|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. The objective of most businesses is to maximize profits.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. A limited liability company combines attributes of a partnership and a corporation.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. A partnership is owned by two or more individuals.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. Manufacturing businesses change basic inputs into products that are sold to individual customers.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. Merchandising businesses produce products rather than provide services to customers.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. A corporation is a business that is legally separate and distinct from its owners.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. The popularity of the sole proprietorship is due to the ease and low cost of organizing.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. A primary disadvantage of corporations is that the financial resources available to them are limited.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. The ownership of a proprietorship is divided into shares of stock owned by its stockholders.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. All merchandising businesses are organized as corporations.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. Stockholders of a corporation are its internal stakeholders.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. John Deere is a leading manufacturer of agricultural machinery in the world, producing products that serve unique market needs. Therefore, John Deere is an example of a company that uses a *premium-price* emphasis to attract customers.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. A business stakeholder has an interest in the economic performance of a business.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. Companies using a *low-cost* emphasis provide products and services that compete on features other than price.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. The basic type of stock issued to owners is called common stock.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. Assets are acquired through investing activities when resources are purchased.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. Creditors have preference to assets behind stockholders if a business fails.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. A liability is a legal obligation to repay the amount borrowed according to the terms of the borrowing agreement.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. Accounting is thought to be the "language of business" because business information is communicated to stakeholders.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. The branch of accounting related to the management's financial decisions is known as financial accounting.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. The stockholders' equity of a company should equal the sum of its total assets and total liabilities.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. The balance sheet represents the accounting equation.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. What is the primary objective of most businesses?

|  |  |  |
| --- | --- | --- |
|   | a.  | To maximize profits |
|   | b.  | To pay dividends to stockholders |
|   | c.  | To provide a benefit to society |
|   | d.  | To manufacture a quality product |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. Which of the following businesses buys products from other businesses wholesale to sell them to customers at a retail price?

|  |  |  |
| --- | --- | --- |
|   | a.  | A merchandising business |
|   | b.  | A manufacturing business |
|   | c.  | A service business |
|   | d.  | An investment business |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. Which of the items below is *not* a business organization form?

|  |  |  |
| --- | --- | --- |
|   | a.  | Multi-venture |
|   | b.  | Proprietorship |
|   | c.  | Partnership |
|   | d.  | Corporation |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. Which of the following types of organizational forms is popular for its ease of formation and low cost of organizing?

|  |  |  |
| --- | --- | --- |
|   | a.  | Not-for-profit |
|   | b.  | Corporation |
|   | c.  | Partnership |
|   | d.  | Proprietorship |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. Which of the following statements is true about a limited liability company?

|  |  |  |
| --- | --- | --- |
|   | a.  | It is organized under state or federal statutes as a separate legal entity. |
|   | b.  | Many professional practices such as lawyers, doctors, and accountants are organized as limited liability companies. |
|   | c.  | Its financial resources are limited to the individual owner's resources. |
|   | d.  | The frequency of this form is due to the ease and low cost of organizing. |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. Under a \_\_\_\_\_, a business design's products that possess unique attributes or characteristics for which customers are willing to pay more.

|  |  |  |
| --- | --- | --- |
|   | a.  | premium-price emphasis |
|   | b.  | outreach emphasis |
|   | c.  | low-cost emphasis |
|   | d.  | customer emphasis |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. Which of the following is *not* a characteristic of a corporation?

|  |  |  |
| --- | --- | --- |
|   | a.  | Corporations are organized as a separate legal taxable entity. |
|   | b.  | Ownership is divided into shares of stock. |
|   | c.  | Corporations experience an ease in obtaining large amounts of resources by issuing stock. |
|   | d.  | A corporation can elect to be taxed as a partnership. |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. A corporation is an entity \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | that is organized according to state or federal statutes and in which ownership is divided into shares of stock |
|   | b.  | that is known for its ease of formation |
|   | c.  | that terminates its existence with the death of the owner |
|   | d.  | that pays tax on the owner's tax returns |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. A *low-cost* emphasis strives to provide \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | no-frills, standardized products and services |
|   | b.  | products and services that provide unique market needs |
|   | c.  | products and services that provide prestige and image for customers |
|   | d.  | products and services that compete on features other than price |

|  |  |
| --- | --- |
| *ANSWER:* | a |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. Which of the following businesses use a *premium-price* emphasis?

|  |  |  |
| --- | --- | --- |
|   | a.  | Value City Furniture selling furniture at affordable prices |
|   | b.  | Tommy Hilfiger selling products that have a unique image |
|   | c.  | Wal-Mart reselling standardized products |
|   | d.  | Southwest Airlines providing standardized services |

|  |  |
| --- | --- |
| *ANSWER:* | b |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. Motel 6, a company that helps customers find budget motels across the nation, is an example of a business using which of the following?

|  |  |  |
| --- | --- | --- |
|   | a.  | Low-cost emphasis |
|   | b.  | Outreach emphasis |
|   | c.  | Customer emphasis |
|   | d.  | Premium-price emphasis |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. Which of the following is considered a business stakeholder?

|  |  |  |
| --- | --- | --- |
|   | a.  | A bank |
|   | b.  | An employee |
|   | c.  | A federal government |
|   | d.  | All of these |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. \_\_\_\_\_ are an example of internal stakeholders.

|  |  |  |
| --- | --- | --- |
|   | a.  | Managers |
|   | b.  | Creditors |
|   | c.  | Stockholders |
|   | d.  | Suppliers |

|  |  |
| --- | --- |
| *ANSWER:* | a |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 36. Which of the following are *not* an example of a capital market stakeholder?

|  |  |  |
| --- | --- | --- |
|   | a.  | Banks |
|   | b.  | Owners |
|   | c.  | Suppliers |
|   | d.  | Stockholders |

|  |  |
| --- | --- |
| *ANSWER:* | c |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. Capital market stakeholders have an interest in a company because \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | they collect taxes from the company |
|   | b.  | they depend upon the continued success of the company for keeping their jobs |
|   | c.  | they purchase the company's products or services or sell their products or services to the company |
|   | d.  | they provide major financing for the business |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. In the case of a failing company, the right to the first claim of the company's assets belongs to \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | the state governments |
|   | b.  | the creditors of the company |
|   | c.  | the owners of the company |
|   | d.  | the managers of the company |

|  |  |
| --- | --- |
| *ANSWER:* | b |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. The economic performance of a business is of importance to the government because \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | of potential tax collections |
|   | b.  | the government sells its products to the business |
|   | c.  | of the amount owed by the government to the business |
|   | d.  | all of these |

|  |  |
| --- | --- |
| *ANSWER:* | a |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. The performance evaluation of the managers of a company is dependent on the company's \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | common stock |
|   | b.  | volatility |
|   | c.  | economic performance |
|   | d.  | nonrecurring activities |

|  |  |
| --- | --- |
| *ANSWER:* | c |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 41. When a business borrows money, which of the following is incurred?

|  |  |  |
| --- | --- | --- |
|   | a.  | An accumulated depletion  |
|   | b.  | A liability |
|   | c.  | A loss |
|   | d.  | An accrued expenditure |

|  |  |
| --- | --- |
| *ANSWER:* | b |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. Revenues received from providing services are referred to as \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | fees earned |
|   | b.  | net income |
|   | c.  | gross income |
|   | d.  | retained earnings |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 43. A note payable requires payment of the amount borrowed plus \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | interest |
|   | b.  | tax |
|   | c.  | overhead |
|   | d.  | dividend |

|  |  |
| --- | --- |
| *ANSWER:* | a |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 44. Shares of ownership are evidenced by issuing \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | shares payable |
|   | b.  | commercial paper |
|   | c.  | shares of stock |
|   | d.  | notes payable |

|  |  |
| --- | --- |
| *ANSWER:* | c |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. The resources a business owns are called \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | assets |
|   | b.  | liabilities |
|   | c.  | earnings |
|   | d.  | stockholders' equity |

|  |  |
| --- | --- |
| *ANSWER:* | a |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 46. The purchase of factory equipment would be an example of which type of business activity?

|  |  |  |
| --- | --- | --- |
|   | a.  | Financing |
|   | b.  | Investing |
|   | c.  | Operating |
|   | d.  | All of these |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 47. Which of the following is an intangible asset?

|  |  |  |
| --- | --- | --- |
|   | a.  | Patent |
|   | b.  | Cash |
|   | c.  | Land |
|   | d.  | Equipment |

|  |  |
| --- | --- |
| *ANSWER:* | a |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 48. Rights to payments from customers are \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | liabilities |
|   | b.  | prepaid expenses |
|   | c.  | accounts receivable |
|   | d.  | accounts payable |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 49. Which of the following is considered an asset until consumed?

|  |  |  |
| --- | --- | --- |
|   | a.  | Accounts payable |
|   | b.  | Prepaid expense |
|   | c.  | Accounts receivable |
|   | d.  | Stockholders' equity |

|  |  |
| --- | --- |
| *ANSWER:* | b |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50. \_\_\_\_\_ is the increase in assets from selling products or providing services.

|  |  |  |
| --- | --- | --- |
|   | a.  | Revenue |
|   | b.  | Interest income |
|   | c.  | Equity |
|   | d.  | Cost of goods sold |

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| --- | --- |
| *ANSWER:* | a |

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| 51. Cash collected from sales during the normal course of business would be an example of which type of business activity?

|  |  |  |
| --- | --- | --- |
|   | a.  | Operating |
|   | b.  | Investing |
|   | c.  | Financing |
|   | d.  | None of these |

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| --- | --- |
| *ANSWER:* | a |

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| 52. Costs incurred to earn revenue are referred to as \_\_\_\_\_.

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| --- | --- | --- |
|   | a.  | common stock |
|   | b.  | expenses |
|   | c.  | liabilities |
|   | d.  | retained earnings |

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| --- | --- |
| *ANSWER:* | b |

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| 53. Debts owed by a business are referred to as \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | accounts receivable |
|   | b.  | equities |
|   | c.  | stockholders' equity |
|   | d.  | liabilities |

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| *ANSWER:* | d |

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| 54. Cash investments made by the stockholders of the business are reported on the statement of cash flows in the \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | financing activities section |
|   | b.  | investing activities section |
|   | c.  | operating activities section |
|   | d.  | supplemental statement |

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| *ANSWER:* | a |

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| 55. Financing activities\_\_\_\_\_ .

|  |  |  |
| --- | --- | --- |
|   | a.  | involve obtaining funds to operate a business |
|   | b.  | involve obtaining assets such as buildings and equipment |
|   | c.  | help to earn revenues and profits |
|   | d.  | help to make wise investments in other companies |

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| *ANSWER:* | a |

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| 56. Reporting the financial condition of a business at a point in time and reporting the changes in the financial condition of a business over a period of time are the two major objectives of \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | fund accounting |
|   | b.  | forensic accounting |
|   | c.  | not-for-profit accounting |
|   | d.  | financial accounting |

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| --- | --- |
| *ANSWER:* | d |

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| 57. The role of accounting in business is best defined as \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | an information system that provides reports to stakeholders about the economic activities and financial condition of a business |
|   | b.  | a method of forecasting the future profitability of a company |
|   | c.  | the policies, procedures, and strategies used in a business |
|   | d.  | the process of transaction analysis |

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| *ANSWER:* | a |

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| 58. A list of assets, liabilities, and owners' equity as of a specific date is a(n) \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | income statement |
|   | b.  | balance sheet |
|   | c.  | statement of cash flows |
|   | d.  | retained earnings statement |

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| --- | --- |
| *ANSWER:* | b |

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| 59. Given the following list of accounts, calculate Total Assets.

|  |  |
| --- | --- |
| Accounts Receivable | $ 10,000 |
| Capital Stock | 20,000 |
| Cash | 25,300 |
| Equipment | 16,800 |
| Fees Earned | 44,400 |
| Miscellaneous Expense | 17,800 |
| Rent Expense | 3,250 |
| Retained Earnings | 7,850 |
| Salaries Expense | 15,400 |
| Wages Expense | 15,000 |
|   |   |

|  |  |  |
| --- | --- | --- |
|   | a.  | $52,100 |
|   | b.  | $55,300 |
|   | c.  | $54,600 |
|   | d.  | $40,050 |

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| *ANSWER:* | a |

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| 60. Which of the following is an appropriate representation of the accounting equation?

|  |  |  |
| --- | --- | --- |
|   | a.  | Assets + Liabilities = Stockholders' equity |
|   | b.  | Assets = Liabilities + Stockholders' equity |
|   | c.  | Assets = Liabilities + Capital stock |
|   | d.  | Assets = Liabilities + Retained earnings |

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| *ANSWER:* | b |

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| 61. Use the following information to determine Total Stockholders' Equity.

|  |  |
| --- | --- |
| Total Assets | $ 85,000 |
| Total Liabilities | 21,000 |
| Total Stockholders' Equity | *x* |
| Total Retained Earnings | 9,000 |
|   |   |

|  |  |  |
| --- | --- | --- |
|   | a.  | $58,000 |
|   | b.  | $64,000 |
|   | c.  | $55,000 |
|   | d.  | $40,000 |

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| --- | --- |
| *ANSWER:* | b |

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| 62. A summary of the cash receipts and cash payments for a specific period of time is a(n) \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | income statement |
|   | b.  | balance sheet |
|   | c.  | statement of cash flows |
|   | d.  | retained earnings statement |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| 63. The portion of a corporation's net income reserved for future decisions in the business is called \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | interest earnings |
|   | b.  | dividends |
|   | c.  | tax expense |
|   | d.  | retained earnings |

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| --- | --- |
| *ANSWER:* | d |

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| 64. The debt created by a business when it borrows against credit from a vendor or supplier is called a(n) \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | account payable |
|   | b.  | contingent liability |
|   | c.  | intangible asset |
|   | d.  | account receivable |

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| *ANSWER:* | a |

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| 65. If there are no beginning retained earnings, net income of $30,300, and ending retained earnings of $8,000, how much are dividends?

|  |  |  |
| --- | --- | --- |
|   | a.  | $38,300 |
|   | b.  | $22,300 |
|   | c.  | $6,000 |
|   | d.  | $8,000 |

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| *ANSWER:* | b |

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| 66. During the most recent year, Banigo Corporation experienced an increase in total assets of $72,600 and an increase in total liabilities of $40,900. Assuming that capital stock increased by $5,000 and no dividends were paid, calculate Banigo's net income or net loss for the end of the year.

|  |  |  |
| --- | --- | --- |
|   | a.  | Net income of $26,700 |
|   | b.  | Net loss of $31,700 |
|   | c.  | Net income of $67,600 |
|   | d.  | Net loss of $45,900 |

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| *ANSWER:* | a |

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| 67. 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 a year, is called a(n) \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | prior period statement |
|   | b.  | statement of retained earnings |
|   | c.  | income statement |
|   | d.  | balance sheet |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 68. Which of the following is the correct order for preparing financial statements?

|  |  |  |
| --- | --- | --- |
|   | a.  | Income statement, Statement of cash flows, Retained earnings statement, Balance sheet |
|   | b.  | Retained earnings statement, Income statement, Statement of cash flows, Balance sheet |
|   | c.  | Statement of cash flows, Retained earnings statement, Balance sheet, Income statement |
|   | d.  | Income statement, Retained earnings statement, Balance sheet, Statement of cash flows |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| 69. A financial statement that summarizes the cash receipts and cash payments of a company for a specific period of time is \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | the cash analysis statement. |
|   | b.  | the bank reconciliation statement. |
|   | c.  | the statement of cash flows. |
|   | d.  | the statement of retained and nonretained cash earnings. |

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| --- | --- |
| *ANSWER:* | c |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 70. Hofnim, Inc., had the following account balances on September 30, 20Y8. What is Hofnim's net income for the month of September?

|  |  |
| --- | --- |
| Accounts Payable | $ 9,900 |
| Capital Stock | 15,000 |
| Cash | 19,600 |
| Equipment | 19,100 |
| Fees Earned | 64,000 |
| Miscellaneous Expense | 19,700 |
| Rent Expense | 5,100 |
| Retained Earnings | 5,000 |
| Wages Expense | 16,450 |
|   |   |

|  |  |  |
| --- | --- | --- |
|   | a.  | $8,800 |
|   | b.  | $22,750 |
|   | c.  | $13,260 |
|   | d.  | $17,750 |

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| *ANSWER:* | b |

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| 71. Pelican, Inc., had revenues of $395,000, expenses of $155,000, and dividends of $54,000 during the current year. Based on the given information**,** which of the following statements is true?

|  |  |  |
| --- | --- | --- |
|   | a.  | Net income for the current year totaled $240,000. |
|   | b.  | Net income for the current year totaled $186,000. |
|   | c.  | Total retained earnings increased by $240,000 during the current year. |
|   | d.  | Total retained earnings decreased by $186,000 during the current year. |

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| *ANSWER:* | a |

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| 72. The portion of a corporation's net income that is paid out to the stockholders, instead of being retained in the business, is referred to as \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | gross income |
|   | b.  | earnings before interest and taxes |
|   | c.  | interest expense |
|   | d.  | dividends |

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| --- | --- |
| *ANSWER:* | d |

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| 73. Which of the following accounting concepts requires that the financial statements, including related notes, contain all relevant data a stakeholder would need to understand the financial condition and performance of the company?

|  |  |  |
| --- | --- | --- |
|   | a.  | The adequate disclosure concept |
|   | b.  | The cost concept |
|   | c.  | The objectivity concept |
|   | d.  | The matching concept |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 74. Heedy Company had the following account balances in 20Y7 and 20Y8, respectively. Assuming dividends of $20,000 were paid in 20Y8, how much was net income?

|  |  |  |
| --- | --- | --- |
|   | **20Y8** | **20Y7** |
| Capital Stock | $ 42,000 | $ 40,000 |
| Retained Earnings | *x* | 210,000 |
| Total Stockholders' Equity | $ 314,000 | $ 250,000 |

|  |  |  |
| --- | --- | --- |
|   | a.  | $62,000 |
|   | b.  | $82,000 |
|   | c.  | $272,000 |
|   | d.  | $252,000 |

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| *ANSWER:* | b |

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| 75. The "rules" of accounting are referred to as \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | income tax regulations |
|   | b.  | SEC regulations |
|   | c.  | Internet rules |
|   | d.  | Generally Accepted Accounting Principles |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| 76. Which of the following is true about the cost principle?

|  |  |  |
| --- | --- | --- |
|   | a.  | It limits the economic data recorded in an accounting system to data related to the activities of that company. |
|   | b.  | It initially records assets in the accounting records at their purchase price. |
|   | c.  | It assumes that a company will continue in business indefinitely. |
|   | d.  | It reports the revenues earned by a company for a period with the expenses incurred in generating the revenues. |

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| *ANSWER:* | b |

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| 77. According to which of the following concepts should the expenses incurred when generating revenue be reported in the same period as the related revenue?

|  |  |  |
| --- | --- | --- |
|   | a.  | The cost concept |
|   | b.  | The periodicity concept |
|   | c.  | The matching concept |
|   | d.  | The adequate disclosure concept |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| 78. Expressing financial data as if a business will continue operating for an indefinite period time refers to which concept?

|  |  |  |
| --- | --- | --- |
|   | a.  | Business entity concept |
|   | b.  | Going concern concept |
|   | c.  | Objectivity concept |
|   | d.  | Adequate disclosure concept |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 79. Due to various fraudulent business practices and accounting scandals in the early 2000s, Congress enacted the Sarbanes-Oxley Act of 2002. The act was responsible for establishing a new oversight board for public accountants called the \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | Generally Accepted Accounting Practices for Public Accountants Board |
|   | b.  | Public Company Accounting Oversight Board |
|   | c.  | Congressional Accounting Oversight Board |
|   | d.  | Financial Accounting Standards Board |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 80. Which of the following is true of rate of return on assets?

|  |  |  |
| --- | --- | --- |
|   | a.  | It is a measure of a company's profitability. |
|   | b.  | It is used to evaluate a company's ability to pay off its short-term debts. |
|   | c.  | It is used to determine the financial leverage of a company. |
|   | d.  | It is a measure of the optimum capital structure. |

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| *ANSWER:* | a |

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| 81. The return on assets is calculated by \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | dividing interest expense by average total asset and average current assets |
|   | b.  | dividing net income before taxes and interest expense by average total asset |
|   | c.  | dividing average total asset and interest expense by net income taxes |
|   | d.  | dividing net income before taxes and interest expense by average current assets |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 82. A return on assets of 5.15% means that a company is earning \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | a $5.15 return on every $100 of total assets. |
|   | b.  | a $5.15 return on every $100 of assets minus liabilities. |
|   | c.  | a $5.15 return on every $100 of current assets. |
|   | d.  | a $5.15 return on every $100 invested in long-term assets. |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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| 83. Profitability ratios such as \_\_\_\_\_ can be used to analyze and assess a company's financial performance.

|  |  |  |
| --- | --- | --- |
|   | a.  | fixed assets turnover |
|   | b.  | current ratios |
|   | c.  | dividend payout ratios |
|   | d.  | return on assets |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| 84. Name the three different types of businesses that operate for profit and their respective characteristics.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| *ANSWER:* |

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| --- | --- |
| (1) | **Manufacturing**: These businesses change basic inputs into products to sell to individual customers. |
| (2) | **Merchandising**: These businesses sell products to individual customers but do not make the products. The products are purchased from other businesses and resold to customers. |
| (3) | **Service**: These businesses do not make or sell products. They provide services for fees. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 85. Name and describe the three forms of businesses and their advantages and disadvantages (if any).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *ANSWER:* |

|  |  |
| --- | --- |
| (1) | **Proprietorship**: These businesses are owned by one individual. |
|   | Advantages: There is ease and low cost of organizing proprietoships. |
|   | Disadvantages: the financial resources available to this type of business are limited to the owners' resources and to borrowing |
| (2) | **Corporation**: These businesses are organized under state or federal statutes as a separate legal entity. Ownership is divided into shares of stock. |
|   | Advantages: Corporations have the ability to obtain large amounts of resources by issuing stock. |
|   | Disadvantages: Dividend distributions from corporations are taxed twice. |
| (3) | **Partnership**: These businesses are owned by two or more individuals. |
|   | Advantages: Partnerships provide for pooling of talent. |
|   | Disadvantages: A partnership may outgrow its ability to finance operations. |

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| 86. For each of the following companies, identify whether it is a service, merchandising, or manufacturing business.

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| **A.** | **Dillards** |
| ***B.*** | **Time Warner Cable** |
| ***C.*** | **Kohl's** |
| ***D.*** | **Ford Motor Co.** |
| ***E.*** | **Applebee's** |
| ***F.*** | **Sylvania** |
| ***G.*** | **Best Buy** |
| ***H.*** | **GAP** |
| ***I.*** | **H & R Block** |

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| *ANSWER:* | ​

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

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| 87. How do businesses make money? What strategies can they use to gain a competitive advantage?

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| *ANSWER:* | Businesses have the objective of making money by generating more revenues than costs. Businesses can seek competitive advantage by using a *premium-price* strategy or by using a *low-cost* strategy. A *premium-price* strategy tries to meet a unique market need based on quality, reliability, image, or design, allowing it to charge a higher price. A *low-cost* strategy focuses on efficiency in product design and production to offer a lower price due to lower costs. |

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| 88. Describe business stakeholders. State the classification of business stakeholders.

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| *ANSWER:* | Business stakeholders are persons or entities that have an interest in the economic performance of a company.

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| (1) | Capital market stakeholder |
| (2) | Product or service market stakeholder |
| (3) | Government stakeholder |
| (4) | Internal stakeholder |

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| 89. 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 does not appear on the statement of cash flows.

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

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| *ANSWER:* |

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| (a) | Investing activity |
| (b) | Operating activity |
| (c) | Financing activity |
| (d) | Operating activity |
| (e) | Financing activity |
| (f) | Investing activity |
| (g) | Financing activity |

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| 90. Define accounting and its role in business.

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| *ANSWER:* | Accounting provides information for managers that can be used in operations of a business. Accounting provides information to external stakeholders to use in assessing the economic performance and condition of the business. |

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| 91. What is the basic accounting equation, and which financial statement is prepared from this equation?

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| *ANSWER:* | Assets = Liabilities + Stockholders' Equity; the balance sheet is prepared from this equation. |

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| 92. The following are the financial statement data for Degen Temporary Services at December 31, 20Y8. Prepare Degen's income statement.

|  |  |
| --- | --- |
| Accounts Payable | $  850 |
| Accounts Receivable | 780 |
| Cash | 425 |
| Common Stock | 600 |
| Dividends | 200 |
| Insurance Expense | 75 |
| Office Equipment | 1,500 |
| Retained Earnings, January 1, 20Y8 | 370 |
| Salaries Expense | 525 |
| Notes Payable | 40 |
| Service Revenue | 1,750 |
| Inventory | 35 |
| Supplies Expense | 50 |

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| **Degen Temporary ServicesIncome Statement****For the Year Ended December 31, 20Y8** |
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| *ANSWER:* | ​

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| **Degen Temporary ServicesIncome Statement****For the Year Ended December 31, 20Y8** |
| Revenues: |   |   |
|      Service Revenue |   | $1,750 |
| Expenses: |   |   |
|      Salaries Expense | $525 |   |
|      Insurance Expense | 75 |   |
|      Supplies Expense |     50 |   |
|           Total Expenses |   |     650 |
| Net income |   | $1,100 |

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| 93. Three different companies—A, B, and C—have the same balance sheet at the beginning and the end of a year. These are summarized as follows:

|  |  |  |
| --- | --- | --- |
|   | **Total Assets** | **Total Liabilities** |
| Beginning of the year | $500,000 | $250,000 |
| End of the year | $1,200,000 | $350,000 |

 Given the data above and the additional information for each of the following companies, determine the net income (loss) for each company.

|  |  |
| --- | --- |
| Company A | No additional investment was made by stockholders, and no dividends were paid. |
| Company B | Stockholders invested an additional $200,000, and no dividends were paid. |
| Company C | Stockholders invested $450,000, and dividends of $50,000 were paid. |

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| *ANSWER:* |

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| Company A | Net income $600,000 |
| Company B | Net income $400,000 |
| Company C | Net income $200,000 |

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| 94. Fill in the missing amounts of the following balance sheet.

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| --- |
| **Prova CompanyBalance SheetDecember 31, 20Y8** |
| Assets |   |   |
| Cash |   | $ 3,300 |
| Accounts Receivable |   | 2,400 |
| Supplies |   | **(a)** |
| Inventory |   | 5,700 |
| Equipment |   | 7,400 |
| Land |   | 9,250 |
| Total Assets |   | $32,550 |
| Liabilities |   |   |
| Accounts Payable | $     850 |   |
| Notes Payable | **(b)**  |   |
| Total Liabilities |   | $      **(c)** |
| Stockholders' Equity |   |   |
| Common Stock | $18,500 |   |
| Retained Earnings |     4,200 |   |
| Total Stockholders' Equity |   |   22,700 |
| Total Liabilities and Stockholders' Equity |   | **$      (d)** |

|  |  |
| --- | --- |
| *ANSWER:* | (a) $4,500(b) $9,000(c) $9,850(d) $32,550 |

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| 95. Classify the following as an asset, liability, revenue, or expense.

|  |  |
| --- | --- |
| (1) | Unearned revenue |
| (2) | Office equipment |
| (3) | Wages payable |
| (4) | Salary expense |
| (5) | Dividends payable |
| (6) | Art fees earned |
| (7) | Prepaid rent |
| (8) | Accounts receivable |
| (9) | Income tax expense |
| (10) | Office supplies |

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| *ANSWER:* |

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| --- | --- |
| (1) | Liability |
| (2) | Asset |
| (3) | Liability |
| (4) | Expense |
| (5) | Liability |
| (6) | Revenue |
| (7) | Asset |
| (8) | Asset |
| (9) | Expense |
| (10) | Asset |

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| 96. Match the following items with the appropriate financial statement.

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| --- | --- |
| a. | Income statement |
| b. | Balance sheet |
| c. | Retained earnings statement |
| d. | Statement of cash flows |

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| (1) | Cash |
| (2) | Salary expense |
| (3) | Unearned revenue |
| (4) | Depreciation expense |
| (5) | Capital stock |
| (6) | Cash flows from operating activities |
| (7) | Accounts receivable |
| (8) | Beginning balance of retained earnings |
| (9) | Notes payable |
| (10) | Accounts payable |
| (11) | Changes in current assets and current liabilities |
| (12) | Total expenses |

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| *ANSWER:* |

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| --- | --- |
| (1) | Balance sheet |
| (2) | Income statement |
| (3) | Balance sheet |
| (4) | Income statement |
| (5) | Balance sheet |
| (6) | Statement of cash flows |
| (7) | Balance sheet |
| (8) | Retained earnings statement |
| (9) | Balance sheet |
| (10) | Balance sheet |
| (11) | Statement of cash flows |
| (12) | Income statement |

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| 97. Review Coca-Cola's financial statements and answer the following questions:

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| --- | --- |
| (1) | How are Coke's numbers reported (in what denomination)? |
| (2) | What is Coke's net operating revenue for 2018? |
| (3) | What is Coke's cost of goods sold for 2018? |
| (4) | What is Coke's net income for 2018? |
| (5) | What is Coke's percent of interest expense to net operating revenue on its 2018 income statement? |
| (6) | What is Coke's percent of increase in net operating revenue from 2017 to 2018? |

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| *ANSWER:* |

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| (1) | In millions of dollars |
| (2) | $31,856 |
| (3) | $11,770 |
| (4) | $6,727 |
| (5) | 919/31,856 = 2.88% |
| (6) | (31,856 - 35,410)/35,410 = -10.0% |

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| 98. Review Coca-Cola's financial statements and answer the following questions:

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| --- | --- |
| (1) | What is Coke's percent of current assets to total assets on its December 31, 2018 balance sheet? |
| (2) | What is Coke's percentage of current liabilities to total stockholders' equity on its December 31, 2018, balance sheet? |
| (3) | What is the percentage increase in cash and cash equivalents from 2017 to 2018? |
| (4) | What percentage did total assets decrease from 2017 to 2018? |

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| *ANSWER:* |

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| (1) | 30,634/83,216 = 36.81% |
| (2) | 29,233/19,058 = 153.39% |
| (3) | (8,926 – 6,006)/6,006 = 48.62% |
| (4) | (83,216 – 87,896)/87,896 = (5.32%) |

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| 99. On May 31, 20X8, Deana's Services Company had account balances as follows:

|  |  |
| --- | --- |
| Accounts payable | $  9,900 |
| Accounts receivable | 26,950 |
| Cash | 11,390 |
| Fees earned | 70,800 |
| Insurance expense | 1,475 |
| Land | 74,400 |
| Miscellaneous expense | 1,510 |
| Prepaid insurance | 2,000 |
| Rent expense | 8,000 |
| Salary expense | 35,300 |
| Dividends | 15,100 |
| Supplies | 950 |
| Supplies expense | 825 |
| Utilities expense | 3,800 |
| Capital stock | 81,000 |
| Retained earnings (beginning balance on May 1, 20Y8) | 20,000 |

Present, in good form, (a) an income statement for May, (b) a statement of shareholders' equity for May, and (c) a balance sheet as of May 31.

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| *ANSWER:* |

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| (a) |
| Deana's Services CompanyIncome StatementFor the Month Ended May 31, 20Y8 |
| Fees earned | $70,800 |
| Operating expenses: |   |
|    Salary expense | $35,300 |
|    Rent expense | 8,000 |
|    Utilities expense | 3,800 |
|    Supplies expense | 825 |
|    Insurance expense | 1,475 |
|    Miscellaneous expense |     1,510 |
| Total operating expenses |   50,910 |
| Net income | $19,890 |

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| (b) |
| Deana's Services CompanyStatement of Retained EarningsFor the Month Ended May 31, 20Y8 |
| Retained earnings, May 1, 20Y8 | $20,000 |
| Net income for the month | 19,890 |
| Subtotal | 39,890 |
| Less dividends |   15,100 |
| Retained earnings, May 31, 20Y8 |  $24,790 |

|  |
| --- |
|   |
| (c) |

|  |
| --- |
| Deana's Services CompanyBalance SheetMay 31, 20Y8 |
| Assets |   |   | Liabilities |   |
| Cash | $  11,390 |   | Accounts payable | $    9,900 |
| Accounts receivable | 26,950 |   |   |   |
| Prepaid insurance | 2,000 |   | Stockholders' Equity |   |
| Supplies | 950 |   | Capital stock       $81,000 |   |
| Land |     74,400 |   | Retained earnings 24,790 |   |
|   |   |   | Total stockholders' equity | 105,790 |
|   |   |   | Total liabilities and |   |
| Total assets | $115,690 |   |   stockholders' equity | $115,690 |

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| 100. Match each statement with the appropriate accounting concept. (Some items may not be used. Others may be used more than once.)

|  |  |
| --- | --- |
| a. | Accounting period concept |
| b. | Adequate disclosure concept |
| c. | Business entity concept |
| d. | Cost concept |
| e. | Going concern concept |
| f. | Matching concept |
| g. | Objectivity concept |
| h. | Unit of measure concept |

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| --- | --- |
| (1) | Owners' transactions are separate from business transactions. |
| (2) | Financial statements are prepared at the end of each year. |
| (3) | Land purchased for $50,000, 10 years ago, is reported on the Balance Sheet at $50,000. |
| (4) | December rent expense paid in January is reported with the December revenues. |
| (5) | All transactions are recorded and reported in dollars. |
| (6) | This provides a summary of significant accounting policies. |
| (7) | This assumes that IBM will continue as a corporation forever. |
| (8) | The length of time left on debt obligations is shown. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *ANSWER:* |

|  |  |
| --- | --- |
| (1) | c |
| (2) | a |
| (3) | d |
| (4) | f |
| (5) | h |
| (6) | b |
| (7) | e |
| (8) | b |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 101. From the following information for BlueInks Corporation, compute the rate on return of assets.

|  |  |
| --- | --- |
| Net income after tax | $30,548 |
| Taxes | $6,785 |
| Interest expense | $3,545 |
| Total assets at beginning of year | $150,500 |
| Total assets at end of year | $175,684 |

|  |  |  |
| --- | --- | --- |
|   | a.  | 20.90% |
|   | b.  | 25.06% |
|   | c.  | 22.89% |
|   | d.  | 18.73% |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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