


Pool Canvas

Add, modify, and remove questions. Select a question type from the Add Question drop-down list and click **Go** to add questions. Use Creation Settings to establish which default options, such as feedback and images, are available for question creation.

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Name Chapter 1--Introduction to Accounting and Business

Description

Instructions

[Modify](#)

[◀ Add Question Here](#)

Question 1 **True/False** **0 points**

[Modify](#) [Remove](#)

Question The main objective of a not-for-profit business is **not** to make a profit.

Answer
 True
 False

[◀ Add Question Here](#)

Question 2 **True/False** **0 points**

[Modify](#) [Remove](#)

Question The role of accounting is to provide many different users with financial information to make economic decisions.

Answer
 True
 False

[◀ Add Question Here](#)

Question 3 **True/False** **0 points**

[Modify](#) [Remove](#)

Question A corporation is a business that is legally separate and distinct from its owners.

Answer
 True
 False

[◀ Add Question Here](#)

Question 4 **True/False** **0 points**

[Modify](#) [Remove](#)

Question Senior executives cannot be criminally prosecuted for the wrong doings they commit on behalf of the companies where they work.

Answer
 True
 False

[◀ Add Question Here](#)

Question 5 **True/False** **0 points**

[Modify](#) [Remove](#)

Question The primary role of accounting is to determine the amount of taxes a business will be required to pay to taxing entities.

Answer
 True
 False

[◀ Add Question Here](#)

Question 6 **True/False** **0 points**

[Modify](#) [Remove](#)

Question Managerial accounting information is used by external and internal users equally.

Answer
 True
 False

[◀ Add Question Here](#)

Question 7 **True/False** **0 points**

[Modify](#) [Remove](#)

Question Financial accounting provides information to all users, while the main focus for managerial accounting is to provide information to the management.

Answer
 True
 False

[◀ Add Question Here](#)

Question 8 **True/False** **0 points**

[Modify](#) [Remove](#)

Question Proper ethical conduct implies that you only consider what's in your best interest.

Answer
 True
 False

[◀ Add Question Here](#)

Question 9 **True/False** **0 points**

[Modify](#) [Remove](#)

Question Some of the major fraudulent acts by senior executives started as what they considered to be small ethical lapses which grew out of control.

Answer
 True
 False

[◀ Add Question Here](#)

Question 10 **True/False** **0 points**

[Modify](#) [Remove](#)

Question Two factors that typically lead to ethical violations are relevance and timeliness of accounting information.

Answer
 True
 False

[◀ Add Question Here](#)

Question 11	True/False	0 points	Modify Remove
Question Accounting information users need reports about the economic activities and condition of businesses.			
Answer			
		✓ True	
		False	
			Add Question Here
Question 12	True/False	0 points	Modify Remove
Question An example of an external user of accounting information is the federal government.			
Answer			
		✓ True	
		False	
			Add Question Here
Question 13	True/False	0 points	Modify Remove
Question An example of a general-purpose financial statement would be a report about projected price increases related to transportation costs.			
Answer			
		True	
		✓ False	
			Add Question Here
Question 14	True/False	0 points	Modify Remove
Question A business is an organization in which basic resources or inputs, like materials and labor, are assembled and processed to provide outputs in the form of goods or services to customers.			
Answer			
		✓ True	
		False	
			Add Question Here
Question 15	True/False	0 points	Modify Remove
Question The basic difference between manufacturing and merchandising companies is the completion level of the products they purchase for resale to customers.			
Answer			
		✓ True	
		False	
			Add Question Here
Question 16	True/False	0 points	Modify Remove
Question The main objective for all businesses is to maximize unrealized profits.			
Answer			
		True	
		✓ False	
			Add Question Here
Question 17	True/False	0 points	Modify Remove
Question The Sarbanes-Oxley Act prohibits CPAs from providing nonaudit investment banking services.			
Answer			
		✓ True	
		False	
			Add Question Here
Question 18	True/False	0 points	Modify Remove
Question About 90% of the businesses in the United States are organized as corporations.			
Answer			
		True	
		✓ False	
			Add Question Here
Question 19	True/False	0 points	Modify Remove
Question Proprietorships are owned by one owner and provide only services to their customers.			
Answer			
		True	
		✓ False	
			Add Question Here
Question 20	True/False	0 points	Modify Remove
Question Only large companies such as Wal-Mart, JCP, General Motors, and the Bank of America can be organized as corporations.			
Answer			
		True	
		✓ False	
			Add Question Here
Question 21	True/False	0 points	Modify Remove
Question The Financial Accounting Standards Board (FASB) is the authoritative body that has primary responsibility for developing accounting principles.			
Answer			
		✓ True	
		False	
			Add Question Here
Question 22	True/False	0 points	Modify Remove
Question The unit of measurement concept requires that economic data be recorded in a common unit of measurement.			
Answer			
		✓ True	
		False	

Question 23	True/False	0 points	Add Question Here Modify Remove
Question No significant differences exist between the accounting standards issued by the FASB and the IASB.			
Answer True ✓ False			
Question 24	True/False	0 points	Add Question Here Modify Remove
Question If a building is appraised for \$85,000, offered for sale at \$90,000, and the buyer pays \$80,000 cash for it, the buyer would record the building at \$85,000.			
Answer True ✓ False			
Question 25	True/False	0 points	Add Question Here Modify Remove
Question The cost concept is the basis for entering the exchange price into the accounting records.			
Answer ✓ True False			
Question 26	True/False	0 points	Add Question Here Modify Remove
Question Generally accepted accounting principles regulate how and what financial information is reported by businesses.			
Answer ✓ True False			
Question 27	True/False	0 points	Add Question Here Modify Remove
Question If the liabilities owed by a business total \$300,000 and owner's equity is equal to \$300,000, then the assets also total \$300,000.			
Answer True ✓ False			
Question 28	True/False	0 points	Add Question Here Modify Remove
Question The accounting equation can be expressed as Assets - Liabilities = Owners' Equity.			
Answer ✓ True False			
Question 29	True/False	0 points	Add Question Here Modify Remove
Question The rights or claims to the assets of a business may be subdivided into rights of creditors and rights of owners.			
Answer ✓ True False			
Question 30	True/False	0 points	Add Question Here Modify Remove
Question Owners' rights to assets rank ahead of creditors' rights to assets.			
Answer True ✓ False			
Question 31	True/False	0 points	Add Question Here Modify Remove
Question If total assets decreased by \$30,000 during a specific period and owner's equity decreased by \$35,000 during the same period, the period's change in total liabilities was an \$65,000 increase.			
Answer True ✓ False			
Question 32	True/False	0 points	Add Question Here Modify Remove
Question If total assets increased by \$190,000 during a specific period and liabilities decreased by \$10,000 during the same period, the period's change in total owner's equity was a \$200,000 increase.			
Answer ✓ True False			
Question 33	True/False	0 points	Add Question Here Modify Remove
Question An account receivable is typically classified as a revenue.			
Answer True ✓ False			
Question 34	True/False	0 points	Add Question Here Modify Remove

Question If a corporation had net income of \$60,000 and \$20,000 in cash dividends were declared and paid then the retained earnings account would increase by \$40,000.

Answer

✓ True
False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 35

True/False

0 points

Question An account receivable is a claim against a customer arising from a sale on account.

Answer

✓ True
False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 36

True/False

0 points

Question Paying an account payable increases liabilities and decreases assets.

Answer

True
✓ False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 37

True/False

0 points

Question Receiving payments on an account receivable increases both equity and assets.

Answer

True
✓ False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 38

True/False

0 points

Question Cash dividends paid to stockholders decrease assets and increase equity.

Answer

True
✓ False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 39

True/False

0 points

Question Purchasing supplies on account increases liabilities and decreases equity.

Answer

True
✓ False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 40

True/False

0 points

Question Receiving a bill or otherwise being notified that an amount is owed is **not** recorded until the amount is paid.

Answer

True
✓ False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 41

True/False

0 points

Question Revenue is earned only when money is received.

Answer

True
✓ False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 42

True/False

0 points

Question Expenses are assets that are used up during the process of earning revenue.

Answer

✓ True
False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 43

True/False

0 points

Question The excess of revenue over the expenses incurred in earning the revenue is called capital stock.

Answer

True
✓ False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 44

True/False

0 points

Question The principal financial statements for a corporation are the income statement, the retained earnings statement, the balance sheet, and the budget.

Answer

True
✓ False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 45

True/False

0 points

Question An income statement is a summary of the revenues and expenses of a business as of a specific date.

Answer

True
✓ False

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 46

True/False

0 points

Question A retained earnings statement reports all changes in cash for a period of time.

Answer True
 False

[Add Question Here](#)

Question 47 **True/False** **0 points**

[Modify](#) [Remove](#)

Question The statement of cash flows consists of three sections: cash flows from operating activities, cash flows from income activities, and cash flows from equity activities.

Answer True
 False

[Add Question Here](#)

Question 48 **True/False** **0 points**

[Modify](#) [Remove](#)

Question All financial statements are identified by the name of the business, the title of the statement, and the date or period of time.

Answer True
 False

[Add Question Here](#)

Question 49 **True/False** **0 points**

[Modify](#) [Remove](#)

Question The balance sheet represents the accounting equation.

Answer True
 False

[Add Question Here](#)

Question 50 **True/False** **0 points**

[Modify](#) [Remove](#)

Question Net income and net profit do **not** mean the same thing.

Answer True
 False

[Add Question Here](#)

Question 51 **Matching** **0 points**

[Modify](#) [Remove](#)

Question Match the following business types with each business listed below. Each may be used more than once.

Answer	Match Question Items	Answer Items
	A. - A. A tax preparation firm	A. Service firm
	A. - B. A law firm	B. Manufacturing firm
	A. - C. A health club and spa	C. Merchandising firm
	C. - D. An automobile dealer	
	B. - E. A book publisher	
	A. - F. A hospital	
	C. - G. A supermarket	
	B. - H. A modular homebuilder	
	C. - I. A men's clothing store	
	B. - J. A dressmaking company	

[Add Question Here](#)

Question 52 **Matching** **0 points**

[Modify](#) [Remove](#)

Question Match the following characteristics with the form of business entity that best describes it. Each may be used more than once.

Answer	Match Question Items	Answer Items
	A. - A. Comprises 70% of business entities in the United States	A. Proprietorship
	C. - B. Generates 90% of business revenues	B. Partnership
	B. - C. Owned by two or more individuals	C. Corporation
	C. - D. Organized as a separate legal taxable entity	D. Limited liability company (LLC)
	A. - E. Easy and cheap to organize	
	D. - F. Often used as an alternative to a partnership	
	C. - G. Used by large business	
	C. - H. Has the ability to obtain large amounts of resources	
	D. - I. Offers tax and legal liability advantages for owners	

[Add Question Here](#)

Question 53 **Matching** **0 points**

[Modify](#) [Remove](#)

Question Match each transactions with its effect on the accounting equation. Each letter may be used more than once.

Answer	Match Question Items	Answer Items
	C. - A. Received cash for services provided	A. Increase assets, increase liabilities
	B. - B. Received utility bill to be paid next month	B. Increase liabilities, decrease stockholders' equity
	C. - C. Sale of new shares of stock to stockholders.	C. Increase assets, increase stockholders' equity
	E. - D. Paid part of an amount owed to a creditor	D. No effect
	D. - E. Paid cash for the purchase of a one-year insurance policy	E. Decrease assets, decrease liabilities
	D. - F. Received payment from a customer on account	F. Decrease assets, decrease stockholders' equity
	F. - G. Cash dividend payments to stockholders.	
	C. - H. Provided a service to a customer on account	
	A. - I. Purchased supplies on credit	
	F. - J. Paid wages	
	D. - K. Purchased land for cash	
	A. - L. Borrowed money from a bank	

- C. - M. Received cash for providing services to customers
- F. - N. Used up supplies that were already on hand

[◀ Add Question Here](#)

Question 54 **Matching** **0 points**

[Modify](#) [Remove](#)

Question Match the following characteristics with the financial statement it describes it. Each may be used more than once.

Answer Match Question Items

- B. - A. Reports as of a specific date
- A. - B. The first statement prepared
- D. - C. Has three sections: operating, investing and financing
- A. - D. Reports only revenues and expenses
- C. - E. The second statement prepared
- B. - F. A formal presentation of the accounting equation
- C. - G. The connecting link between the income statement and balance sheet

Answer Items

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

[◀ Add Question Here](#)

Question 55 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Profit is the difference between

- Answer**
- assets and liabilities
 - the incoming cash and outgoing cash
 - the assets purchased with cash invested by stockholders and the cash spent to operate the business
 - ✓ the amounts received from customers for goods or services and the amounts paid for the inputs used to provide the goods or services

[◀ Add Question Here](#)

Question 56 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Financial reports are used by

- Answer**
- management
 - creditors
 - investors
 - ✓ all are correct

[◀ Add Question Here](#)

Question 57 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Two common areas of accounting that respectively provide information to internal and external users are

- Answer**
- forensic accounting and financial accounting
 - ✓ managerial accounting and financial accounting
 - managerial accounting and environmental accounting
 - financial accounting and tax accounting systems

[◀ Add Question Here](#)

Question 58 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which type of accountant typically practices as an individual or as a member of a public accounting firm?

- Answer**
- ✓ Certified Public Accountant
 - Certified Payroll Professional
 - Certified Internal Auditor
 - Certified Management Accountant

[◀ Add Question Here](#)

Question 59 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question All of the following are general-purpose financial statements **except**

- Answer**
- balance sheet
 - income statement
 - retained earnings statement
 - ✓ cash budget

[◀ Add Question Here](#)

Question 60 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is a manufacturing business?

- Answer**
- Amazon.com.
 - Wal-Mart.
 - ✓ Ford Motors.
 - Delta Airlines

[◀ Add Question Here](#)

Question 61 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following group of companies are all examples of a merchandising business?

- Answer**
- Delta Airlines, Marriott, Gap
 - Gap, Amazon, NIKE
 - GameStop, Sony, Dell
 - ✓ GameStop, Best Buy, Gap

[◀ Add Question Here](#)

Question 62 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following would **not** normally operate as a service business?

- Answer**
- pet groomer
 - restaurant
 - lawn care company
 - styling salon

[◀ Add Question Here](#)

Question 63 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following **best** describes accounting?

- Answer**
- records economic data but does not communicate the data to users according to any specific rules.
 - is an information system that provides reports to users regarding economic activities and condition of a business.
 - is of no use by individuals outside of the business.
 - is used only for filling out tax returns and for financial statements for various type of governmental reporting requirements.

[◀ Add Question Here](#)

Question 64 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following groups are considered to be internal users of accounting information?

- Answer**
- Employees and customers
 - Customers and vendors
 - Employees and managers
 - Government and banks

[◀ Add Question Here](#)

Question 65 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The following are examples of external users of accounting information **except**

- Answer**
- government
 - customers
 - creditors
 - managers

[◀ Add Question Here](#)

Question 66 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Due to various fraudulent business practices and accounting coverups in the early 2000's, Congress enacted the Sarbanes-Oxley Act of 2002. The Act was responsible for establishing a new oversight board for public accountants called the

- Answer**
- Generally Accepted Accounting Practices for Public Accountants Board
 - Public Company Accounting Oversight Board
 - Congressional Accounting Oversight Board
 - none of these

[◀ Add Question Here](#)

Question 67 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is the **best** description of accounting's role in business?

- Answer**
- Accounting provides stockholders with information regarding the market value of the company's stocks.
 - Accounting provides information to managers to operate the business and to other users to make decisions regarding the economic condition of the company.
 - Accounting provides creditors and banks with information regarding the credit risk rating of the company.
 - Accounting is not responsible for providing any form of information to users. That is the role of the Information Systems Department.

[◀ Add Question Here](#)

Question 68 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Managerial accountants would be responsible for providing which of the following?

- Answer**
- Tax reports to government agencies.
 - Profit reports to owners and management.
 - Expansion of a product line report to management.
 - Consumer reports to customers.

[◀ Add Question Here](#)

Question 69 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is **not** a certification for accountants?

- Answer**
- CIA
 - CMA
 - CISA
 - All are certifications.

[◀ Add Question Here](#)

Question 70 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is **not** a role of accounting in business?

- Answer**
- to provide reports to users about the economic activities and conditions of a business
 - to personally guarantee loans of the business
 - to provide information to other users to determine the economic performance and condition of the business
 - to assess the various informational needs of users and design its accounting system to meet those needs

[◀ Add Question Here](#)

Question 71 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following are guidelines for behaving ethically?
 I. Identify the consequences of a decision and its effect on others.
 II. Consider your obligations and responsibilities to those affected by the decision.
 III. Identify your decision based on personal standards of honesty and fairness.

Answer

- I and II.
- II and III.
- I and III.
- I, II, and III.

[◀ Add Question Here](#)

Question 72 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The Sarbanes-Oxley Act of 2002 prohibits employment of auditors by their clients for what period after their last audit of the client?

Answer

- indefinitely
- one year
- two years
- none of these

[◀ Add Question Here](#)

Question 73 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is **not** a characteristic of a corporation?

Answer

- Corporations are organized as a separate legal taxable entity.
- Ownership is divided into shares of stock.
- Corporations experience an ease in obtaining large amounts of resources by issuing stock.
- A corporation's resources are limited to its individual owners' resources.

[◀ Add Question Here](#)

Question 74 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Countries outside the United States use financial accounting standards issued by the

Answer

- LLC
- SEC
- IASB
- GAAP

[◀ Add Question Here](#)

Question 75 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the items below is **not** a business entity?

Answer

- entrepreneurship
- proprietorship
- partnership
- corporation

[◀ Add Question Here](#)

Question 76 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question An entity that is organized according to state or federal statutes and in which ownership is divided into shares of stock is a

Answer

- proprietorship
- corporation
- partnership
- governmental unit

[◀ Add Question Here](#)

Question 77 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Select the type of business that is most likely to obtain large amounts of resources by issuing stock.

Answer

- partnership
- corporation
- proprietorship
- none of these

[◀ Add Question Here](#)

Question 78 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is true in regards to a Limited Liability Company?

Answer

- Makes up 10% of business organizations in the United States.
- Combines the attributes of a partnership and a corporation.
- Provides tax and liability advantages to the owners.
- All are correct.

[◀ Add Question Here](#)

Question 79 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question On April 25, Gregg Repair Service extended an offer of \$115,000 for land that had been priced for sale at \$140,000. On May 3, Gregg Repair Service accepted the seller's counteroffer of \$127,000. On June 20, the land was assessed at a value of \$88,000 for property tax purposes. On August 4, Gregg Repair Service was offered \$150,000 for the land by a national retail chain. At what value should the land be recorded in Gregg Repair Service's records?

Answer

\$115,000
 \$88,000
 \$140,000
 \$127,000

[◀ Add Question Here](#)

Question 80 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Most businesses in the United States are

Answer proprietorships
 partnerships
 corporations
 separate entities

[◀ Add Question Here](#)

Question 81 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The initials GAAP stand for

Answer General Accounting Procedures
 Generally Accepted Plans
 Generally Accepted Accounting Principles
 Generally Accepted Accounting Practices

[◀ Add Question Here](#)

Question 82 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Within the United States, the dominant body in the primary development of accounting principles is the

Answer American Institute of Certified Public Accountants (AICPA)
 American Accounting Association (AAA)
 Financial Accounting Standards Board (FASB)
 Institute of Management Accountants (IMA)

[◀ Add Question Here](#)

Question 83 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The business entity concept means that

Answer the owner is part of the business entity
 an entity is organized according to state or federal statutes
 an entity is organized according to the rules set by the FASB
 the entity is an individual economic unit for which data are recorded, analyzed, and reported

[◀ Add Question Here](#)

Question 84 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question For accounting purposes, the business entity should be considered separate from its owners if the entity is

Answer a corporation
 a proprietorship
 a partnership
 all of these

[◀ Add Question Here](#)

Question 85 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The objectivity concept requires that

Answer business transactions must be consistent with the objectives of the entity
 the Financial Accounting Standards Board must be fair and unbiased in its deliberations over new accounting standards
 accounting principles must meet the objectives of the Security and Exchange Commission
 amounts recorded in the financial statements must be based on independently verifiable evidence

[◀ Add Question Here](#)

Question 86 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Denzel Jones is the major stockholder of Crystal Cleaning Company, a small corporation. Recently, Denzel received \$18,000 of dividends from Crystal Cleaning. After receiving the dividends, he contributed \$14,000, in his name, to Habitat for Humanity. The contribution of the \$14,000 should be recorded on the accounting records of which of the following entities?

Answer Crystal Cleaning and Habitat for Humanity
 Denzel Jones' personal records and Habitat for Humanity
 Denzel Jones' personal records and Crystal Cleaning
 Denzel Jones' personal records, Crystal Cleaning, and Habitat for Humanity

[◀ Add Question Here](#)

Question 87 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Equipment with an estimated market value of \$55,000 is offered for sale at \$75,000. The equipment is acquired for \$20,000 in cash and a note payable of \$40,000 due in 30 days. The amount used in the buyer's accounting records to record this acquisition is

Answer \$55,000
 \$60,000
 \$20,000
 \$75,000

[◀ Add Question Here](#)

Question 88 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which one of the following is the authoritative body in the United States having the primary responsibility for developing accounting principles?

Answer

- FASB
- IRS
- SEC
- AICPA

[◀ Add Question Here](#)

Question 89 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following concepts relates to separating the reporting of business and personal economic transactions?

Answer

- cost concept
- unit of measure concept
- business entity concept
- objectivity concept

[◀ Add Question Here](#)

Question 90 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Donner Company is selling a piece of land adjacent to their business. An appraisal reported the market value of the land to be \$120,000. The Focus Company initially offered to buy the land for \$107,000. The companies settled on a purchase price of \$115,000. On the same day, another piece of land on the same block sold for \$122,000. Under the cost concept, what is the amount that will be used to record this transaction in the accounting records?

Answer

- \$107,000
- \$115,000
- \$120,000
- \$122,000

[◀ Add Question Here](#)

Question 91 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The unit of measure concept

Answer

- is only used in the financial statements of manufacturing companies
- is not important when applying the cost concept
- requires that different units be used for assets and liabilities
- requires that economic data be reported in yen in Japan or dollars in the United States

[◀ Add Question Here](#)

Question 92 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is **not** true of accounting principles?

Answer

- Financial accountants follow generally accepted accounting principles (GAAP).
- Following GAAP allows accounting information users to compare one company to another.
- A new accounting principle can be adopted with stockholders approval.
- The Financial Accounting Standards Board (FASB) has primary responsibility for developing accounting principles.

[◀ Add Question Here](#)

Question 93 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Assets are

Answer

- always greater than liabilities
- either cash or accounts receivables
- the same as expenses because they are acquired with cash
- financed by owners and/or creditors

[◀ Add Question Here](#)

Question 94 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Debts owed by a business are referred to as

Answer

- accounts receivables
- assets
- owner's equity
- liabilities

[◀ Add Question Here](#)

Question 95 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The accounting equation may be expressed as

Answer

- Assets = Equities - Liabilities
- Assets + Liabilities = Owner's Equity
- Assets = Revenues - Liabilities
- Assets - Liabilities = Owner's Equity

[◀ Add Question Here](#)

Question 96 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is **not** an asset?

Answer

- investments
- cash
- inventory
- owner's equity

[◀ Add Question Here](#)

- Question 97 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** The assets and liabilities of the company are \$175,000 and \$40,000, respectively. Stockholders' equity should equal
- Answer**
- \$215,000
 - \$135,000
 - \$175,000
 - \$40,000
- [Add Question Here](#)
- Question 98 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** If total liabilities decreased by \$55,000 during a period of time and owner's equity increased by \$60,000 during the same period, the amount and direction (increase or decrease) of the period's change in total assets is
- Answer**
- \$115,000 increase
 - \$5,000 increase
 - \$5,000 decrease
 - \$115,000 decrease
- [Add Question Here](#)
- Question 99 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Which of the following is **not** a business transaction?
- Answer** make a sales offer
- sell goods for cash
 - receive cash for services to be rendered later
 - pay for supplies
- [Add Question Here](#)
- Question 100 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** A business paid \$7,000 to a creditor in payment of an amount owed. The effect of the transaction on the accounting equation was to
- Answer**
- increase one asset, decrease another asset
 - decrease an asset, decrease a liability
 - increase an asset, increase a liability
 - increase an asset, increase stockholders' equity
- [Add Question Here](#)
- Question 101 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Earning revenue
- Answer** increases assets, increases stockholders' equity
- increases assets, decreases stockholders' equity
 - increases one asset, decreases another asset
 - decreases assets, increases liabilities
- [Add Question Here](#)
- Question 102 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** The monetary value charged to customers for the performance of services sold is called a(n)
- Answer**
- asset
 - net income
 - capital
 - revenue
- [Add Question Here](#)
- Question 103 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Revenues are reported when
- Answer**
- a contract is signed
 - cash is received from the customer
 - work is begun on the job
 - work is completed on the job
- [Add Question Here](#)
- Question 104 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Expenses are recorded when
- Answer**
- cash is paid for services rendered
 - a bill is received in advance of services rendered
 - assets are used in the process of earning revenue
 - none of these
- [Add Question Here](#)
- Question 105 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Goods purchased on account for future use in the business, such as supplies, are called
- Answer**
- prepaid liabilities
 - revenues
 - prepaid expenses
 - liabilities
- [Add Question Here](#)
- Question 106 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question The asset created by a business when it makes a sale on account is termed

- Answer**
- accounts payable
 - prepaid expense
 - unearned revenue
 - accounts receivable

[◀ Add Question Here](#)

Question 107 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The debt created by a business when it makes a purchase on account is referred to as an

- Answer**
- account payable
 - account receivable
 - asset
 - expense payable

[◀ Add Question Here](#)

Question 108 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question If total assets decreased by \$88,000 during a period of time and stockholders' equity increased by \$65,000 during the same period, then the amount and direction (increase or decrease) of the period's change in total liabilities is

- Answer**
- \$23,000 increase
 - \$88,000 decrease
 - \$153,000 increase
 - \$153,000 decrease

[◀ Add Question Here](#)

Question 109 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Declaring and paying cash dividends

- Answer**
- increase expenses
 - decrease expenses
 - increase cash
 - decrease stockholders' equity

[◀ Add Question Here](#)

Question 110 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question How does paying a liability in cash affect the accounting equation?

- Answer**
- assets increase; liabilities decrease
 - assets increase; liabilities increase
 - assets decrease; liabilities decrease
 - liabilities decrease; stockholders' equity increases

[◀ Add Question Here](#)

Question 111 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question How does receiving a bill to be paid next month for services rendered affect the accounting equation?

- Answer**
- assets decrease; stockholders' equity decreases
 - assets increase; liabilities increase
 - liabilities increase; stockholders' equity increases
 - liabilities increase; stockholders' equity decreases

[◀ Add Question Here](#)

Question 112 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question How does the purchase of equipment by signing a note affect the accounting equation?

- Answer**
- assets increase; assets decrease
 - assets increase; liabilities decrease
 - assets increase; liabilities increase
 - assets increase; stockholders' equity increases

[◀ Add Question Here](#)

Question 113 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Land, originally purchased for \$20,000, is sold for \$75,000 in cash. What is the effect of the sale on the accounting equation?

- Answer**
- assets increase \$75,000; stockholders' equity increases \$75,000
 - assets increase \$55,000; stockholders' equity increases \$55,000
 - assets increase \$75,000; liabilities decrease \$20,000; stockholders' equity increases \$55,000
 - assets increase \$20,000; no change for liabilities; stockholders' equity increases \$75,000

[◀ Add Question Here](#)

Question 114 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Allen Marks is the sole stockholder of Great Marks Company. As of the end of its accounting period, December 31, 2011, Great Marks Company has assets of \$940,000 and liabilities of \$300,000. During 2012, Allen Marks purchased an additional \$65,000 of capital stock and received \$45,000 in cash dividends from the business. What is the amount of net income during 2012, assuming that as of December 31, 2012, assets were \$995,000, and liabilities were \$270,000?

- Answer**
- \$ 65,000
 - \$ 50,000
 - \$105,000
 - \$370,000

[◀ Add Question Here](#)

- Question 115 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Transactions affecting stockholders' equity include
- Answer**
- shares of capital stock issued to stockholders and payment of liabilities
 - shares of capital stock issued to stockholders, dividends declared and paid to stockholders, revenues, and expenses
 - shares of capital stock issued to stockholders, revenues, expenses, and collection of accounts receivable
 - dividends declared and paid to stockholders, revenues, expenses, and purchases of supplies on account
- [Add Question Here](#)
- Question 116 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Clifford Moore purchased \$15,000 of Star Tech stock for cash. Star Tech would
- Answer**
- increase Assets (Cash) and increase Liabilities (Accounts Payable)
 - increase Assets (Cash) and increase Stockholders' Equity (Capital Stock)
 - Increase Assets (Accounts Receivable) and decrease Liabilities (Accounts Payable)
 - Increase Assets (Cash) and increase Assets (Accounts Receivable)
- [Add Question Here](#)
- Question 117 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Gomez Service Company paid its first installment on a note payable in the amount of \$2,000. How will this transaction affect the accounting equation?
- Answer**
- Increase Liabilities (Notes Payable) and decrease Assets (Cash)
 - Decrease Assets (Cash) and decrease Stockholders' Equity (Note Payable Expense)
 - Decrease Assets (Cash) and decrease Assets (Notes Receivable)
 - Decrease Assets (Cash) and decrease Liabilities (Notes Payable)
- [Add Question Here](#)
- Question 118 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Ramos Repair Company paid \$750 in dividends to its stockholders. How does this transaction affect Ramos Repair Company's accounting equation?
- Answer**
- Increase Assets (Accounts Receivable) and decrease Assets (Cash)
 - Decrease Assets (Cash) and decrease Stockholders' Equity (Dividends)
 - Decrease Assets (Cash) and decrease Liabilities (Accounts Payable)
 - Increase Assets (Cash) and decrease Stockholders' Equity (Dividends)
- [Add Question Here](#)
- Question 119 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Which of the following is **not** a business transaction?
- Answer**
- Erin Adams receives stock in exchange for depositing \$15,000 in a bank account in the name of Erin's Lawn Service.
 - Erin's Lawn Service provided services to customers earning fees of \$600.
 - Erin Adams purchased hedge trimmers for her lawn service, agreeing to pay the supplier next month.
 - Erin Adams pays her monthly personal credit card bill.
- [Add Question Here](#)
- Question 120 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** The financial statement that presents a summary of the revenues and expenses of a business for a specific period of time, such as a month or year, is called a(n)
- Answer**
- prior period statement
 - retained earnings statement
 - income statement
 - balance sheet
- [Add Question Here](#)
- Question 121 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Which of the following financial statements reports information as of a specific date?
- Answer**
- income statement
 - retained earnings statement
 - statement of cash flows
 - balance sheet
- [Add Question Here](#)
- Question 122 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Four financial statements are usually prepared for a business. The statement of cash flows is usually prepared last. The retained earnings statement (RE), the balance sheet (B), and the income statement (I) are prepared in a certain order to obtain information needed for the next statement. In what order are these three statements prepared?
- Answer**
- I, RE, B
 - B, I, RE
 - RE, I, B
 - B, RE, I
- [Add Question Here](#)
- Question 123 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Liabilities are reported on the
- Answer**
- income statement
 - retained earnings statement
 - statement of cash flows

✓ balance sheet

[◀ Add Question Here](#)

Question 124 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Cash investments made by stockholders in exchange for capital stock in a business are reported on the statement of cash flows in the

Answer

- ✓ financing activities section
- investing activities section
- operating activities section
- supplemental statement

[◀ Add Question Here](#)

Question 125 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The year-end balance of the retained earnings account appears in

Answer

- both the retained earnings statement and the income statement
- only the retained earnings statement
- ✓ both the retained earnings statement and the balance sheet
- both the retained earnings statement and the statement of cash flows

[◀ Add Question Here](#)

Question 126 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question A financial statement user would determine if a company was profitable or not during a specific period of time by reviewing

Answer

- ✓ the income statement
- the balance sheet
- the statement of cash flows
- cannot be determined with any of these

[◀ Add Question Here](#)

Question 127 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question If stockholders wanted to know how money flowed into and out of the company, what financial statement would they use?

Answer

- income statement
- ✓ statement of cash flows
- balance sheet
- none of these

[◀ Add Question Here](#)

Question 128 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The assets section of the balance sheet normally presents assets in

Answer

- alphabetical order
- order of largest to smallest dollar amounts
- ✓ in the order that they will be converted into cash or used in operations
- any order

[◀ Add Question Here](#)

Question 129 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question All of the following statements regarding the ratio of liabilities to stockholders' equity are true **except**

Answer

- A ratio of 1 indicates that liabilities equal stockholders' equity.
- The ratio is calculated as total liabilities divided by total stockholders' equity.
- ✓ The higher this ratio, the better able a business is to withstand poor business conditions and pay creditors.
- The lower this ratio is, the better able a business is to withstand poor business conditions and pay creditors.

[◀ Add Question Here](#)

Question 130 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Discuss internal and external users of accounting information. What areas of accounting provide them with information? Give an example of the type of report each type of user might use.

Answer Internal users of accounting information include managers and employees. The area of accounting that provides internal users with information is called managerial accounting or management accounting. An example of a report that might be used internally is a customer profitability report.

External users of accounting information include customers, creditors, banks, and the government. These users are not directly involved in managing or operating the business. Financial reports about the profitability of a company's operations are important to banks and creditors when deciding to lend money to the company or extend credit.

[◀ Add Question Here](#)

Question 131 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Companies like Enron, WorldCom, and Tyco International, Ltd. have been caught in the midst of ethical lapses that led to fines, firings, and criminal and/or civil prosecution. List and briefly describe three factors that are responsible for what went wrong in these companies.

Answer The three factors are: (1) individual character, (2) firm culture, and (3) laws and enforcement. Honesty, integrity, and fairness in the face of pressure to hide the truth are important characteristics of an ethical business person. The behavior and attitude of senior management sets the firm's culture. In firms like Enron, senior managers created a culture of greed and indifference to the truth. That culture flowed down to lower-level managers, who took shortcuts and lied to cover financial frauds. The lack of laws and enforcement has been blamed as a contributing factor to financial reporting abuses. As a result, new laws such as the Sarbanes-Oxley Act of 2002 (SOX) established a new oversight body for the accounting profession, known as the Public Company Accounting Oversight Board (PCAOB), which enhanced corporate accountability, financial disclosures, and independence.

[◀ Add Question Here](#)

Question 132 **Essay** **0 points**

[Modify](#) [Remove](#)

Question List the five steps in the process by which accounting provides information to users.

- Answer**
1. Identify users.
 2. Assess users' information needs.
 3. Design the accounting information system to meet users' needs.
 4. Record economic data about business activities and events.
 5. Prepare accounting reports for users.

[◀ Add Question Here](#)

Question 133 **Essay** **0 points**

[Modify](#) [Remove](#)

Question What is the major difference between the objective of financial accounting and the objective of managerial accounting?

Answer The objective of financial accounting is to provide information for the decision-making needs of external users. The objective of managerial accounting is to provide information for internal users.

[◀ Add Question Here](#)

Question 134 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Give the major disadvantage of disregarding the cost concept and constantly revaluing assets based on appraisals and opinions.

Answer Accounting reports would become unstable and unreliable.

[◀ Add Question Here](#)

Question 135 **Essay** **0 points**

[Modify](#) [Remove](#)

Question On May 7, Carpet Barn Company offered to pay \$95,000 for land that had a selling price of \$110,000. On May 15, Carpet Barn accepted a counteroffer of \$103,000. On June 5, the land was assessed at a value of \$120,000 for property tax purposes. On December 10, Carpet Barn Company was offered \$145,000 for the land by another company. At what value should the land be recorded in Carpet Barn Company's records?

Answer \$103,000

[◀ Add Question Here](#)

Question 136 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Donner Company is selling a piece of land adjacent to their business. An appraisal reported the market value of the land to be \$120,000. The Focus Company initially offered to buy the land for \$107,000. The companies settled on a purchase price of \$115,000. On the same day, another piece of land on the same block sold for \$122,000. Under the cost concept, what is the amount that will be used to record this transaction in the accounting records?

Answer \$115,000

[◀ Add Question Here](#)

Question 137 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Explain the meaning of the business entity concept.

Answer The business entity concept limits the economic data in an accounting system to data related directly to the activities of the business. In other words, the business is viewed as an entity separate from its owners, creditors, or other businesses

[◀ Add Question Here](#)

Question 138 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Darnell Company purchased \$88,000 of computer equipment from Joseph Company. Darnell Company paid for the equipment using cash that had been obtained from the sale of capital stock to Donnie Darnell.

Which entity or entities (Darnell Company, Joseph Company, Donnie Darnell) should record the transaction involving the computer equipment on their accounting records?

Answer Darnell Company and Joseph Company

[◀ Add Question Here](#)

Question 139 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Bob Johnson is the sole stockholder of Johnson's Carpet Cleaning Service. Bob purchased a personal automobile for \$10,000 cash plus he took out a loan for \$20,000 in his name. Describe how this transaction is related to the business entity concept.

Answer Under the business entity concept, economic data is limited to the direct activities of the business. The business is viewed as separate from its stockholder. Therefore, when Bob buys a personal automobile, it is not listed on the books of Johnson's Carpet Cleaning Service. In this case, the loan is a personal debt and not a liability of the company and the cash is from Bob's personal account and not the company's account.

[◀ Add Question Here](#)

Question 140 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Discuss the characteristics of a LLC (Limited liability company).

Answer A Limited liability company (LLC) combines the attributes of a partnership and a corporation. It is often used as an alternative to a partnership because it has tax and legal liability advantages for owners.

[◀ Add Question Here](#)

Question 141 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Explain the meaning of:

- (a) the objectivity concept
- (b) the unit of measure concept

Answer (a) The objectivity concept requires that the amounts recorded in the accounting records be based on objective evidence. In exchanges between a buyer and a seller, both try to get the best price. Only the final agreed-upon amount is objective enough to be recorded in the accounting records.

(b) The unit of measure concept requires that economic data be recorded in dollars. Money is a common unit of measurement for reporting financial data and reports.

[◀ Add Question Here](#)

Question 142 **Essay** **0 points**

[Modify](#) [Remove](#)

Question At the end of its accounting period, December 31, 2010, Miller's Arcade has assets of \$450,000 and liabilities of \$125,000. Using the accounting equation, determine the following amounts:

- (a) Owner's equity as of December 31, 2010.
- (b) Owner's equity as of December 31, 2011, assuming that assets increased by \$65,000 and liabilities increased by \$35,000 during 2011.

- Answer**
- (a) $\$450,000 = \$125,000 + \mathbf{\$325,000}$
- (b) $(\$450,000 + \$65,000) = (\$125,000 + \$35,000) + \mathbf{\$355,000}$

[Add Question Here](#)

Question 143 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Determine the missing amount "X" for each of the following:

Assets	Liabilities	Owner's Equity
a. \$85,700	\$40,000	X
b. X	\$66,570	\$145,000
c. \$57,900	X	\$34,000

- Answer**
- a. $\$85,700 - 40,000 = \$45,700$
- b. $\$66,570 + 145,000 = \$211,570$
- c. $\$57,900 - 34,000 = \$23,900$

[Add Question Here](#)

Question 144 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Krammer Company has liabilities equal to one-fourth of the total assets. Krammer's owner's equity is \$30,000. Using the accounting equation, what is the amount of liabilities for Krammer?

- Answer**
- Assets = Liabilities + Owner's Equity
- $4x = x + \$30,000$
- $3x = \$30,000$
- $x = \$10,000$ in liabilities

[Add Question Here](#)

Question 145 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Indicate whether each of the following represents an asset, liability, or owner's equity item.

- (a) accounts payable
- (b) wages expense
- (c) capital stock
- (d) accounts receivable
- (e) dividends
- (f) land

- Answer**
- (a) liability
- (b) owner's equity
- (c) owner's equity
- (d) asset
- (e) owner's equity
- (f) asset

[Add Question Here](#)

Question 146 **Essay** **0 points**

[Modify](#) [Remove](#)

Question The accountant for Franklin Company prepared the following list of account balances from the company's records for the year ended December 31, 2011:

Fees Earned	\$165,000	Cash	\$ 30,000
Accounts Receivable	14,000	Selling Expenses	44,000
Equipment	64,000	Capital Stock	7,000
Accounts Payable	22,000	Retained Earnings	23,000
Salaries & Wages Expense	40,000	Prepaid Rent	2,000
Dividends	5,000	Income Taxes Expense	13,000
Salaries & Wages Payable	15,000	Rent Expense	20,000

Determine the total assets at the end of 2011 for Franklin Company.

- Answer** $\$110,000$
- $(\$30,000 \text{ Cash} + \$14,000 \text{ Accounts Receivable} + \$64,000 \text{ Equipment} + 2,000 \text{ Prepaid Rent} = \$110,000)$

[Add Question Here](#)

Question 147 **Essay** **0 points**

[Modify](#) [Remove](#)

Question The accountant for Franklin Company prepared the following list of account balances from the company's records for the year ended December 31, 2011:

Fees Earned	\$165,000	Cash	\$ 30,000
Accounts Receivable	14,000	Selling Expenses	44,000
Equipment	64,000	Capital Stock	7,000
Accounts Payable	22,000	Retained Earnings	23,000
Salaries & Wages Expense	40,000	Prepaid Rent	2,000
Dividends	5,000	Income Taxes Expense	13,000
Salaries & Wages Payable	15,000	Rent Expense	20,000

Determine the total liabilities at the end of 2011 for Franklin Company.

- Answer** $\$37,000$
- $(\$22,000 \text{ Accounts Payable} + \$15,000 \text{ Salaries \& Wages Payable} = \$37,000)$

[Add Question Here](#)

Question 148 **Essay** **0 points**

[Modify](#) [Remove](#)

Question The accountant for Franklin Company prepared the following list of account balances from the company's records for the year ended December 31, 2011:

Fees Earned	\$165,000	Cash	\$ 30,000
Accounts Receivable	14,000	Selling Expenses	44,000
Equipment	64,000	Capital Stock	7,000
Accounts Payable	22,000	Retained Earnings	23,000
Salaries & Wages Expense	40,000	Prepaid Rent	2,000
Dividends	5,000	Income Taxes Expense	13,000

Salaries & Wages Payable

15,000 Rent Expense

20,000

Based on this information, is Franklin Company profitable? Explain your answer by including net income or loss.

Answer \$165,000 Fees Earned - (\$40,000 Salaries & Wages Expense + \$44,000 Selling Expenses + \$13,000 Income Taxes Expense + \$20,000 Rent Expense) = \$48,000 Net Income

Franklin Company had net income for the period of \$46,000. Since revenues exceeded expenses for the period, the company would be considered profitable.

[Add Question Here](#)

Question 149 **Essay**

0 points

[Modify](#) [Remove](#)

Question At December 31, 2011, Martin Consultants has assets of \$430,000 and liabilities of \$205,000. Using the accounting equation and considering each case independently, determine the following:

- Total Stockholders' Equity as of December 31, 2011.
- Total Stockholders' Equity as of December 31, 2012, assuming that assets increased by \$12,000 and liabilities increased by \$15,000 in 2012.
- Total Stockholders' Equity as of December 31, 2012, assuming that assets decreased by \$8,000 and liabilities increased by \$14,000 during 2012.

Answer

- $\$430,000 - 205,000 = \$225,000$
- $(\$430,000 + 12,000) - (\$205,000 + 15,000) = \$222,000$
- $(\$430,000 - \$8,000) - (\$205,000 + 14,000) = \$203,000$

[Add Question Here](#)

Question 150 **Essay**

0 points

[Modify](#) [Remove](#)

Question At the end of its accounting period, December 31, 2011, Hsu's Financial Services has assets of \$575,000 and stockholders' equity of \$335,000. Using the accounting equation and considering each case independently, determine the following amounts.

- Hsu's liabilities as of December 31, 2011.
- Hsu's liabilities as of December 31, 2012, assuming that assets increased by \$56,000 and stockholders' equity decreased by \$32,000.
- Net income or net loss during 2012, assuming that as of December 31, 2012, assets were \$592,000, liabilities were \$450,000, and there were no additional capital stock sales or dividends paid in 2012.

Answer

- $\$575,000 - 335,000 = \$240,000$
- $(\$575,000 + 56,000) - (\$335,000 - 32,000) = \$328,000$
- $\$592,000 - 450,000 = \$142,000$
 $\$335,000 - 142,000 = \$193,000$ net loss

[Add Question Here](#)

Question 151 **Essay**

0 points

[Modify](#) [Remove](#)

Question The following selected transactions were completed by Daniels Company during May:

- Capital stock was issued for \$55,000.
- Paid creditors on account, \$7,000.
- Billed customers for services on account, \$2,565.
- Received cash from customers on account, \$8,450.
- Paid cash dividends, \$2,500.
- Received the utility bill, \$160, to be paid next month.

Indicate the effect of each transaction on the accounting equation:

- By Account type - (A)assets, (L)liabilities, (SE)Stockholders' Equity, (R)revenue, and (E)expense
- Name of account for the entry
- The amount of the transaction
- Whether it is an increase or decrease to the account

Note: Each transaction has two entries.

	Entry				Entry			
	Acct. Type (1)	Name of Acct. (2)	Amount (3)	Increase or Decrease (4)	Acct. Type (1)	Name of Acct. (2)	Amount (3)	Increase or Decrease (4)
1.								
2.								
3.								
4.								
5.								
6.								

Answer

	Entry				Entry			
	Acct. Type (1)	Name of Acct. (2)	Amount (3)	Increase or Decrease (4)	Acct. Type (1)	Name of Acct. (2)	Amount (3)	Increase or Decrease (4)
1.	A	Cash	55,000	Incr.	SE	Capital Stock	55,000	Incr.
2.	A	Cash	7,000	Decr.	L	Accts. Pay.	7,000	Decr.
3.	A	Accts. Rec.	2,565	Incr.	R	Fees Earned	2,565	Incr.
4.	A	Cash	8,450	Incr.	A	Accts. Rec.	8,450	Decr.
5.	A	Cash	2,500	Decr.	SE	Dividends	2,500	Incr.
6.	L	Accts. Pay.	160	Incr.	E	Util. Exp.	160	Incr.

[Add Question Here](#)

Question 152 **Essay**

0 points

[Modify](#) [Remove](#)

Question Use the accounting equation to answer each of the independent questions below.

- At the beginning of the year, Norton Company assets were \$75,000 and its stockholders' equity was \$38,000. During the year, assets increased by \$18,000 and liabilities increased by \$4,000. What was the stockholders' equity at the end of the year?
- At the beginning of the year, Turpin Industries had liabilities of \$44,000 and stockholders' equity of \$66,000. If assets increased by \$10,000 and liabilities decreased by \$5,000, what was the stockholders' equity at the end of the year?

- Answer**
- a. $\$75,000 - \$38,000 = \$37,000$ beginning-of-year liabilities
 $(\$75,000 + 18,000) - (\$37,000 + 4,000) = \$52,000$ end-of-year stockholders' equity
- b. $\$44,000 + \$66,000 = \$110,000$ beginning-of-year assets
 $(\$110,000 + 10,000) - (\$44,000 - 5,000) = \$81,000$ end-of-year stockholders' equity

[Add Question Here](#)

Question 153 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Collins Landscape Company purchased various landscaping supplies on account to be used for landscape designs for its customers. How will this business transaction affect the accounting equation?

Answer Increase Assets (Supplies) and increase Liabilities (Accounts Payable)

[Add Question Here](#)

Question 154 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Shiny Kar Company had the following transactions. For each transaction, show the effect on the accounting equation by putting the amount and direction (plus, minus, or NC for no change) in each box of the table below.

	Assets	Liabilities	Stockholders' Equity
a. Shiny Kar paid \$5,000 in cash dividends to stockholders.			
b. Shiny Kar Company sold 2 cars for a total of \$55,000 on account.			
c. The cost of the cars sold in (b) above was \$40,000.			
d. Shiny Kar received \$35,000 payment for a car previously sold on account.			
e. Shiny Kar paid \$450 for advertising.			
f. Shiny Kar purchased \$150 of cleaning supplies on account.			

Answer

	Assets	Liabilities	Stockholders' Equity
a.	-\$5,000	NC	-\$5,000
b.	+\$55,000	NC	+\$55,000
c.	-\$40,000	NC	-\$40,000
d.	NC	NC	NC
e.	-\$450	NC	-\$450
f.	+\$150	+\$150	NC

[Add Question Here](#)

Question 155 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Ramirez Company received its first electric bill in the amount of \$60 which will be paid next month. How will this transaction affect the accounting equation?

Answer Increase Liabilities (Accounts Payable) and decrease Stockholders' Equity (Utilities Expense)

[Add Question Here](#)

Question 156 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Simpson Auto Body Repair purchased \$20,000 of machinery. The company paid \$8,000 in cash at the time of the purchase and signed a promissory note for the remainder to be paid in four monthly installments.

- (a) How will the purchase affect the accounting equation?
 (b) How will the payment of the first monthly installment affect the accounting equation?

Answer

(a) Increase Total Assets by a net amount of \$12,000 (increase Machinery \$20,000 and decrease Cash \$8,000) and increase Liabilities by \$12,000 (Notes Payable \$12,000)

(b) Decrease Assets by \$3,000 (decrease Cash) and decrease Liabilities by \$3,000 (decrease Notes Payable)

[Add Question Here](#)

Question 157 **Essay** **0 points**

[Modify](#) [Remove](#)

Question On July 1 of the current year, the assets and liabilities of John Wong, DVM, Inc., are as follows: Cash, \$15,000; Accounts Receivable, \$12,300; Supplies, \$3,100; Land, \$35,000; Accounts Payable, \$8,700. What is the amount of stockholders' equity as of July 1 of the current year?

Answer

\$56,700

$(\$15,000 \text{ Cash} + \$12,300 \text{ Accounts Receivable} + \$3,100 \text{ Supplies} + \$35,000 \text{ Land}) - \$8,700 \text{ Accounts Payable} = \$56,700$

[Add Question Here](#)

Question 158 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Indicate how the following transactions affect the accounting equation:

- (a) The purchase of supplies on account.
 (b) The purchase of supplies for cash.
 (c) Cash dividends paid to stockholders.
 (d) Revenues received in cash.
 (e) Revenues received on account.

Answer

(a) Assets increase; liabilities increase
 (b) No effect
 (c) Assets decrease; stockholders' equity decreases
 (d) Assets increase; stockholders' equity increases
 (e) Assets increase; stockholders' equity increases

[Add Question Here](#)

Question 159 **Essay** **0 points**

[Modify](#) [Remove](#)

Question a. A vacant lot acquired for \$83,000 cash is sold for \$127,000 in cash. What is the effect of the sale on the total amount of the seller's (1) assets, (2) liabilities, and (3) stockholders' equity?

b. Assume that the seller owes \$52,000 on a loan for the land. After receiving the \$127,000 cash in (a), the seller pays the \$52,000 owed. What is the effect of the payment on the total amount of the seller's (1) assets, (2) liabilities, and (3) stockholders' equity?

- Answer**
- a.
- (1) Total assets increased \$44,000.
 - (2) No change in liabilities.
 - (3) Stockholders' equity increased \$44,000.
- b.
- (1) Total assets decreased \$52,000.
 - (2) Total liabilities decreased \$52,000.
 - (3) No change in stockholders' equity.

[Add Question Here](#)

Question 160 **Essay**

0 points

[Modify](#) [Remove](#)

Question The Austin Land Company sold land for \$85,000 in cash. The land was originally purchased for \$65,000. At the time of the sale, \$40,000 was still owed to Regions Bank. After the sale, The Austin Land Company paid off the loan. Explain the effect of the sale and the payoff of the loan on the accounting equation.

Answer Total assets decrease \$20,000 (Cash increases by \$45,000; Land decreases by \$65,000)
Total liabilities decrease \$40,000 (Note payoff to Regions)
Stockholders' equity increases \$20,000 (Sales price - cost of the land)

[Add Question Here](#)

Question 161 **Essay**

0 points

[Modify](#) [Remove](#)

Question Given the following:

Beginning retained earnings	\$ 70,000
Ending retained earnings	\$ 48,000
Dividends declared and paid	\$ 21,000

Calculate net income or net loss.

Answer

Ending retained earnings	\$48,000
Beginning retained earnings	<u>70,000</u>
Decrease in retained earnings	\$22,000
Less dividends	<u>21,000</u>
Net loss	<u>\$ 1,000</u>

[Add Question Here](#)

Question 162 **Essay**

0 points

[Modify](#) [Remove](#)

Question The total assets and the total liabilities of a business at the beginning and at the end of the year appear below. During the year, the company paid \$60,000 in cash dividends and issued an additional \$45,000 of capital stock.

	<u>Assets</u>	<u>Liabilities</u>
Beginning of year	\$305,000	\$200,000
End of year	365,000	230,000

Calculate the net income for the year.

Answer \$45,000

	<u>Assets</u>	<u>Liabilities</u>
Beginning of year	\$305,000	\$200,000
End of year	<u>365,000</u>	<u>230,000</u>
Change	+ \$60,000	+\$30,000

Based on the changes in assets and liabilities, stockholders' equity increased by \$30,000 for the year. Capital stock issued - dividends paid = \$15,000 decrease in equity, making the net income \$45,000 (\$15,000 + \$30,000).

[Add Question Here](#)

Question 163 **Essay**

0 points

[Modify](#) [Remove](#)

Question There are four transactions that affect stockholders' equity.

- (a) What are the two types of transactions that increase stockholders' equity?
- (b) What are the two types of transactions that decrease stockholders' equity?

Answer

- (a) Issue of capital stock and revenues
- (b) Dividends and expenses

[Add Question Here](#)

Question 164 **Essay**

0 points

[Modify](#) [Remove](#)

Question Amos Moving Services' account balances at March 31, 2011, the end of the current year, are listed below. The Retained Earnings balance was \$180,000 at April 1, 2010, the beginning of the current year.

Accounts Payable	\$ 1,200	Miscellaneous Expense	\$ 230
Accounts Receivable	10,340	Office Expense	1,240
Cash	32,320	Supplies	1,670
Fees Earned	84,350	Wages Expense	23,550
Land	47,000	Dividends	16,570
Building	157,630	Capital Stock	25,000

Based on the data provided for Amos Moving Services, prepare an income statement for the year ended March 31, 2011.

Answer

**Amos Moving Services
Income Statement
For the Year Ended March 31, 2011**

Fees earned	\$84,350
Expenses:	
Wages Expense	\$23,550
Office Expense	1,240
Miscellaneous expense	<u>230</u>
Total expenses	<u>25,020</u>

Net income

\$59,330

[Add Question Here](#)Question 165 **Essay****0 points**[Modify](#) [Remove](#)

Question Amos Moving Services' account balances at March 31, 2011, the end of the current year, are listed below. The Retained Earnings balance was \$180,000 at April 1, 2010, the beginning of the current year.

Accounts Payable	\$ 1,200	Miscellaneous Expense	\$ 230
Accounts Receivable	10,340	Office Expense	1,240
Cash	32,320	Supplies	1,670
Fees Earned	84,350	Wages Expense	23,550
Land	47,000	Dividends	16,570
Building	157,630	Capital Stock	25,000

Based on the data provided for Amos Moving Services, prepare a retained earnings statement for the year ended March 31, 2011.

Answer

**Amos Moving Services
Retained Earnings Statement
For the Year Ended March 31, 2011**

Retained earnings, April 1, 2010		\$180,000
Net income for the year	\$59,330	
Less dividends	<u>16,570</u>	
Increase in retained earnings		<u>42,760</u>
Retained earnings, March 31, 2011		<u>\$222,760</u>

[Add Question Here](#)Question 166 **Essay****0 points**[Modify](#) [Remove](#)

Question Amos Moving Services' account balances at March 31, 2011, the end of the current year, are listed below. The Retained Earnings balance was \$180,000 at April 1, 2010, the beginning of the current year.

Accounts Payable	\$ 1,200	Miscellaneous Expense	\$ 230
Accounts Receivable	10,340	Office Expense	1,240
Cash	32,320	Supplies	1,670
Fees Earned	84,350	Wages Expense	23,550
Land	47,000	Dividends	16,570
Building	157,630	Capital Stock	25,000

Based on the data provided for Amos Moving Services, prepare a balance sheet as of March 31, 2011.

Answer

**Amos Moving Services
Balance Sheet
March 31, 2011**

Assets		Liabilities	
Cash	\$ 32,320	Accounts payable	\$ 1,200
Accounts receivable	10,340	Stockholders' Equity	
Supplies	1,670	Capital stock	\$ 25,000
Land	47,000	Retained earnings	<u>222,760</u>
Building	<u>157,630</u>	Total stockholders' equity	<u>247,760</u>
Total assets	<u>\$248,960</u>	Total liabilities and stockholders' equity	<u>\$248,960</u>

[Add Question Here](#)Question 167 **Essay****0 points**[Modify](#) [Remove](#)

Question A summary of cash flows for Alex Design Services for the year ended December 31, 2012, is shown below.

Cash receipts:	
Cash received from customers	\$83,990
Cash received from additional sale of capital stock	25,000
Cash payments:	
Cash paid for expenses	\$27,000
Cash paid for land	47,000
Cash paid for supplies	410
Dividends	5,000
The cash balance as of January 1, 2012	\$40,600

Prepare a statement of cash flows for Alex Design Services for the year ended December 31, 2012.

Answer

**Alex Design Services
Statement of Cash Flows
For the Year Ended December 31, 2012**

Cash flows from operating activities:	
Cash received from customers	\$83,990
Deduct cash payments for expenses and supplies	<u>(27,410)</u>
Net cash flows from operating expenses	\$56,580
Cash flows from investing activities:	
Cash paid for land	(47,000)
Cash from financing activities:	
Cash received from issuing stock	\$25,000
Deduct cash dividends	<u>5,000</u>
Net cash flows from financing activities	<u>20,000</u>
Net increase in cash during year	\$29,580
Cash as of January 1, 2012	<u>40,600</u>
Cash as of December 31, 2012	<u>\$70,180</u>

[Add Question Here](#)Question 168 **Essay****0 points**[Modify](#) [Remove](#)

Question What information does the income statement give to business users?

Answer The income statement reports the revenues and expenses for a period of time. The result is either a net income or a net loss.

[Add Question Here](#)

Question 169 **Essay** **0 points**

[Modify](#) [Remove](#)

Question What are the three sections of the statement of cash flows?

Answer Operating Activities, Investing Activities, and Financing Activities

[Add Question Here](#)

Question 170 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Match the following accounts to the financial statement where they can be found. (Hint: Some of the accounts can be found in more than one financial statement.)

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

#	Account
1.	Dividends
2.	Revenues
3.	Supplies
4.	Land
5.	Accounts Payable
6.	Accounts Receivable
7.	Operating Activities
8.	Wages Expense
9.	Net Income
10.	Cash

Answer	#	Answer	Account
	1.	D	Dividends
	2.	B	Revenues
	3.	A	Supplies
	4.	A	Land
	5.	A	Accounts Payable
	6.	A	Accounts Receivable
	7.	C	Operating Activities
	8.	B	Wages Expense
	9.	B, D	Net Income
	10.	A, C	Cash

[Add Question Here](#)

Question 171 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Name and describe the four primary financial statements for a corporation.

Answer 1. Income Statement: A summary of the revenue and expenses *for a specific period of time*, such as a month or a year.

2. Retained Earnings Statement: A summary of the changes in retained earnings that have occurred *during a specific period of time*, such as a month or a year.

3. Balance Sheet: A list of the assets, liabilities, and stockholders' equity *as of a specific date*, usually at the close of the last day of a month or a year.

4. Statement of Cash Flows: A summary of the cash receipts and cash payments for a *specific period of time*, such as a month or a year.

[Add Question Here](#)

Question 172 **Essay** **0 points**

[Modify](#) [Remove](#)

Question The assets and liabilities of S&P Day Spa at December 31, 2011, and its revenue and expenses for the year are listed below. The Retained Earnings balance was \$57,830 at January 1, 2011.

Accounts Payable	\$ 4,375	Spa Operating Expense	\$33,760
Accounts Receivable	8,490	Office Expense	2,470
Cash	13,980	Spa Supplies	9,230
Fees Earned	98,435	Wages Expense	26,580
Spa Furniture & Equipment	56,000	Dividends	18,000
Computers	2,130	Capital Stock	10,000

Based on the data provided for S&P Day Spa, prepare an income statement for the year ended December 31, 2011.

Answer

S&P Day Spa		
Income Statement		
For the Year Ended December 31, 2011		
Fees earned		\$98,435
Expenses:		
Wages expense	\$26,580	
Spa operating expense	33,760	
Office expense	<u>2,470</u>	
Total expenses		<u>62,810</u>
Net income		<u>\$35,625</u>

[Add Question Here](#)

Question 173 **Essay** **0 points**

[Modify](#) [Remove](#)

Question The assets and liabilities of S&P Day Spa at December 31, 2011, and its revenue and expenses for the year are listed below. The Retained Earnings balance was \$57,830 at January 1, 2011.

Accounts Payable	\$ 4,375	Spa Operating Expense	\$33,760
Accounts Receivable	8,490	Office Expense	2,470

Cash	13,980	Spa Supplies	9,230
Fees Earned	98,435	Wages Expense	26,580
Spa Furniture & Equipment	56,000	Dividends	18,000
Computers	2,130	Capital Stock	10,000

Based on the data provided for S&P Day Spa, prepare a retained earnings statement for the year ended December 31, 2011.

Answer

**S&P Day Spa
Retained Earnings Statement
For the Year Ended December 31, 2011**

Retained earnings, January 1, 2011		\$57,830
Net income for the year	\$35,625	
Less dividends	<u>18,000</u>	
Increase in retained earnings		<u>17,625</u>
Retained earnings, December 31, 2011		<u>\$75,455</u>

[Add Question Here](#)

Question 174 **Essay**

0 points

[Modify](#) [Remove](#)

Question The assets and liabilities of S&P Day Spa at December 31, 2011, and its revenue and expenses for the year are listed below. The Retained Earnings balance was \$57,830 at January 1, 2011.

Accounts Payable	\$ 4,375	Spa Operating Expense	\$33,760
Accounts Receivable	8,490	Office Expense	2,470
Cash	13,980	Spa Supplies	9,230
Fees Earned	98,435	Wages Expense	26,580
Spa Furniture & Equipment	56,000	Dividends	18,000
Computers	2,130	Capital Stock	10,000

Based on the data provided for S&P Day Spa, prepare a balance sheet as of December 31, 2011.

Answer

**S&P Day Spa
Balance Sheet
December 31, 2011**

Assets		Liabilities	
Cash	\$13,980	Accounts payable	\$ 4,375
Accounts receivable	8,490	Stockholders' Equity	
Spa supplies	9,230	Capital stock	\$10,000
Computers	2,130	Retained earnings	<u>75,455</u>
Spa furniture & equipment	<u>56,000</u>	Total stockholders' equity	<u>85,455</u>
Total assets	<u>\$89,830</u>	Total liabilities and stockholders' equity	<u>\$89,830</u>

[Add Question Here](#)

Question 175 **Essay**

0 points

[Modify](#) [Remove](#)

Question A summary of cash flows for Lopez Wedding Planning for the year ended December 31, 2011 is shown below.

Cash receipts:	
Cash received from customers	\$57,360
Cash received from bank loan	15,000
Cash payments:	
Cash paid for operating expenses	\$12,120
Cash paid for equipment	18,070
Cash paid for party supplies	9,480
Dividends	12,000
The cash balance as of January 1, 2011	\$15,580

Prepare a statement of cash flows for Lopez Wedding Planning for the year ended December 31, 2011.

Answer

**Lopez Wedding Planning
Statement of Cash Flows
For the Year Ended December 31, 2011**

Cash flows from operating activities:		
Cash received from customers	\$57,360	
Deduct cash payments for expenses and supplies	<u>(21,600)</u>	
Net cash flows from operating expenses		\$35,760
Cash flows from investing activities:		
Cash paid for equipment		(18,070)
Cash from financing activities:		
Cash received from bank loan	\$15,000	
Deduct cash dividends	<u>12,000</u>	
Net cash flows from financing activities		<u>3,000</u>
Net increase in cash during year		\$20,690
Cash as of January 1, 2011		<u>15,580</u>
Cash as of December 31, 2011		<u>\$36,270</u>

[Add Question Here](#)

Question 176 **Essay**

0 points

[Modify](#) [Remove](#)

Question Explain the interrelationship between the balance sheet and the statement of cash flows.

Answer The cash reported on the balance sheet is also reported as the end-of-period cash on the statement of cash flows.

[Add Question Here](#)

Question 177 **Essay**

0 points

[Modify](#) [Remove](#)

Question The following data were taken from Harrison Company's balance sheet:

	Dec. 31, 2012	Dec. 31, 2011
Total liabilities	\$150,000	\$105,000
Total stockholders' equity	75,000	60,000

- a. Compute the ratio of liabilities to stockholders' equity.
 b. Has the creditors' risk increased or decreased from December 31, 2011, to December 31, 2012?

Answer a. 12/31/2012: $\$150,000 / 75,000 = 2.0$
 12/31/2011: $\$105,000 / 60,000 = 1.75$

b. Decreased

[Add Question Here](#)

Question 178 **Essay**

0 points

[Modify](#) [Remove](#)

Question Company G has a ratio of liabilities to stockholders' equity of 0.12 and 0.28 for 2010 and 2011, respectively. In contrast, Company M has a ratio of liabilities to stockholders' equity of 1.13 and 1.29 for the same period.

REQUIRED:

Based on this information, which company's creditors are more at risk and why? Should the creditors of either company fear the risk of nonpayment?

Answer Company M's creditors are more at risk than are Company G's creditors. The lower the ratio of liabilities to stockholders' equity, the better able the company is to withstand poor business conditions and pay its obligations to creditors. Without additional information, it appears that the creditors of either company are well protected against the risk of nonpayment, because the ratios are relatively low for both. However, the fact that both ratios are increasing over the period should be monitored for downturns in business conditions.

[Add Question Here](#)

Question 179 **Essay**

0 points

[Modify](#) [Remove](#)

Question Given the following data:

	Dec. 31, 2012	Dec. 31, 2011
Total liabilities	\$118,750	\$104,000
Total stockholders' equity	95,000	80,000

- a. Compute the ratio of liabilities to stockholders' equity for each year.
 b. Has the creditors' risk increased or decreased from December 31, 2011, to December 31, 2012?

Answer a.

	Dec. 31, 2012	Dec. 31, 2011
Total liabilities	\$118,750	\$104,000
Total stockholders' equity	95,000	80,000
Ratio of liabilities to stockholders' equity	1.250	1.30
	$(\$118,750/\$95,000)$	$(\$104,000/\$80,000)$

b. Decreased

[Add Question Here](#)

Question 180 **Essay**

0 points

[Modify](#) [Remove](#)

Question For each of the following companies, identify whether it is a service, merchandising, or manufacturing business.

A.	Dillards
B.	Time Warner Cable
C.	General Motors
D.	Netflix
E.	Stanley Steemer
F.	Sony
G.	Best Buy
H.	Banana Republic
I.	H & R Block

Answer

A.	Merchandising
B.	Service
C.	Manufacturing
D.	Service
E.	Service
F.	Manufacturing
G.	Merchandising
H.	Merchandising
I.	Service

[Add Question Here](#)

Question 181 **Essay**

0 points

[Modify](#) [Remove](#)

Question Identify each of the following as either internal or external users of accounting information.

A.	Payroll Manager
B.	Bank
C.	President's Secretary
D.	Internal Revenue Service
E.	Raw Material Vendors
F.	Social Security Administration
G.	Health Insurance Provider
H.	Managerial Accountant

Answer

A.	Internal
B.	External
C.	Internal
D.	External
E.	External
F.	External
G.	External

H. Internal

[Add Question Here](#)

Question 182 Essay 0 points

[Modify](#) [Remove](#)

Question Determine the missing amount for each of the following:

<u>Assets</u>	<u>Liabilities</u>	<u>Stockholders' Equity</u>
(a)	\$13,000	\$16,000
\$55,000	(b)	\$34,000
\$39,000	\$17,000	(c)
Answer	(a)\$29,000	
	(b)\$21,000	
	(c)\$22,000	

[Add Question Here](#)

Question 183 Essay 0 points

[Modify](#) [Remove](#)

Question Identify each of the following as an (1) increase in stockholders' equity, or a (2) decrease in stockholders' equity.

- (a) Fees Earned
- (b) Wages Expense
- (c) Dividends
- (d) Lawn Care Revenue
- (e) Issue Capital Stock
- (f) Supplies Expense

Answer	(a) 1
	(b) 2
	(c) 2
	(d) 1
	(e) 1
	(f) 2

[Add Question Here](#)

Question 184 Essay 0 points

[Modify](#) [Remove](#)

Question Selected transactions completed by a corporation are described below. Indicate the effects of each transaction on assets, liabilities, and stockholders' equity by inserting "+" for increase and "-" for decrease in the appropriate columns at the right. If appropriate, you may insert more than one symbol in a column.

	<u>A</u>	<u>L</u>	<u>SE</u>
(a) Received cash from issuing capital stock	_____	_____	_____
(b) Purchased supplies on account	_____	_____	_____
(c) Paid rent for the current month	_____	_____	_____
(d) Received cash for services sold to customers	_____	_____	_____
(e) Returned some defective supplies purchased in (b)	_____	_____	_____
(f) Paid insurance premiums in advance	_____	_____	_____
(g) Paid cash to creditor for purchases in (b)	_____	_____	_____
(h) Charged customers for services sold on account	_____	_____	_____
(i) Paid cash to a customer as a refund for an overcharge	_____	_____	_____
(j) Received cash on account from customers	_____	_____	_____
(k) Paid cash dividends	_____	_____	_____
(l) Recorded the cost of supplies used during the year	_____	_____	_____
(m) Received invoice for electricity used	_____	_____	_____
(n) Paid wages	_____	_____	_____
(o) Purchased a truck for cash	_____	_____	_____

Answer	<u>A</u>	<u>L</u>	<u>SE</u>
(a)	+		+
(b)	+	+	
(c)	-		-
(d)	+		+
(e)	-	-	
(f)	+,-		
(g)	-	-	
(h)	+		+
(i)	-		-
(j)	+,-		
(k)	-		-
(l)	-		-
(m)		+	-
(n)	-		-
(o)	+,-		

[Add Question Here](#)

Question 185 Essay 0 points

[Modify](#) [Remove](#)

Question Schultz Tax Services, a tax preparation business, had the following transactions during the month of June:

Example: Received cash from issuing capital stock, \$25,000.

1. Received cash for providing accounting services, \$3,000.
2. Billed customers on account for providing services, \$7,000.
3. Paid advertising expense, \$800.
4. Received cash from customers on account, \$3,800.
5. Paid cash dividends, \$1,500.
6. Received telephone bill, \$220.
7. Paid telephone bill, \$220.

Required:

- 1) In the table below, state the accounts affected by each transaction.
- 2) Indicate the effect on the accounting equation of each transaction.

Assets	= Liabilities	+ Stockholders' Equity
<i>Ex.. Cash +25,000</i>		<i>Capital Stock +25,000</i>
1.		

2.		
3.		
4.		
5.		
6.		
7.		

Answer

Assets	= Liabilities	+ Stockholders' Equity
<i>Ex. Cash +25,000</i>		<i>Capital Stock +25,000</i>
1. Cash +3,000		Revenues +3,000
2. A/R +7,000		Revenues +7,000
3. Cash -800		Expenses -800
4. Cash +3,800 A/R -3,800		
5. Cash -1,500		Dividends -1,500
6.	A/P +220	Expenses -220
7. Cash -220	A/P -220	

[◀ Add Question Here](#)**Question 186 Essay****0 points**[Modify](#) [Remove](#)

Question Flagger Company began operations on January 1, 2011. The accountant prepared the following list of account balances from the company's records for the first year ended December 31, 2011:

Fees Earned	\$165,000	Cash	\$ 30,000
Accounts Receivable	14,000	Selling Expenses	44,000
Equipment	42,000	Capital Stock	36,000
Accounts Payable	12,000	Interest Income	3,000
Salaries & Wages Expense	40,000	Rent Expense	51,000
Income Taxes Payable	5,000	Prepaid Rent	2,000
Notes Payable	20,000	Income Taxes Expense	18,000

Prepare an income statement for Flagger Company in good form.

Answer

Flagger Company			
Income Statement			
For the Year Ended December 31, 2011			
Revenues:			
Fees earned	\$165,000		
Interest income	<u>3,000</u>	\$168,000	
Expenses:			
Rent expense	\$ 51,000		
Salaries & wages expense	40,000		
Selling expenses	44,000		
Income taxes expense	<u>18,000</u>		
Net income			<u>\$ 15,000</u>

[◀ Add Question Here](#)**Question 187 Essay****0 points**[Modify](#) [Remove](#)

Question From the following list of accounts taken from Lamar's accounting records, identify those that would appear on the income statement.

- (a) Rent Expense
- (b) Land
- (c) Capital Stock
- (d) Fees Earned
- (e) Dividends
- (f) Wages Expense
- (g) Taxes Payable

Answer

(a), (d), (f)

[◀ Add Question Here](#)**Question 188 Essay****0 points**[Modify](#) [Remove](#)

Question Identify which of the following accounts appear on a balance sheet.

- (a) Cash
- (b) Fees Earned
- (c) Capital Stock
- (d) Wages Payable
- (e) Rent Expense
- (f) Prepaid Advertising
- (g) Land

Answer

(a), (c), (d), (f), (g)

[◀ Add Question Here](#)**Question 189 Essay****0 points**[Modify](#) [Remove](#)

Question Indicate whether each of the following activities would be reported on the statement of cash flows as an operating activity, an investing activity, a financing activity, or not at all.

- (a) Cash paid for building
- (b) Cash paid to suppliers
- (c) Cash paid for dividends
- (d) Cash received from customers
- (e) Cash received from issuing capital stock
- (f) Cash received from the sale of a building
- (g) Borrowed cash from a bank

- Answer**
- (a) Investing
 - (b) Operating
 - (c) Financing
 - (d) Operating
 - (e) Financing
 - (f) Investing
 - (g) Financing

[Add Question Here](#)

Question 190 Essay

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[Modify](#) [Remove](#)

Question For each of the following, determine the amount of net income or net loss for the year.

- (a) Revenues for the year totaled \$88,500 and expenses totaled \$40,500. Additional capital stock of \$15,000 was issued for cash during the year.
- (b) Revenues for the year totaled \$175,000 and expenses totaled \$220,500. Dividends paid during the year were \$40,000. No additional stock was issued.
- (c) Revenues for the year totaled \$109,000 and expenses totaled \$46,000. Capital stock of \$12,000 was issued for cash and dividends of \$16,000 were paid during the year.
- (d) Revenues for Konner Co. totaled \$223,800 and expenses totaled \$221,300. Cash dividends of \$35,000 were paid during the year. No additional stock was issued.

- Answer**
- (a) \$48,000 net income (\$88,500 - \$40,500)
 - (b) \$45,500 net loss (\$175,000 - \$220,500)
 - (c) \$63,000 net income (\$109,000 - \$46,000)
 - (d) \$2,500 net income (\$223,800 - \$221,300)

[Add Question Here](#)

Question 191 Essay

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Question The total assets and total liabilities of Paul's Pools, a corporation, at the beginning and at the end of the current fiscal year are as follows:

	Jan. 1	Dec. 31
Total assets	\$280,000	\$475,000
Total liabilities	205,000	130,000

- (a) Determine the amount of net income earned during the year. No capital stock was issued and no dividends were paid during the year.
- (b) Determine the amount of net income during the year. The assets and liabilities at the beginning and at the end of the year are unchanged from the amounts presented above. Dividends of \$53,000 were paid in cash during the year. No capital stock was issued.
- (c) Determine the amount of net income earned during the year. The assets and liabilities at the beginning and at the end of the year are unchanged from the amounts presented above. Capital stock of \$35,000 was issued for cash and no dividends were paid.
- (d) Determine the amount of net income earned during the year. The assets and liabilities at the beginning and at the end of the year are unchanged from the amounts presented above. Capital stock of \$12,000 was issued for cash and \$1,500 of dividends were paid each month during the year.

Answer	(a)	Stockholders' equity at end of year (\$475,000 - \$130,000)	\$345,000
		Stockholders' equity at beginning of year (\$280,000 - \$205,000)	<u>75,000</u>
		Net income	<u>\$270,000</u>
	(b)	Increase in stockholders' equity from (a)	\$270,000
		Add dividends	<u>53,000</u>
		Net income	<u>\$323,000</u>
	(c)	Increase in stockholders' equity from (a)	\$270,000
		Deduct capital stock issued	<u>35,000</u>
		Net income	<u>\$235,000</u>
	(d)	Increase in stockholders' equity from (a)	\$270,000
		Add dividends (\$1,500 x 12)	<u>18,000</u>
			\$288,000
		Deduct capital stock issued	<u>12,000</u>
		Net income	<u>\$276,000</u>

[Add Question Here](#)

Question 192 Essay

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Question Selected transaction data of a business for September are summarized below. Determine the following amounts for September: (a) total revenue, (b) total expenses, (c) net income.

Service sales charged to customers on account during September	\$33,000
Cash received from cash customers for services performed in September	28,000
Cash received from customers on account during September:	
Services performed and charged to customers prior to September	13,000
Services performed and charged to customers during September	18,000
Expenses incurred prior to September and paid during September	6,500
Expenses incurred and paid in September	36,250
Expenses incurred in September but not paid in September	5,000
Expenses for supplies used and insurance (not included above) applicable to September	2,000

- Answer**
- (a) \$61,000 (\$33,000 + \$28,000)
 - (b) \$43,250 (\$36,250 + \$5,000 + \$2,000)
 - (c) \$17,750 (\$61,000 - \$43,250)

[Add Question Here](#)

Question 193 Essay

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Question On March 1, 2011, Cook's Catering Company Capital Stock balance was \$30,000 and the balance of Retained Earnings was \$120,000. During March, dividends of \$31,000 were declared and paid by the business. Assets, liabilities, revenues, and expenses at March 31, 2011, were as follows:

Accounts Payable	\$ 10,250
Accounts Receivable	45,950
Cash	19,390
Fees Earned	60,500
Insurance Expense	1,275

Land	85,400
Miscellaneous Expense	1,210
Prepaid Insurance	3,000
Rent Expense	9,000
Salary Expense	20,300
Supplies	900
Supplies Expense	525
Utilities Expense	2,800

Present, in good form, (a) an income statement for March, (b) a retained earnings statement for March, and (c) a balance sheet as of March 31.

Answer (a)

Cook's Catering Company
Income Statement
For the Month Ended March 31, 2011

Fees earned		\$60,500
Operating expenses:		
Salary expense		\$20,300
Rent expense		9,000
Utilities expense		2,800
Supplies expense		525
Insurance expense		1,275
Miscellaneous expense		1,210
Total operating expenses		<u>\$35,110</u>
Net income		<u>\$25,390</u>

(b)

Cook's Catering Company
Retained Earnings Statement
For the Month Ended March 31, 2011

Retained earnings, March 1, 2011		\$120,000
Net income for the month	\$ 25,390	
Less dividends	<u>31,000</u>	
Decrease in stockholders' equity		<u>5,610</u>
Retained earnings, March 31, 2011		<u>\$114,390</u>

(c)

Cook's Catering Company
Balance Sheet
March 31, 2011

Assets		Liabilities		
Cash	\$ 19,390	Accounts payable	\$ 10,250	
Accounts receivable	45,950	Stockholders' Equity		
Prepaid insurance	3,000	Capital stock	\$ 30,000	
		Retained earnings	114,390	
Supplies	900	Total stockholders' equity	<u>144,390</u>	
Land	<u>85,400</u>	Total liab. & stockholders' equity	<u>\$154,640</u>	<u>\$154,640</u>
Total assets	<u>\$154,640</u>			

[◀ Add Question Here](#)

Question 194 **Essay**

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[Modify](#) | [Remove](#)

Question Simpson Designers began operations on April 1, 2011. The financial statements for Simpson Designers are shown below for the month ended April 30, 2011 (the first month of operations). Determine the missing amounts for letters (a) through (o).

Simpson Designers
Income Statement
For the Month Ended April 30, 2011

Fees earned		\$27,000
Operating expenses:		
Wages expense		\$5,250
Rent expense		(a)
Supplies expense		4,600
Utilities expense		400
Miscellaneous expense		<u>1,250</u>
Total operating expenses		<u>(b)</u>
Net income		<u>\$ (c)</u>

Simpson Designers
Retained Earnings Statement
For the Month Ended April 30, 2011

Retained Earnings, April 1, 2011		0
Net income for April	\$ (d)	
Less dividends	<u>6,000</u>	
Increase in retained earnings		<u>(e)</u>
Retained Earnings, April 30, 2011		<u>\$ (f)</u>

Simpson Designers
Balance Sheet
April 30, 2011

Assets		Liabilities		
Cash	\$ (g)	Accounts payable	\$ (i)	
Supplies	8,100	Stockholders' Equity		
Land	<u>(h)</u>	Capital stock	\$ (j)	
Total assets	<u>\$55,900</u>	Retained earnings	<u>(k)</u>	
		Total stockholders' equity	38,100	
		Total liabilities and stockholders' equity	<u>\$ (l)</u>	

Simpson Designers
Statement of Cash Flows
For the Month Ended April 30, 2011

Cash flows from operating activities:		
Cash received from customers		\$23,000
Deduct cash payments for expenses and payments to creditors		<u>4,200</u>

Net cash flow from operating activities		\$ 18,800
Cash flows from investing activities:		
Cash payments for acquisition of land		(17,000)
Cash flows from financing activities:		
Cash received from sale of capital stock	\$ (m)	
Deduct cash dividends	<u>(n)</u>	
Net cash flow from financing activities		<u>(o)</u>
Net cash flow and April 30, 2011, cash balance		\$ <u>(p)</u>

Place your answers in the space provided below. Hint: Use the interrelationships among the financial statements to solve this problem.

- (a) _____
(b) _____
(c) _____
(d) _____
(e) _____
(f) _____
(g) _____
(h) _____
(i) _____
(j) _____
(k) _____
(l) _____
(m) _____
(n) _____
(o) _____
(p) _____

Answer	(a) \$ 6,400
	(b) \$17,900
	(c) \$ 9,100
	(d) \$ 9,100
	(e) \$ 3,100
	(f) \$ 3,100
	(g) \$30,800
	(h) \$17,000
	(i) \$17,800
	(j) \$35,000
	(k) \$ 3,100
	(l) \$55,900
	(m) \$35,000
	(n) \$ 6,000
	(o) \$29,000
	(p) \$30,800

[◀ Add Question Here](#)

Question 195 **Essay**

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[Modify](#) | [Remove](#)

Question CPA Associates was organized on January 1, 2011, as a corporation. List the errors that you find in the following financial statements and prepare the corrected statements for the three months ended March 31, 2011.

CPA Associates
Income Statement
For the Three Months Ended March 31, 2011

Fees earned		\$42,000
Operating expenses:		
Salary expense	\$9,735	
Rent expense	5,200	
Advertising expense	3,950	
Utilities expense	3,225	
Miscellaneous expense	4,000	
Answering service expense	2,550	
Supplies expense	<u>4,000</u>	
Total operating expenses		<u>28,000</u>
Net income		<u>\$14,000</u>

CPA Associates
Retained Earnings Statement
March 31, 2011

Retained earnings, January 1, 2011		\$ 0
Net income for the 3 months	\$ 14,000	
Less dividends	<u>5,000</u>	
Increase in stockholders' equity		<u>11,000</u>
Retained earnings, January 31, 2011		<u>\$11,000</u>

Balance Sheet
For the Three Months Ended March 31, 2011

Assets		Stockholders' Equity	
Land	\$13,000	Capital stock	\$20,000
Cash	10,860	Retained earnings	<u>11,000</u>
Accounts payable	2,670	Total stockholders' equity	\$31,000
Supplies	<u>925</u>		
Total assets	<u>\$33,225</u>	Liabilities	
		Accounts receivable	<u>2,225</u>
		Total liab. & stockholders' equity	<u>\$33,225</u>

Answer Errors in the CPA Associates financial statements include the following:

- (1) Miscellaneous expense is incorrectly listed after utilities expense in the income statement. Miscellaneous expense should be listed as the last expense, regardless of the amount.
- (2) The operating expenses are incorrectly added. Instead of \$28,000, the total should be \$32,660.
- (3) Because operating expenses are incorrectly added, the net income is incorrect. It should be listed as \$9,340.
- (4) The retained earnings statement should be for a period of time instead of a specific date. That is, the retained earnings statement should be reported "For the Three Months Ended March 31, 2011."
- (5) The amount of the retained earnings is incorrect. It should be \$4,340.
- (6) The name of the company is missing from the balance sheet heading.

- (7) The balance sheet should be as of "March 31, 2011," not "For the Three Months Ended March 31, 2011."
 (8) Cash, not Land, should be the first asset listed on the balance sheet.
 (9) Accounts payable is incorrectly listed as an asset on the balance sheet. Accounts payable should be listed as a liability.
 (10) Liabilities should be listed on the balance sheet ahead of stockholders' equity.
 (11) Accounts receivable is incorrectly listed as a liability on the balance sheet. Accounts receivable should be listed as an asset.
 (12) The total assets and the total liabilities and stockholders' equity do not add.

Correctly prepared financial statements for CPA Associates are shown below.

**CPA Associates
Income Statement
For the Three Months Ended March 31, 2011**

Fees earned		\$42,000
Operating expenses:		
Salary expense	\$9,735	
Rent expense	5,200	
Advertising expense	3,950	
Utilities expense	3,225	
Answering service expense	2,550	
Supplies expense	4,000	
Miscellaneous expense	<u>4,000</u>	
Total operating expenses		<u>32,660</u>
Net income		<u>\$ 9,340</u>

**CPA Associates
Retained Earnings Statement
For the Three Months Ended March 31, 2011**

Retained earnings, January 1, 2011		\$ 0
Net income for three months	\$ 9,340	
Less dividends	<u>5,000</u>	
Increase in retained earnings		<u>4,340</u>
Retained earnings, March 31, 2011		<u>\$ 4,340</u>

**CPA Associates
Balance Sheet
March 31, 2011**

Assets		Liabilities	
Cash	\$10,860	Accounts payable	\$ 2,670
Accounts receivable	2,225	Stockholders' Equity	
Supplies	925	Capital stock	\$20,000
Land	<u>13,000</u>	Retained earnings	<u>4,340</u>
Total assets	<u>\$27,010</u>	Total stockholders' equity	<u>24,340</u>
		Total liab. & stockholders' equity	<u>\$27,010</u>

[◀ Add Question Here](#)

Question 196 **Essay**

0 points

[Modify](#) | [Remove](#)

Question Given below are the accounts and amounts for Bright Futures Company as of August 31, 2011. All of the revenue and expense amounts are for the month of August.

Telephone Expense	\$ 1,150
Cash	3,000
Accounts Payable	1,540
Dividends	800
Fees Earned	15,700
Rent Expense	1,400
Supplies	140
Accounts Receivable	1,500
Computer Equipment	20,000
Capital Stock	10,000
Wages Expense	4,800
Utilities Expense	750
Notes Payable	2,400
Retained Earnings	4,320
Office Expense	420

Based on the data provided for Bright Futures Company, prepare in good format an income statement for the month ended August 31, 2011.

Answer

**Bright Futures Company
Income Statement
For the Month Ended August 31, 2011**

Fees earned		\$15,700
Expenses:		
Wages expense	\$4,800	
Rent expense	1,400	
Telephone expense	1,150	
Utilities expense	750	
Office expense	<u>420</u>	
Total expenses		<u>8,520</u>
Net income		<u>\$ 7,180</u>

[◀ Add Question Here](#)

Question 197 **Essay**

0 points

[Modify](#) | [Remove](#)

Question Given below are the accounts and amounts for Bright Futures Company as of August 31, 2011. All of the revenue and expense amounts are for the month of August.

Telephone Expense	\$ 1,150
Cash	3,000
Accounts Payable	1,540
Dividends	800
Fees Earned	15,700
Rent Expense	1,400

Supplies	140
Accounts Receivable	1,500
Computer Equipment	20,000
Capital Stock	10,000
Wages Expense	4,800
Utilities Expense	750
Notes Payable	2,400
Retained Earnings	4,320
Office Expense	420

Based on the data provided for Bright Futures Company, prepare in good format a retained earnings statement for the month ended August 31, 2011.

Answer

Bright Futures Company		
Retained Earnings Statement		
For the Month Ended August 31, 2011		
Retained earnings, August 1, 2011		\$ 4,320
Net income	\$7,180	
Less dividends	<u>800</u>	
Increase in retained earnings		<u>6,380</u>
Retained earnings, August 31, 2011		<u>\$10,700</u>

[Add Question Here](#)

Question 198 **Essay**

0 points

[Modify](#) [Remove](#)

Question Given below are the accounts and amounts for Bright Futures Company as of August 31, 2011. All of the revenue and expense amounts are for the month of August.

Telephone Expense	\$ 1,150
Cash	3,000
Accounts Payable	1,540
Dividends	800
Fees Earned	15,700
Rent Expense	1,400
Supplies	140
Accounts Receivable	1,500
Computer Equipment	20,000
Capital Stock	10,000
Wages Expense	4,800
Utilities Expense	750
Notes Payable	2,400
Retained Earnings	4,320
Office Expense	420

Based on the data provided for Bright Futures Company, prepare in good format a balance sheet as of August 31, 2011.

Answer

Bright Futures Company		
Balance Sheet		
August 31, 2011		
Assets		
Cash		\$ 3,000
Accounts receivable		1,500
Supplies		140
Computer equipment		<u>20,000</u>
Total assets		<u>\$24,640</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 1,540	
Notes payable	<u>2,400</u>	
Total liabilities		\$ 3,940
Stockholders' equity:		
Capital stock	\$10,000	
Retained earnings	<u>10,700</u>	
Total stockholders' equity		<u>20,700</u>
Total liabilities and stockholders' equity		<u>\$24,640</u>

[Add Question Here](#)

Question 199 **Essay**

0 points

[Modify](#) [Remove](#)

Question Trendsetter Travel Services began business on January 1, 2011. Balances at December 31, 2011, are listed below.

Accounts Payable	\$12,000	Capital Stock	\$10,000
Accounts Receivable	6,000	Supplies	1,000
Cash	18,000	Taxes Expense	1,300
Computer Equipment	21,000	Dividends	8,000
Fees Earned	70,000	Wages Expense	25,000
Rent Expense	10,000	Supplies Expense	1,700

Prepare an income statement, retained earnings statement, and a balance sheet for Trendsetter Travel Services.

Answer

Trendsetter Travel Services		
Income Statement		
For the Year Ended December 31, 2011		
Fees earned		\$70,000
Operating expenses:		
Wages expense	\$ 25,000	
Rent expense	10,000	
Supplies expense	1,700	
Taxes expense	<u>1,300</u>	
Total operating expenses		<u>38,000</u>
Net income		<u>\$32,000</u>

**Trendsetter Travel Services
Retained Earnings Statement
For the Year Ended December 31, 2011**

Retained earnings, 1/1/11		\$	0
Net income for the year	\$32,000		
Less dividends	<u>8,000</u>		
Increase in retained earnings			<u>24,000</u>
Retained earnings, 12/31/11			<u>\$24,000</u>

**Trendsetter Travel Services
Balance Sheet
December 31, 2011**

Assets		Liabilities	
Cash	\$18,000	Accounts payable	\$12,000
Accounts receivable	6,000		
Computer equipment	21,000	Stockholders' Equity	
Supplies	<u>1,000</u>	Capital stock	\$10,000
		Retained earnings	<u>24,000</u>
		Total stockholders' equity	<u>34,000</u>
		Total liabilities and stockholders' equity	<u>\$46,000</u>
Total assets	<u>\$46,000</u>		

[◀ Add Question Here](#)

OK