1,100 | = | +$100 | +$30,000 |

Diff: 3

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

57) Mike's Photography completes the following transactions:

a. Mike invests $15,000 cash in his company.

b. The company purchases equipment on account, $600.

c. The company purchases additional equipment for cash, $300.

d. The company makes a payment on account for the equipment in (b), $500.

Required: Record the above transactions in the basic accounting equation.

Mike's Photography

ASSETS = LIABILITIES + OWNER'S EQUITY

Cash + Equipment = Accounts Payable + Mike, Capital

a. =

b. =

c. =

d. =

Totals =

Answer:

Mike's Photography

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | ASSETS |  | = | LIABILITIES | OWNER'S EQUITY |
|  | Cash + | Equipment | = | Accounts Payable | + Mike's, Capital |
| a. | +$15,000 |  | = |  | +$15,000 |
| b. |  | +$600 | = | +$600 |  |
| c. | -300 | + 300 | = |  |  |
| d. | - 500 | \_\_\_\_\_\_ | = | - 500 | \_\_\_\_\_\_\_\_ |
| T | +$14,200 | +$900 | = | +$100 | +$15,000 |

Diff: 2

LO: 1-1

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

Learning Objective 1-2

1) The balance sheet contains:

A) Liabilities, Expenses and capital

B) Assets, Liabilities and Revenues

C) Expenses, Assets and cash

D) None of the above is correct

Answer: D

Diff: 1

LO: 1-2

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

2) Which of the following items is NOT listed on the balance sheet?

A) Accounts Payable

B) Accounts Receivable

C) Revenue

D) Equipment

Answer: C

Diff: 1

LO: 1-2

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

3) The Balance Sheet may also be called:

A) Income Statement

B) Owner’s Equity Statement

C) Statement of Financial Position

D) Any of the above

Answer: C

Diff: 1

LO: 1-2

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

4) A Balance Sheet has a \_\_\_\_\_\_\_\_ line heading

A) one

B) two

C) three

D) four

Answer: C

Diff: 1

LO: 1-2

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

5) On the Balance sheet:

A) Assets appear on the left side, Liabilities and Owner’s Equity appear on the right side

B) Assets and Liabilities appear on the left side, Owner’s Equity appears on the right side

C) Liabilities and Owner’s Equity appear on the left side, Assets appear on the right side

D) Assets and Owner’s Equity appear on the left side, Liabilities appear on the right side

Answer: A

Diff: 1

LO: 1-2

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

6) The balance sheet shows the company's financial position as of a particular date.

Answer: TRUE

Diff: 2

LO: 1-2

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

7) To distinguish the total of a series of numbers on a financial statement, use a single underline.

Answer: FALSE

Diff: 1

LO: 1-2

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

8) The three elements that make up a balance sheet are Assets, Liabilities and Owner's Equity.

Answer: TRUE

Diff: 1

LO: 1-2

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

9) Dollar signs appear on each number on the Balance Sheet.

Answer: FALSE

Diff: 1

LO: 1-2

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

10) A double underline should be placed under the number for Total Assets on the Balance Sheet.

Answer: TRUE

Diff: 1

LO: 1-2

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

11) Use the following ending balances to prepare a Balance Sheet at December 31, 202X for Jones Company.

|  |  |
| --- | --- |
| Jones, Capital | $3,000 |
| Cash | 4,000 |
| Equipment | 1,000 |
| Accounts Payable | 2,000 |

Answer:

|  |  |  |  |
| --- | --- | --- | --- |
| Jones Company  BALANCE SHEET  December 31, 202X | | | |
| Assets |  | Liabilities and Owner's Equity |  |
|  |  | Liabilities |  |
| Cash | $4,000 | Accounts Payable | $2,000 |
| Equipment | 1,000 | Owner's Equity |  |
|  |  | Jones, Capital | 3,000 |
| Total Assets | $5,000 | Total Liabilities and Owner's Equity | $5,000 |

Diff: 2

LO: 1-2

AACSB: Analytical Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

12) Use the following ending balances to prepare a Balance Sheet at January 31, 202X for Taylor Company.

|  |  |
| --- | --- |
| Cash | $15,000 |
| Accounts Payable | 3,000 |
| Computers | 2,000 |
| Taylor, Capital | 14,000 |

Answer:

|  |  |  |  |
| --- | --- | --- | --- |
| Taylor Company  BALANCE SHEET  January 31, 202X | | | |
| Assets |  | Liabilities and Owner's Equity |  |
|  |  | Liabilities |  |
| Cash | $15,000 | Accounts Payable | $3,000 |
| Computers | 2,000 | Owner's Equity |  |
|  |  | Taylor, Capital | 14,000 |
| Total Assets | $17,000 | Total Liabilities and Owner's Equity | $17,000 |

Diff: 2

LO: 1-2

AACSB: Analytical Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

Learning Objective 1-3

1) The net income or net loss is calculated on the:

A) balance sheet

B) statement of Owner's Equity

C) income statement

D) None of these

Answer: C

Diff: 1

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

2) Owner's withdrawals:

A) decrease Assets

B) increase Expenses

C) increase Assets

D) increase Liabilities

Answer: A

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

3) Go Big Red Retail Store collected $16,000 of its accounts receivable. The expanded accounting equation changes include:

A) Cash and Capital increase $16,000

B) Cash and Revenue increase $16,000

C) Cash increases and Accounts Receivable decreases $16,000

D) Accounts Receivable decreases and Capital increases $16,000

Answer: C

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

4) The payment of accounts payable would:

A) increase both Assets and Liabilities

B) increase Assets and decrease Liabilities

C) decrease both Assets and Liabilities

D) decrease Assets and increase Liabilities

Answer: C

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

5) Ryan withdrew cash from the business to pay his personal cell phone bill. The expanded accounting equation changes include:

A) increase in both Cash and Withdrawals

B) decrease in both Cash and Withdrawals

C) decrease in Cash and increase in Withdrawals

D) increase in Cash and decrease in Withdrawals

Answer: C

Diff: 3

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

6) Revenue, Expenses, and Withdrawals are subdivisions of:

A) Assets

B) Liabilities

C) Owner's Equity

D) All of these answers are correct

Answer: C

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

7) Which of the following transactions affect Owner's Equity?

A) Payment on account

B) Equipment purchase on account

C) Customer payment on account

D) A withdrawal

Answer: D

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

8) When services are rendered but payment is not made, which account would be increased?

A) Accounts Receivable

B) Accounts Payable

C) Cash

D) Supplies Expense

Answer: A

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

9) If Old Fashioned Toys' Revenues are less than its Expenses during the accounting period:

A) owner's withdrawals increase net income

B) net income causes Liabilities to decrease

C) the business will incur a net loss

D) owner's withdrawals increase Owner's Equity

Answer: C

Diff: 3

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

10) If Old Fashioned Toys' Revenues are greater than its Expenses during the accounting period:

A) Assets will increase more than Liabilities

B) Liabilities will increase more than Assets

C) the business will incur a net loss

D) the business will earn a net income

Answer: D

Diff: 3

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

11) Kim billed her legal clients $12,000 for legal work completed during the month using accrual basis. This transaction will:

A) cause a $12,000 increase in Revenues and Liabilities

B) cause a $12,000 increase in Revenues and a decrease in cash

C) cause a $12,000 increase in Assets and Revenues

D) not be recorded until the cash is collected

Answer: C

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

12) Cup's Inc. paid $15,000 in salaries and wages for February. This transaction will:

A) increase Expenses and decrease Revenue

B) increase Expenses and increase Liabilities

C) decrease Assets and increase Expenses

D) increase Assets and Expenses

Answer: C

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

13) Crystal Clear Imagery received and paid a utility bill for $600 for the month of November. This transaction will:

A) increase Cash and increase Utility Expense

B) decrease Cash and increase Utility Expense

C) increase Cash and decrease Utility Expense

D) increase Utility Expense and decrease Revenue

Answer: B

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

14) If a company's Revenues are higher than its Expenses, it will cause:

A) an increase in Owner's Equity

B) a decrease in Owner's Equity

C) an increase in Assets

D) a net loss

Answer: A

Diff: 3

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

15) Expenses:

A) are costs the company incurs in carrying on operations

B) are a subdivision of Owner's Equity

C) are withdrawals not related to the business

D) Both A and B are correct

Answer: D

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

16) An Expense should be recorded when:

A) a liability for accounts payable is paid

B) a purchase of equipment is made on credit

C) a bill for utilities is received in the mail but it is not paid immediately

D) All of the above are correct

Answer: C

Diff: 1

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

17) Using the accrual basis, revenues should be recorded when:

A) the earning process is complete

B) payment is received on account

C) cash is received from the customer for services to be rendered at a future date

D) All of the above are correct

Answer: A

Diff: 1

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

18) Accounting services were provided to a customer for cash. How would this affect the accounting equation?

A) Cash and Accounts Receivable increase.

B) Accounts Payable decreased and Capital decreased.

C) Cash and Revenue increase.

D) None of the above are correct.

Answer: C

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

19) Which accounts are affected when a company pays salaries?

A) Assets and Liabilities

B) Liabilities and Revenue

C) Assets and Expenses

D) None of the above is correct

Answer: C

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

20) Which accounts are affected when the company buys a truck for cash?

A) Assets and Revenue

B) Liabilities and Capital

C) Assets and Liabilities

D) None of the above is correct

Answer: D

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

21) Which accounts are affected when the company provides services to a customer on credit?

A) Assets and Liabilities

B) Liabilities and Revenue

C) Assets and Revenue

D) None of the above is correct

Answer: C

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

22) Which accounts are affected when the owner withdraws cash from the business?

A) Assets and Withdrawals

B) Liabilities and Capital

C) Assets and Liabilities

D) None of the above is correct

Answer: A

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

23) Which of the following transactions would cause one asset to decrease and another asset to increase?

A) The business provided services to a cash customer.

B) The business bought supplies for cash.

C) The owner withdrew cash from the business.

D) All of the above are correct

Answer: B

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

24) Mick's Mart collects $100 of its accounts receivable. The expanded accounting equation impact is:

A) Cash and Capital increase $100

B) Cash and Revenue increase $100

C) Cash increases and Accounts Receivable decreases $100

D) Accounts Receivable decreases and Capital increases $100

Answer: C

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

25) Mark paid $300 cash to partially reduce the amount owed for equipment that was previously bought on account. This transaction would:

A) increase both Assets and Liabilities

B) increase Assets and decrease Liabilities

C) decrease both Assets and Liabilities

D) decrease Assets and increase Liabilities

Answer: C

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

26) Victoria received $1000 from customers in partial payment for accounting services performed previously. The recording of this transaction would:

A) increase Cash and Victoria's Capital $1000

B) increase Cash and decrease Accounts Receivable $1000

C) increase Cash and increase Accounts Receivable $1000

D) decrease Accounts Receivable and increase Victoria's Capital $1000

Answer: B

Diff: 3

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

27) Which of the following will decrease Owner's Equity?

A) A sale of merchandise on account

B) The purchase of an asset on credit

C) An investment by the owner

D) A withdrawal by the owner

Answer: D

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

28) Which of the following transactions would cause an asset to decrease and the Owner's Equity to decrease?

A) The owner invested cash in the business

B) The business incurred an Expense on credit

C) The business bought supplies on account

D) None of the above

Answer: D

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

29) Which of the following transactions would cause one asset to increase and another asset to decrease?

A) The owner invested cash in the business.

B) The business paid a creditor.

C) The business incurred an Expense on credit.

D) The business bought supplies for cash.

Answer: D

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

30) Which of the following would result if the owner made an additional investment of cash in the business?

A) Cash would increase and Capital would increase.

B) Cash would increase and Withdrawals would increase.

C) Cash would decrease and Withdrawals would increase.

D) An investment by the owner is not a business transaction.

Answer: A

Diff: 1

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

31) Revenue is the same thing as cash.

Answer: FALSE

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Define accounting terms, accounting concepts and principles

32) The owner of a business paid the rent with cash. This payment reduces Cash as well as increases the Expenses of the firm.

Answer: TRUE

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

33) Accounts Payable results from earning Revenue on account.

Answer: FALSE

Diff: 1

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

34) Expenses are recorded as costs of doing business whether cash was paid or not for Expenses.

Answer: TRUE

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

35) An owner’s investment is considered revenue for the business.

Answer: FALSE

Diff: 2

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

36) When Expenses are greater than Revenue, a net loss is the result.

Answer: TRUE

Diff: 1

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

37) The four parts of Owner's Equity include capital, withdrawals, Revenues, and Expenses.

Answer: TRUE

Diff: 1

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

38) Cash withdrawals by the owner increase both equity and Liabilities.

Answer: FALSE

Diff: 1

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

39) Cash investments by the owner increase both Capital and Assets.

Answer: TRUE

Diff: 1

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

40) Revenue and cash will always equal.

Answer: FALSE

Diff: 3

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

41) Withdrawals are business Expenses that are included on the income statement.

Answer: FALSE

Diff: 3

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

42) If Expenses are greater than Revenues, a net income results.

Answer: FALSE

Diff: 1

LO: 1-3

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

43) Indicate whether each of the following represents (1) Asset, (2) Liability, or (3) Owner's Equity:

1. \_\_\_\_\_\_\_\_ Office Supplies

2. \_\_\_\_\_\_\_\_ Accounts Payable

3. \_\_\_\_\_\_\_\_ Capital

4. \_\_\_\_\_\_\_\_ Cash

5. \_\_\_\_\_\_\_\_ Withdrawal

6. \_\_\_\_\_\_\_\_ Land

7. \_\_\_\_\_\_\_\_ Accounts Receivable

8. \_\_\_\_\_\_\_\_ Expense

9. \_\_\_\_\_\_\_\_ Equipment

10. \_\_\_\_\_\_\_\_ Revenue

Answer:

1. Asset

2. Liability

3. Owner's Equity

4. Asset

5. Owner's Equity

6. Asset

7. Asset

8. Owner's Equity

9. Asset

10. Owner's Equity

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

44) Record the following transactions into the expanded accounting equation for Dora's Law Firm. Note that all accounts have beginning balances. (You will need to determine the beginning capital balance.)

a. Provided legal services for cash, $700

b. Billed customers for services rendered, $2,500

c. Received and paid the monthly utility bill, $300

d. Collected $1,000 on account from customers

e. Paid Supplies Expense, $250

f. Withdrew $200 cash for personal use

Dora's Law Firm

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | ASSETS | = | LIABILITIES | OWNER'S EQUITY |  |  |  |
|  | Cash + | Accounts Receivable | = | Accounts Payable | +Dora, Capital | + Revenue | - Expenses | - Dora, Withdrawals |
| beg. | $900 | $100 | = | $300 | ?? |  |  |  |
| a. |  |  |  |  |  |  |  |  |
| b. |  |  |  |  |  |  |  |  |
| c. |  |  |  |  |  |  |  |  |
| d. |  |  |  |  |  |  |  |  |
| e. |  |  |  |  |  |  |  |  |
| f. |  |  |  |  |  |  |  |  |
| Totals |  |  |  |  |  |  |  |  |

Answer: Dora's Law Firm

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | ASSETS | |  | LIABILITIES | OWNER'S EQUITY | | | |
|  | Cash + | Accounts  Receivable | = | Accounts Payable | +Dora,  Capital | +  Revenue | -  Expenses | - Dora,  Withdrawals |
| beg. | $900 | $100 | = | $300 | $700 |  |  |  |
| a. | +700 |  | = |  |  | +700 |  |  |
| b. |  | +2,500 | = |  |  | +2,500 |  |  |
| c. | - 300 |  | = |  |  |  | +300 |  |
| d. | +1,000 | -1,000 | = |  |  |  |  |  |
| e. | -250 |  | = |  |  |  | +250 |  |
| f. | -200 |  |  |  |  |  |  | +200 |
| Totals | $1,850 | $1,600 | = | $300 | $700 | $3,200 | $550 | $200 |

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

45) Melvin's Cleaning Service completed the following transactions:

a. Billed clients for service, $1,050.

b. Completed work for clients $400 on account.

c. Received a bill for utilities to be paid later, $120.

d. Received $700 in cash for services performed.

e. Paid the amount due for utilities.

f. Withdrew $500 cash for personal use.

Required: Record the above transactions in the expanded accounting equation. Note that the accounts have beginning balances.

Melvin's Cleaning Service

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | ASSETS | ASSETS | = | LIABILITIES | OWNER'S EQUITY |  |  |  |
|  | Cash + | Accounts Receivable | = | Accounts Payable | + Melvin, Capital | +Revenue | -Expenses | -Melvin, Withdrawals |
| beg. | $800 | $85 | = | $300 | $235 | $900 | $400 | $150 |
| a. |  |  |  |  |  |  |  |  |
| b. |  |  |  |  |  |  |  |  |
| c. |  |  |  |  |  |  |  |  |
| d. |  |  |  |  |  |  |  |  |
| e. |  |  |  |  |  |  |  |  |
| f. |  |  |  |  |  |  |  |  |
| Totals |  |  |  |  |  |  |  |  |

Answer: Melvin's Cleaning Service

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | ASSETS | | = | LIABILITIES | OWNER'S EQUITY | | | |
|  | Cash + | Accounts  Receivable | = | Accounts Payable | +Melvin,  Capital | +  Revenue | -  Expenses | - Melvin,  Withdrawals |
| beg. | $800 | $85 | = | $300 | $235 | $900 | $400 | $150 |
| a. |  | +1,050 | = |  |  | +1,050 |  |  |
| b. |  | +400 | = |  |  | +400 |  |  |
| c. |  |  | = | +120 |  |  | +120 |  |
| d. | +700 |  | = |  |  | +700 |  |  |
| e. | -120 |  | = | -120 |  |  |  |  |
| f. | -500 |  |  |  |  |  |  | +500 |
| Totals | $880 | $1,535 | = | $300 | $235 | $3,050 | $520 | $650 |

Diff: 2

LO: 1-3

AACSB: Analytical Thinking

Learning Outcome: Analyze and record transactions and their effects on the financial statements

Learning Objective 1-4

1) Cash is reported on the:

A) Income Statement

B) Statement of Owner's Equity

C) Balance sheet

D) All of these are correct

Answer: C

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

2) Which financial statement is prepared last?

A) Statement of Owner's Equity

B) Balance sheet

C) Income Statement

D) None of the above

Answer: B

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

3) The financial statement that shows business results in terms of Revenue and Expenses is:

A) Customer Statement.

B) Balance sheet

C) Statement of Owner's Equity

D) None of the above

Answer: D

Diff: 1

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

4) An accounting report that shows the changes in capital during the accounting period is:

A) Balance sheet

B) Income Statement

C) Statement of Owner's Equity

D) All of these answers are correct

Answer: C

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

5) Which of the following items are on both the Balance Sheet and the Statement of Owner's Equity?

A) Net loss

B) Capital

C) Additional owner's investments

D) Owner's withdrawals

Answer: B

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

6) Which account is NOT included in the asset section of the balance sheet?

A) Supplies

B) Utility Expense

C) Land

D) Computer

Answer: B

Diff: 1

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

7) If beginning capital was $170,000, ending capital is $93,000, and the owner's withdrawals were $19,000, the amount of net income or net loss was:

A) net income of $77,000

B) net income of $58,000

C) net loss of $58,000

D) net loss of $77,000

Answer: C

Diff: 2

LO: 1-4

AACSB: Analytical Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

8) The Income Statement is a financial statement showing the change in owners' equity.

Answer: FALSE

Diff: 1

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

9) The Statement of Owner's Equity shows the change in Revenue.

Answer: FALSE

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

10) The Statement of Owner's Equity shows the beginning and the ending capital balances.

Answer: TRUE

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

11) Total Liabilities are included in the Statement of Owner's Equity.

Answer: FALSE

Diff: 1

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

12) The Statement of Owner's Equity is the link between the Income Statement and the Balance Sheet.

Answer: TRUE

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

13) The Income Statement is completed before the Statement of Owners' Equity.

Answer: TRUE

Diff: 2

LO: 1-4

AACSB: Reflective Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

14) Determine the ending capital balance of a business which had a beginning capital balance of $2,950, additional investments of $500, withdrawals of $750, Revenue of $3,800, and Expenses of $2,600.

$ \_\_\_\_\_\_\_\_

Answer: $3,900 [$2,950 + $500 - $750 + $3,800 - $2,600]

Diff: 2

LO: 1-4

AACSB: Analytical Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

15) Determine the beginning capital balance of a business having an ending capital balance of $10,800, no additional investments, withdrawals of $2,600, and a net income of $4,700.

$ \_\_\_\_\_\_\_\_

Answer: $8,700 [$10,800 - $4,700 + $2,600]

Diff: 3

LO: 1-4

AACSB: Analytical Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

16) Given the following account balances, determine the total Liabilities. Cash $520, Accounts Receivable $280, Supplies $300 and Capital $500.

$ \_\_\_\_\_\_\_\_

Answer: $600 [$520 + $280 + $300 -$500]

Diff: 2

LO: 1-4

AACSB: Analytical Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

17) Calculate the Total Liabilities if the company has: Assets totaling $600 and Capital of $450.

$ \_\_\_\_\_\_\_\_

Answer: $150 [$600 - $450]

Diff: 1

LO: 1-4

AACSB: Analytical Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

18) Calculate the Total Assets if the company has: Cash $400, Accounts Receivable $200, Accounts Payable $500, Equipment $300.

$ \_\_\_\_\_\_\_\_

Answer: $900 [$400 + $200 + $300]

Diff: 1

LO: 1-4

AACSB: Analytical Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

19) Use the following information to prepare 1) an Income Statement, 2) a Statement of Owner's Equity, and 3) a Balance Sheet for the month ended April 30, 202X for Tallhouse Company.

|  |  |
| --- | --- |
| J. Tallhouse, Capital (April 1) | $3,000 |
| Revenue | 900 |
| Expenses | 600 |
| Withdrawals | 150 |
| Cash | 4,000 |
| Equipment | 1,000 |
| Accounts Receivable | 150 |
| Accounts Payable | 2,000 |

Answer:

|  |  |
| --- | --- |
| Tallhouse Company  INCOME STATEMENT  For the month ended  April 30, 202X | |
| Revenue | $900 |
| Expenses | 600 |
| Net Income | $300 |

|  |  |  |
| --- | --- | --- |
| Tallhouse Company  STATEMENT OF OWNER'S EQUITY  For the month ended April 30, 202X | | |
| J. Tallhouse, Capital, April 1 |  | $3,000 | |
| Net Income | $300 |  | |
| Less: Withdrawals | 150 |  | |
| Increase in Capital |  | 150 | |
| J. Tallhouse, Capital, April 30 |  | $3,150 | |

|  |  |  |  |
| --- | --- | --- | --- |
| Tallhouse Company  BALANCE SHEET  April 30, 202X | | | |
| Assets |  | Liabilities and Owner's Equity |  |
|  |  | Liabilities |  |
| Cash | $4,000 | Accounts Payable | $2,000 |
| Accounts Receivable | 150 | Owner's Equity |  |
| Equipment | 1,000 | J. Tallhouse, Capital | 3,150 |
| Total Assets | $5,150 | Total Liabilities and Owner's Equity | $5,150 |

Diff: 3

LO: 1-4

AACSB: Analytical Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements

20) Use the following account balances to prepare the following financial statements for Logan Motorcycles: 1) an Income Statement, 2) a Statement of Owner's Equity, and 3) a Balance Sheet for the month ended October 31, 202X. You will need to calculate the value of the Accounts Payable account (note: remember the basic accounting equation).

|  |  |
| --- | --- |
| Cash | $1,300 |
| Accounts Receivable | 500 |
| Equipment | 2,000 |
| Accounts Payable | ??? |
| H. Logan, Capital (October 1) | 3,000 |
| Revenue | 1,000 |
| Expenses | 700 |
| H. Logan, Withdrawals | 100 |

Answer:

|  |  |
| --- | --- |
| Logan Motorcycles  INCOME STATEMENT  For the month ended  October 31, 202X | |
| Revenue | $1,000 |
| Expenses | 700 |
| Net Income | $300 |

|  |  |  |
| --- | --- | --- |
| Logan Motorcycles  STATEMENT OF OWNER'S EQUITY  For the month ended October 31, 202X | | |
| H. Logan, Capital, Oct. 1 |  | $3,000 | |
| Net Income | $300 |  | |
| Less: Withdrawals | 100 |  | |
| Increase in Capital |  | 200 | |
| H. Logan, Capital, Oct. 31 |  | $3,200 | |

|  |  |  |  |
| --- | --- | --- | --- |
| Logan Motorcycles  BALANCE SHEET  October 31, 202X | | | |
| Assets |  | Liabilities and Owner's Equity |  |
|  |  | Liabilities |  |
| Cash | $1,300 | Accounts Payable | $ 600 |
| Accounts Receivable | 500 | Owner's Equity |  |
| Equipment | 2,000 | H. Logan, Capital | 3,200 |
| Total Assets | $3,800 | Total Liabilities and owner's Equity | $3,800 |

Diff: 3

LO: 1-4

AACSB: Analytical Thinking

Learning Outcome: Describe the components of and prepare the four basic financial statements