

1. Award: 1.00 point

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

- Securities and Exchange Commission
- U.S. Congress
- International Accounting Standards Board
- Financial Accounting Standards Board

The Financial Accounting Standards Board is a privately funded group charged with establishing accounting standards for the U.S. It is not a branch of the U.S. government.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-01 Identify the ways accounting benefits society.

2. Award: 1.00 point

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

- Business
- Regulatory agency
- Consumer
- Resource owner

Businesses transform basic resources provided by resource owners into goods and services that consumers demand. Regulatory agencies set policies that affect the way that businesses operate.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-01 Identify the ways accounting benefits society.

3. Award: 1.00 point

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

- Consumers
- Creditors
- Investors
- Owners

Businesses borrow money from creditors, and repay the amount borrowed, plus, when applicable, an additional fee known as interest. Investors, in contrast, provide financial resources in exchange for ownership interest in the business.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-01 Identify the ways accounting benefits society.

4. Award: 1.00 point

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

- Cost accounting
- Managerial accounting
- Tax accounting
- Financial accounting

Financial accounting is intended to satisfy the needs of external users of accounting information. Managerial accounting, including cost accounting, is intended for the needs of internal users, or managers, of a business. Tax accounting is specifically intended for tax regulatory agencies.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-01 Identify the ways accounting benefits society.

5. Award: 1.00 point

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

- It is often used by investors.
- It is more detailed than financial accounting information.
- It can include nonfinancial information.
- It focuses on divisional rather than overall profitability.

Managerial accounting provides information primarily for internal users, or managers, of businesses. Managers require more detailed information about a business than do external users, and sometimes that information is nonfinancial in nature. Managerial accounting information focuses on divisional rather than overall profitability and is not typically made available to external users, such as investors.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-01 Identify the ways accounting benefits society.

6. Award: 1.00 point

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

- Generally Accepted Accounting Principles
- Generally Applied Accounting Procedures
- Governmentally Approved Accounting Practices
- Generally Authorized Auditing Principles

Generally Accepted Accounting Principles (referred to as GAAP) are established by the Financial Accounting Standards Board.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-01 Identify the ways accounting benefits society.

7. Award: 1.00 point

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

- Internationally Accepted Standards Board
- International Accounting Standards Board
- International Accountability Standards Bureau
- International Accounting and Sustainability Board

The International Accounting Standards Board establishes accounting standards for most countries outside of the U.S.

References

Multiple Choice	Difficulty: 1 Easy	Learning Objective: 01-01 Identify the ways accounting benefits society.
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8. Award: 1.00 point

Jack Henry borrowed \$800,000 from Walt Bank to open a new bike store called Wooden Wheels. Jack transferred \$650,000 of the cash that he borrowed to the store on the first day of the year. How many reporting entities exist in this scenario?

- One reporting entity
- Two reporting entities
- Three reporting entities
- Four reporting entities

The three reporting entities are Jack Henry, Walt Bank, and Wooden Wheels. A separate set of accounting records would be kept for each entity.

References

Multiple Choice	Difficulty: 2 Medium	Learning Objective: 01-02 Identify reporting entities.
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9. Award: 1.00 point

Jack Henry borrowed \$800,000 from Walt Bank to open a new bike store called Wooden Wheels. Jack transferred \$650,000 of the cash he borrowed to Wooden Wheels on the first day of the year. Which of the following appropriately reflects the cash transactions between these reporting entities?

Option	Jack Henry	Wooden Wheels	Walt Bank
A.	\$ 150,000 increase	\$ 650,000 increase	\$ 800,000 decrease
B.	\$ 800,000 increase	\$ 650,000 increase	\$ 150,000 decrease
C.	\$ 800,000 decrease	\$ 800,000 increase	\$ 650,000 decrease
D.	\$ 650,000 increase	\$ 150,000 increase	\$ 800,000 decrease

- Option A
- Option B
- Option C
- Option D

Jack Henry's cash increase of \$150,000 is calculated by subtracting the \$650,000 in cash he transferred to Wooden Wheels from the \$800,000 in cash he borrowed from Walt Bank. Wooden Wheels will report an increase in cash of \$650,000 from the transfer of cash from Jack Henry. Finally, Walt Bank will report a decrease in cash of \$800,000 due to the loan it provided Jack Henry.

References

Multiple Choice	Difficulty: 2 Medium	Learning Objective: 01-02 Identify reporting entities.
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10. Award: 1.00 point

Ellen Gatsby and her siblings, Ben and Sarah, started Gatsby Company when they each invested \$100,000 in the company. After the investments there will be

- One reporting entity
- Two reporting entities
- Three reporting entities
- Four reporting entities

The four reporting entities are Ellen Gatsby, her siblings Ben and Sarah, and Gatsby Company.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-02 Identify reporting entities.

11. Award: 1.00 point

Which of the following is an accurate definition of the term "asset?"

- An obligation to creditors
- A resource that will be used to produce revenue
- A transfer of wealth from the business to its stockholders
- A sacrifice incurred from operating the business

Assets are resources that a business uses to conduct its operations. Examples include cash, inventory, equipment, building, land, etc. In the process of conducting operations, a business uses some assets in order to produce greater quantities of other assets. For example, Walmart may use (sell) some of its inventory in order to receive cash from a customer. The cash received is revenue. In this case, the remaining inventory is a resource (asset) that will be used (sold) in the future to produce revenue.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-03 Identify the elements of the accounting equation.

12. Award: 1.00 point

Which of the following is (are) source(s) of assets to a business?

- Creditors
- Investors
- Operations
- All the answers represent sources of assets.

Businesses obtain assets from three sources. They acquire assets from owners (stockholders); they borrow assets from creditors; and they earn assets through profitable operations. Asset source transactions increase total assets and total claims.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-03 Identify the elements of the accounting equation.

13. Award: 1.00 point

If total assets decrease, then which of the following statements is true?

- Liabilities must increase and retained earnings must decrease.
- Common stock must decrease and retained earnings must increase.
- Liabilities, common stock, or retained earnings must decrease.
- Liabilities, common stock, or retained earnings must increase.

If total assets decrease, then assets were used. Since the accounting equation must balance (i.e. assets must equal claims), the decrease on the asset (left) side of the accounting equation must be offset by a decrease on the claims (right) side of the equation. Since liabilities, common stock, and retained earnings appear on the right side of the equation, a decrease in an asset account must be offset by a decrease in one of these right-side accounts.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-03 Identify the elements of the accounting equation.

14. Award: 1.00 point

Which of the following statements about liabilities is true?

- They represent obligations to repay debts.
- They may increase when assets increase.
- They are found on the claims side of the accounting equation.
- All of the answers are characteristics of liabilities.

When a business borrows money from a creditor it accepts an obligation (liability) to repay the money to the creditor in the future. Borrowing money causes the business' assets and its liabilities to increase. In the accounting equation, assets must equal claims. Liabilities and stockholders' equity represent the claims on assets.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-03 Identify the elements of the accounting equation.

15. Award: 1.00 point

Which term describes assets generated through operations that have been reinvested into the business?

- Liability
- Dividend
- Common stock
- Retained earnings

When a company has an increase in assets generated through operations and chooses to reinvest the profits into the business it is referred to as retained earnings. If the business chooses to distribute the increase in assets from operations to the owners of the business, it is called a dividend. A liability would represent an obligation to repay debt to an external party. Common stock represents the proportionate share of ownership each stockholder has in the business.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-03 Identify the elements of the accounting equation.

16. Award: 1.00 point

Which of the following is an accurate depiction of the accounting equation?

- Assets = Liabilities + Common Stock + Retained Earnings
- Assets = Liabilities + Common Stock – Expenses
- Assets = Liabilities + Retained Earnings – Dividends
- Assets = Liabilities + Common Stock + Dividends

The accounting equation expresses the equality between a business's assets and the claims on its assets. The accounting equation can be developed as follows:

Assets = Claims

Assets = Liabilities + Stockholders' Equity

Assets = Liabilities + Common Stock + Retained Earnings

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-03 Identify the elements of the accounting equation.

17. Award: 1.00 point

Which term describes a distribution of the business's assets back to the owners of the business?

- Liability
- Dividend
- Retained earnings
- Common stock

When a company redistributes its assets back to the owners of the business it is referred to as a dividend. A liability would represent an obligation to repay debt to an external party. Retained earnings are the profits that have been retained within the company rather than distributed to the owners. Common stock represents the proportionate share of ownership each stockholder has in the company.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-03 Identify the elements of the accounting equation.

18. Award: 1.00 point

Finn Company reported assets of \$1,000 and stockholders' equity of \$600. What amount will Finn report for liabilities?

- \$400
- \$600
- \$1,600
- Cannot be determined

In the accounting equation, assets equal claims (liabilities + stockholders' equity). If assets are \$1,000, total claims must also be \$1,000. Therefore, liabilities must be \$1,000 – \$600, or \$400.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-03 Identify the elements of the accounting equation.

19. Award: 1.00 point

Which of the following items is an example of revenue?

- Cash received from a bank loan
- Cash received from investors from the sale of common stock
- Cash received from customers at the time services were provided
- Cash received from the sale of land for its original selling price

Cash received from providing services to customers is an example of revenue, and is an asset source transaction. Cash received from a bank loan results in a liability, notes payable. Cash investments made by owners increase the stockholders' equity account common stock. Cash received from the sale of land for its original selling price is an asset exchange transaction that decreases one asset, land, and increases another asset, cash.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-04 Show how business events affect the accounting equation.

20. Award: 1.00 point

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

- Net income
- Revenue
- Assets
- Cash

Cash is not an element of the financial statements. It is an account that is part of the element assets.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-03 Identify the elements of the accounting equation.

21. Award: 1.00 point

The balance sheet of the Algonquin Company reported assets of \$50,000, liabilities of \$22,000 and common stock of \$15,000. Based on this information only, what is the amount of retained earnings?

- \$7,000.
- \$57,000.
- \$13,000.
- \$87,000.

Assets = Liabilities + Stockholders' Equity; Stockholders' equity includes common stock and retained earnings. $\$50,000 = \$22,000 + \$15,000 + \text{Retained earnings}$; Retained earnings = \$13,000

References

Multiple Choice

Learning Objective: 01-04 Show how business events affect the accounting equation.

Difficulty: 1 Easy

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

22. Award: 1.00 point

Stosch Company's balance sheet reported assets of \$62,000, liabilities of \$19,000 and common stock of \$16,000 as of December 31, Year 1. If Retained Earnings on the balance sheet as of December 31, Year 2, amount to \$34,000 and Stosch paid a \$18,000 dividend during Year 2, then the amount of net income for Year 2 was which of the following?

- \$7,000
- \$25,000
- \$27,000
- \$18,000

If assets on December 31, Year 1 totaled \$62,000, total claims (including liabilities, common stock, and retained earnings) on that date must have also been \$62,000. If liabilities were \$19,000 and common stock was \$16,000, retained earnings on December 31, Year 1 must have been \$27,000. At the end of Year 2, the company reported \$34,000 in retained earnings, a \$7,000 increase. During Year 2, Stosch paid a \$18,000 cash dividend, which reduced retained earnings. Therefore, Year 2 net income must have been \$7,000 greater than the dividend paid. $\$18,000 + \$7,000 = \$25,000$.

References

Multiple Choice

Difficulty: 3 Hard

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

23. Award: 1.00 point

Stosch Company's balance sheet reported assets of \$40,000, liabilities of \$15,000 and common stock of \$12,000 as of December 31, Year 1. If Retained Earnings on the balance sheet as of December 31, Year 2, amount to \$18,000 and Stosch paid a \$14,000 dividend during Year 2, then the amount of net income for Year 2 was which of the following?

- \$17,000
- \$19,000
- \$13,000
- \$21,000

If assets on December 31, Year 1 totaled \$40,000, total claims (including liabilities, common stock, and retained earnings) on that date must have also been \$40,000. If liabilities were \$15,000 and common stock was \$12,000, retained earnings on December 31, Year 1 must have been \$13,000. At the end of Year 2, the company reported \$18,000 in retained earnings, a \$5,000 increase. During Year 2, Stosch paid a \$14,000 cash dividend, which reduced retained earnings. Therefore, Year 2 net income must have been \$5,000 greater than the dividend paid. $\$14,000 + \$5,000 = \$19,000$.

References

Multiple Choice

Difficulty: 3 Hard

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

24. Award: 1.00 point

Hazeltine Company issued common stock for \$200,000 cash. As a result of this event, which of the following statements is true?

- Assets increased.
- Stockholders' equity increased.
- Claims increased.
- Assets, claims, and stockholders' equity all increased.

Issuing common stock increases both assets (cash) and stockholders' equity (common stock). Stockholders' equity and liabilities collectively make up claims in the accounting equation.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-04 Show how business events affect the accounting equation.

25. Award: 1.00 point

If Ballard Company reported assets of \$500 and liabilities of \$200, Ballard's stockholders' equity equals:

- \$300.
- \$500.
- \$700.
- Cannot be determined.

In the accounting equation, assets equal claims (liabilities + stockholders' equity). If assets are \$500, total claims must also be \$500. Therefore, stockholders' equity must be (\$500 - \$200), or \$300.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-03 Identify the elements of the accounting equation.

26. Award: 1.00 point

If a company's total assets increased while liabilities and common stock were unchanged, then which of the following statements is true?

- Revenues were greater than expenses.
- Retained earnings were less than net income during the period.
- No dividends were paid during the period.
- The company must have purchased assets with cash.

If a company's total assets increased while liabilities and common stock were unchanged, retained earnings must have increased. In order for retained earnings to increase, the company must have reported net income as a result of revenues exceeding expenses.

References

Multiple Choice

Difficulty: 3 Hard

Learning Objective: 01-04 Show how business events affect the accounting equation.

27. Award: 1.00 point

Li Company paid cash to purchase land. As a result of this accounting event, which of the following statements is true?

- Total assets decreased.
- Total assets were unaffected.
- Total stockholders' equity decreased.
- Both assets and total stockholders' equity decreased.

Paying cash for land is an asset exchange transaction that increases one asset (land) and decreases another asset (land). The result is no overall change in total assets.

References

Multiple Choice

Learning Objective: 01-04 Show how business events affect the accounting equation.

Difficulty: 1 Easy

Learning Objective: 01-06 Classify business events as asset source, use, or exchange transactions.

28. Award: 1.00 point

Wyatt Company was formed on January 1, Year 1, when it acquired \$50,000 cash from issuing common stock. Which of the following shows the impact of this transaction on Wyatt's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity
A.	+/-		n/a		n/a
B.	+		n/a		+
C.	-		n/a		-
D.	+		+		n/a

- Option A
- Option B
- Option C
- Option D

Acquiring cash from issuing common stock will increase assets (Cash) and increase stockholders' equity (Common Stock). There is no impact on liabilities.

References

Multiple Choice	Difficulty: 1 Easy	Learning Objective: 01-04 Show how business events affect the accounting equation.
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29. Award: 1.00 point

Wing Company borrowed \$70,000 cash from Metropolitan Bank. Which of the following shows the impact of this transaction on Wing's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity
A.	+/-		n/a		n/a
B.	+		n/a		+
C.	-		n/a		-
D.	+		+		n/a

- Option A
- Option B
- Option C
- Option D

Borrowing cash from the bank will increase assets (Cash) and increase liabilities (Notes Payable). There is no impact on stockholders' equity.

References

Multiple Choice	Difficulty: 1 Easy	Learning Objective: 01-04 Show how business events affect the accounting equation.
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30. Award: 1.00 point

Wing Company provided services for \$30,000 cash. Which of the following shows the impact of this transaction on Wing's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity
A.	+/-		n/a		n/a
B.	+		n/a		+
C.	-		n/a		-
D.	+		+		n/a

- Option A
- Option B
- Option C
- Option D

Providing services for cash is considered revenue. The cash revenue increases assets (Cash) and stockholders' equity (Retained Earnings).

References

Multiple Choice	Difficulty: 1 Easy	Learning Objective: 01-04 Show how business events affect the accounting equation.
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31. Award: 1.00 point

Wing Company paid \$20,000 cash in salaries to its employees. Which of the following shows the impact of this transaction on Wing's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity
A.	+/-		n/a		n/a
B.	+		n/a		+
C.	-		n/a		-
D.	+		+		n/a

- Option B
- Option A
- Option C
- Option D

An economic sacrifice a business incurs in the process of generating revenue is called an expense. The asset account Cash decreases and the stockholders' equity account retained earnings decreases.

References

Multiple Choice	Difficulty: 1 Easy	Learning Objective: 01-04 Show how business events affect the accounting equation.
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32. Award: 1.00 point

Wing Company paid \$5,000 cash to purchase land. Which of the following shows the impact of this transaction on Wing's accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity
A.	+/-		n/a		n/a
B.	+		n/a		+
C.	-		n/a		-
D.	+		+		n/a

- Option A
 Option B
 Option C
 Option D

Purchasing land for cash is an asset exchange transaction. The asset account Cash decreases and the asset account land increases. There is no impact on liabilities or stockholders' equity.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-04 Show how business events affect the accounting equation.

33. Award: 1.00 point

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

- 25% of Turner's assets are the result of prior earnings.
 \$5,000 is the maximum dividend that can be paid to shareholders.
 40% of Turner's assets are the result of borrowing from creditors.
 → 25% of Turner's assets are from prior earnings, \$5,000 is the maximum possible dividend, and 40% of assets are the result of borrowed resources.

Retained earnings of \$5,000 is equal to 25% of the company's assets, indicating that 25% of Turner's assets are from prior earnings. \$8,000, or 40%, of Turner's assets are liabilities, indicating that those assets are the result of borrowed resources. A company can pay out no more in dividends than it has in its retained earnings account.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-05 Interpret information shown in an accounting equation.

34. Award: 1.00 point

At the time of liquidation, Fairchild Company reported assets of \$200,000, liabilities of \$120,000, common stock of \$90,000 and retained earnings of (\$10,000). What amount of Fairchild's assets are the shareholders entitled to receive?

- \$200,000
 → \$80,000
 \$90,000
 \$100,000

Creditors receive first priority in asset distribution during a business liquidation. Therefore, creditors would collect the \$120,000 owed to them, leaving the shareholders with the remaining \$80,000.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-05 Interpret information shown in an accounting equation.

35. Award: 1.00 point

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

- 60%
- 25%
- 40%
- 35%

If assets total \$100,000, claims must also total \$100,000. Claims include liabilities, common stock and retained earnings. Because liabilities and retained earnings equal \$65,000, common stock must be \$35,000. The common stock account represents the assets that were obtained through investors. \$35,000 is 35% of \$100,000.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-05 Interpret information shown in an accounting equation.

36. Award: 1.00 point

On January 1, Year 2, Chavez Company had beginning balances as follows:

Assets	= \$12,500
Liabilities	= \$ 4,500
Common Stock	= \$ 3,000

During Year 2, Chavez paid dividends to its stockholders of \$2,000. Given that ending retained earnings was \$6,000, what was Chavez's net income for the Year 2?

- \$3,000
- \$5,000
- \$7,000
- \$2,000

On January 1, Year 2:

Assets = Liabilities + Common Stock + Retained Earnings

\$12,500 = \$4,500 + \$3,000 + Retained Earnings

Retained Earnings = \$5,000

During Year 2:

Beginning retained earnings + Net income – Dividends = Ending retained earnings

\$5,000 + Net Income – \$2,000 = \$6,000

Net Income = \$3,000

References

Multiple Choice

Learning Objective: 01-04 Show how business events affect the accounting equation.

Difficulty: 3 Hard

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

37. Award: 1.00 point

The transaction, "provided services for cash," affects which two accounts?

- Revenue and Expense
- Cash and Revenue
- Cash and Expense
- Cash and Dividends

Providing services for cash increases a company's assets (cash) and stockholders' equity (revenue, which closes to retained earnings).

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-04 Show how business events affect the accounting equation.

38. Award: 1.00 point

During the year, Millstone Company earned \$6,500 of cash revenue, paid cash dividends of \$1,000 to stockholders and paid \$4,000 for cash expenses. Liabilities were unchanged. Which of the following accurately describes the effect of these events on the elements of the company's financial statements?

- Assets increased by \$6,500.
- Assets increased by \$1,500.
- Stockholders' equity increased by \$2,500.
- Assets increased by \$5,500.

Change in stockholders' equity = Revenue – Expenses – Dividends
Change in stockholders' equity = \$6,500 – \$4,000 – \$1,000 = \$1,500
If there was no change in liabilities, the change in assets must also equal \$1,500.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-04 Show how business events affect the accounting equation.

39. Award: 1.00 point

At the end of Year 2, retained earnings for the Baker Company was \$3,650. Revenue earned by the company in Year 2 was \$3,900, expenses paid during the period were \$2,050, and dividends paid during the period were \$1,450. Based on this information alone, what was the amount of retained earnings at the beginning of Year 2?

- \$7,800
- \$4,050
- \$3,250
- \$1,800

Beginning Retained Earnings + Revenue – Expenses – Dividends = Ending Retained Earnings
Beginning Retained Earnings + \$3,900 – \$2,050 – \$1,450 = \$3,650
Beginning Retained Earnings = \$3,250

References

Multiple Choice

Learning Objective: 01-04 Show how business events affect the accounting equation.

Difficulty: 3 Hard

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

40. Award: 1.00 point

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

- \$3,300
- \$3,700
- \$2,800
- \$3,800

Beginning Retained Earnings + Revenue – Expenses – Dividends = Ending Retained Earnings
Beginning Retained Earnings + \$1,500 – \$800 – \$500 = \$3,500
Beginning Retained Earnings = \$3,300

References

Multiple Choice

Learning Objective: 01-04 Show how business events affect the accounting equation.

Difficulty: 3 Hard

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

41. Award: 1.00 point

Which of the following is not an asset use transaction?

- Paying cash dividends
- Paying cash expenses
- Paying off the principal of a loan
- Paying cash to purchase land

Paying cash to purchase land is an asset exchange transaction.

References

Multiple Choice	Learning Objective: 01-04 Show how business events affect the accounting equation.
Difficulty: 1 Easy	Learning Objective: 01-06 Classify business events as asset source, use, or exchange transactions.

42. Award: 1.00 point

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

- Asset source
- Claims exchange
- Asset use
- Asset exchange

Borrowing cash is an asset source transaction that increases a business's assets (cash) and increases its liabilities (notes payable).

References

Multiple Choice	Difficulty: 1 Easy	Learning Objective: 01-06 Classify business events as asset source, use, or exchange transactions.
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43. Award: 1.00 point

Which of the following could describe the effects of an asset exchange transaction on the accounting equation?

	Assets	=	Liabilities	+	Stockholders' Equity
A.	+/-		n/a		n/a
B.	+		n/a		+
C.	-		n/a		-
D.	+		+		n/a

- Option A
- Option B
- Option C
- Option D

An asset exchange transaction is one that increases one asset account and decreases another, resulting in no net change in assets. There are no changes to the company's liabilities and stockholders' equity either.

References

Multiple Choice	Difficulty: 1 Easy	Learning Objective: 01-06 Classify business events as asset source, use, or exchange transactions.
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44. Award: 1.00 point

Which of the following does not describe the effects of an asset use transaction on the accounting equation?

	Assets	=	Balance Sheet Liabilities	+	Equity	Revenue	-	Income Statement Expense	=	Net Income
A.	-	=	-	+	NA	NA	-	NA	=	NA
B.	-	=	-	+	NA	NA	-	NA	=	NA
C.	-	=	NA	+	-	NA	-	+	=	-
D.	NA	=	+	+	NA	+	-	+	=	-

- Option A
- Option B
- Option C
- Option D

An asset use transaction is one that decreases a business's assets and decreases either liabilities or stockholders' equity. An asset use transaction may or may not affect expenses. If the asset account decreased is cash, there will be an effect on cash flows.

References

Multiple Choice	Learning Objective: 01-06 Classify business events as asset source, use, or exchange transactions.
Difficulty: 2 Medium	Learning Objective: 01-10 Record business events using a horizontal financial statements model.

45. Award: 1.00 point

Which of the following cash transactions results in an increase to one asset account and a decrease to another asset account?

- Borrowing cash from a bank
- Issuing common stock for cash
- Purchasing land for cash
- Providing services for cash

Purchasing land for cash is an asset exchange transaction that does not affect total assets. The asset (land) increases and the asset (cash) decreases. Borrowing cash, issuing stock, and providing services for cash are all asset source transactions that increase assets.

References

Multiple Choice	Difficulty: 1 Easy	Learning Objective: 01-04 Show how business events affect the accounting equation.
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46. Award: 1.00 point

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

- Cash inflow from interest revenue.
- Cash inflow from the issuance of common stock.
- Cash outflow for the payment of dividends.
- Cash outflow for the purchase of land.

Purchasing land (a long-lived asset) for cash is an investing activity. Issuing common stock and paying dividends are both financing activities. Cash inflow from interest revenue is an operating activity.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-08 Prepare a statement of cash flows.

47. Award: 1.00 point

Jackson Company had a net increase in cash from operating activities of \$11,400 and a net decrease in cash from financing activities of \$1,300. If the beginning and ending cash balances for the company were \$3,200 and \$12,400, respectively, what is the net cash change from investing activities?

- An outflow or decrease of \$900.
- An inflow or increase of \$1,300.
- An inflow or increase of \$900.
- Zero.

Beginning cash balance + Increase from operating activities – Decrease from financing activities +/- Increase or decrease from investing activities = Ending cash balance

$\$3,200 + \$11,400 - \$1,300 \pm \text{Increase or decrease from investing activities} = \$12,400$

$\$900 = \text{Decrease from investing activities}$

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-08 Prepare a statement of cash flows.

48. Award: 1.00 point

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

- An outflow or decrease of \$1,000.
- An inflow or increase of \$2,000.
- An inflow or increase of \$1,000.
- Zero

Beginning cash balance + Increase from operating activities – Decrease from financing activities +/- Increase or decrease from investing activities = Ending cash balance

$\$4,000 + \$10,000 - \$2,000 \pm \text{Increase or decrease from investing activities} = \$11,000$

$\$1,000 = \text{Decrease from investing activities}$

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-08 Prepare a statement of cash flows.

49. Award: 1.00 point

The year-end financial statements of Calloway Company contained the following elements and corresponding amounts: Assets = \$39,000; Liabilities = ?; Common Stock = \$6,900; Revenue = \$14,800; Dividends = \$1,700; Beginning Retained Earnings = \$4,700; Ending Retained Earnings = \$8,900. Based on this information, the amount of expenses on Calloway's income statement was

- \$500.
- \$4,200.
- \$11,600.
- \$8,900.

Beginning retained earnings + Revenue - Expenses - Dividends = Ending retained earnings
 $\$4,700 + \$14,800 - \text{Expenses} - \$1,700 = \$8,900$
Expenses = \$8,900

References

Multiple Choice	Learning Objective: 01-04 Show how business events affect the accounting equation.	Learning Objective: 01-10 Record business events using a horizontal financial statements model.
Difficulty: 3 Hard	Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.	

50. Award: 1.00 point

The year-end financial statements of Calloway Company contained the following elements and corresponding amounts: Assets = \$50,000; Liabilities = ?; Common Stock = \$15,000; Revenue = \$22,000; Dividends = \$1,500; Beginning Retained Earnings = \$3,500; Ending Retained Earnings = \$7,500. Based on this information, the amount of expenses on Calloway's income statement was:

- \$18,500.
- \$13,000.
- \$16,500.
- \$10,000.

Beginning retained earnings + Revenue - Expenses - Dividends = Ending retained earnings
 $\$3,500 + \$22,000 - \text{Expenses} - \$1,500 = \$7,500$
Expenses = \$16,500

References

Multiple Choice	Learning Objective: 01-04 Show how business events affect the accounting equation.
Difficulty: 3 Hard	Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

51. Award: 1.00 point

The year-end financial statements of Calloway Company contained the following elements and corresponding amounts: Assets = \$24,000; Liabilities = ?; Common Stock = \$5,400; Revenue = \$11,800; Dividends = \$950; Beginning Retained Earnings = \$3,950; Ending Retained Earnings = \$7,400.

The amount of liabilities reported on the end-of-period balance sheet was:

- \$18,600.
- \$14,650.
- \$16,600.
- \$11,200.

Assets = Liabilities + Common Stock + Ending Retained Earnings
\$24,000 = Liabilities + \$5,400 + \$7,400
Liabilities = \$11,200

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

52. Award: 1.00 point

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

The amount of liabilities reported on the end-of-period balance sheet was:

- \$27,500.
- \$31,500.
- \$35,000.
- \$42,500.

Assets = Liabilities + Common Stock + Ending Retained Earnings
\$50,000 = Liabilities + \$15,000 + \$7,500
Liabilities = \$27,500

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

53. Award: 1.00 point

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

- Income statement
- Balance sheet
- Statement of cash flows
- Statement of changes in stockholders' equity

The balance sheet provides information about a company as of a specific point in time, the other three statements provide information about a period of time such as a month, a quarter, or a year.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

54. Award: 1.00 point

Kelly Company experienced the following events during its first accounting period.

- (1) Issued common stock for \$10,000 cash.
- (2) Earned \$8,000 of cash revenue.
- (3) Paid \$1,000 cash to purchase land.
- (4) Paid cash dividends amounting to \$500.
- (5) Paid \$4,400 of cash expenses.

Based on this information, what is the amount of net income?

- \$2,100
- \$2,600
- \$3,600
- \$5,600

Net income = Revenues of \$8,000 – Expenses of \$4,400 = \$3,600. Expenses are economic sacrifices incurred to produce revenue. In this case, the company's sacrifice was a decrease in assets (cash). Note that dividends are not expenses. Dividends are not paid in order to produce revenue. Instead they are transfers of wealth from the business to its owners. Purchasing land is not an expense because it is not an economic sacrifice incurred to produce revenue.

References

Multiple Choice	Difficulty: 2 Medium	Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.
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55. Award: 1.00 point

Which of the following shows the effects of paying a cash dividend on the balance sheet and income statement?

	Assets	=	Balance Sheet			Revenue	Income Statement	=	Net Income
			Liabilities	+ Stockholders' Equity			Expense		
A.	-		+	n/a		n/a	n/a		n/a
B.	-		n/a	-		n/a	+		-
C.	-		n/a	+		n/a	+		-
D.	-		n/a	-		n/a	n/a		n/a

- Option A
- Option B
- Option C
- Option D

A cash dividend decreases the asset account Cash and decreases the stockholders' equity account Retained Earnings. Paying a dividend is not recognized as an expense. Therefore, it has no effect on the income statement.

References

Multiple Choice	Difficulty: 2 Medium	Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.
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56. Award: 1.00 point

Which of the following shows the effects of providing services for cash on the balance sheet and income statement?

	Assets	=	Balance Sheet			Income Statement		=	Net Income
			Liabilities	+	Stockholders' Equity	Revenue	Expense		
A.	+		n/a		n/a	+	n/a		+
B.	+		n/a		+	+	n/a		+
C.	-		n/a		+	n/a	+		-
D.	+		n/a		+	n/a	n/a		n/a

- Option A
- Option B
- Option C
- Option D

Providing services for cash increases assets (Cash) and stockholders' equity (Retained Earnings). It also increases revenues, which increases net income.

References

Multiple Choice

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

57. Award: 1.00 point

The statement of changes in stockholders' equity shows changes in which of the following accounts?

- Retained Earnings and Assets
- Assets and Liabilities
- Common Stock and Retained Earnings
- Liabilities and Common Stock

Stockholders' equity is made up of two accounts: Common Stock and Retained Earnings. The statement of changes in stockholders' equity shows changes in those two accounts over the period.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

58. Award: 1.00 point

Which of the following transactions would be reported on the statement of changes in stockholders' equity?

- Borrowed \$5,000 cash from the bank
- Paid a \$100 cash dividend to the stockholders
- Purchased land for \$2,000 cash
- Paid \$1,500 cash to pay off a portion of its note payable

Dividends are reported as a deduction from retained earnings on the statement of changes in stockholders' equity. The other transactions listed (borrowing cash from the bank, purchasing land for cash and paying off a portion of a note payable) do not affect stockholders' equity.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

59. Award: 1.00 point

Dividends are reported on which financial statement?

- Balance Sheet
- Income Statement
- Statement of Changes in Stockholders' Equity
- Both the income statement and statement of changes in stockholders' equity

Dividends are reported as a deduction from retained earnings on the statement of changes in stockholders' equity.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

60. Award: 1.00 point

Salaries expense appears in the:

- Liabilities section of the balance sheet
- Financing activities section of the statement of cash flows
- Asset section of the balance sheet
- Expense section of the income statement

The income statement matches revenue (benefits) with the expenses (sacrifices) that were incurred to generate the revenue.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

61. Award: 1.00 point

At the beginning of Year 2, Jones Company had a balance in common stock of \$300,000 and a balance of retained earnings of \$15,000. During Year 2, the following transactions occurred:

- Issued common stock for \$90,000
- Earned net income of \$50,000
- Paid dividends of \$8,000
- Issued a note payable for \$20,000

Based on the information provided, what is the total stockholders' equity on December 31, Year 2?

- \$147,000
- \$357,000
- \$427,000
- \$447,000

The total stockholder's equity equals Ending Common Stock + Ending Retained Earnings. First, ending common stock is calculated as: Beginning common stock + Common stock issued or $\$300,000 + \$90,000 = \$390,000$. Next, ending retained earnings is calculated as follows. Beginning retained earnings of $\$15,000 +$ Net income of $\$50,000 -$ Dividends of $\$8,000 =$ Ending retained earnings of $\$57,000$. Finally, ending common stock of $\$390,000 +$ Ending retained earnings of $\$57,000 =$ Total stockholders' equity of $\$447,000$. Paying back a portion of a note payable does not affect stockholders' equity and therefore it is not included in the calculation.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

62. Award: 1.00 point

Which of the following accounts are permanent?

- Retained earnings
- All income statement accounts
- Dividends
- All balance sheet accounts including dividends.

Accounts that do not close at the end of the accounting period are permanent accounts. Income statement accounts and dividends are temporary accounts, as they close to retained earnings at the end of the accounting period.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-09 Distinguish between permanent and temporary accounts.

63. Award: 1.00 point

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

- Investing activities
- Operating activities
- Financing activities
- Dividends are not reported on the statement of cash flows.

Paying cash dividends, and any cash exchanged between a company and its stockholders, is a financing activity.

References

Multiple Choice

Difficulty: 1 Easy

Learning Objective: 01-08 Prepare a statement of cash flows.

64. Award: 1.00 point

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

- Balance sheet
- Statement of changes in stockholders' equity
- Income statement
- Statement of cash flows

The income statement matches asset increases from operations (revenues) with asset decreases from operations (expenses).

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

65. Award: 1.00 point

The amount of retained earnings is shown on the

- income statement.
- balance sheet.
- statement of cash flows.
- statement of changes in stockholders' equity.
- balance sheet and statement of changes in stockholders' equity.

The balance sheet reports a company's assets, liabilities, and stockholders' equity (common stock and retained earnings). The statement of changes in stockholders' equity explains the effects of transactions on stockholders' equity (common stock and retained earnings) during the period.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

66. Award: 1.00 point

Chow Company earned \$4,900 of cash revenue, paid \$2,700 for cash expenses, and paid a \$1,050 cash dividend to its stockholders. Which of the following statements is true?

- The net cash inflow from operating activities was \$1,150.
- The net cash outflow for investing activities was \$1,050.
- The net cash inflow from operating activities was \$2,200.
- The net cash outflow for investing activities was \$1,150.

Cash revenue and cash expenses are operating activities. Paying dividends is a financing activity. $\$4,900 \text{ revenue} - \$2,700 \text{ expense} = \$2,200 \text{ cash inflow from operating activities.}$

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-08 Prepare a statement of cash flows.

67. Award: 1.00 point

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

- The net cash inflow from operating activities was \$100.
- The net cash outflow for investing activities was \$200.
- The net cash inflow from operating activities was \$300.
- The net cash outflow for investing activities was \$100.

Cash revenue and cash expenses are operating activities. Paying dividends is a financing activity. $\$1,500 \text{ revenue} - \$1,200 \text{ expense} = \$300 \text{ cash inflow from operating activities.}$

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-08 Prepare a statement of cash flows.

68. Award: 1.00 point

Yi Company provided services to a customer for \$5,500 cash. As a result of this event:

- total assets increased and total stockholders' equity decreased.
- total assets were unchanged and cash flows from operating activities increased.
- liabilities decreased and net income increased.
- total assets increased and net income increased.

Providing services to a customer for cash increases assets and stockholders' equity on the balance sheet. It also increases revenue, and therefore, net income on the income statement, and increases cash from operating activities on the statement of cash flows.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-04 Show how business events affect the accounting equation.

69. Award: 1.00 point

During Year 2, Chico Company earned \$2,600 of cash revenue, paid \$1,150 of cash expenses, and paid a \$650 cash dividend to its stockholders. Based on this information alone, which of the following statements is not true?

- Net income amounted to \$1,450.
- Total assets increased by \$800.
- Cash inflow from operating activities was \$1,450.
- Cash outflow from financing activities was \$800.

Cash from operating activities increased by \$1,450 (or $\$2,600 - \$1,150$). Revenue of \$2,600 minus Expenses of \$1,150 = Net income of = \$1,450). Total assets increased by \$800 (or $\$2,600 - \$1,150 - \$650$). Cash from financing activities decreased by \$650.

References

Multiple Choice

Learning Objective: 01-04 Show how business events affect the accounting equation.

Learning Objective: 01-08 Prepare a statement of cash flows.

Difficulty: 3 Hard

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

70. Award: 1.00 point

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

- Net income amounted to \$350.
- Total assets increased by \$200.
- Cash inflow from operating activities was \$350.
- Cash outflow from financing activities was \$200.

Cash from operating activities increased by \$350 (or $\$1,950 - \$1,600$). Revenue of \$1,950 minus Expenses of \$1,600 = Net income of = \$350. Total assets increased by \$200 (or $\$1,950 - \$1,600 - \$150$). Cash from financing activities decreased by \$150.

References

Multiple Choice

Learning Objective: 01-04 Show how business events affect the accounting equation.

Learning Objective: 01-08 Prepare a statement of cash flows.

Difficulty: 3 Hard

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

71. Award: 1.00 point

Which of the following items would appear in the financing activities section of the statement of cash flows?

- Cash outflow for the purchase of land.
- Cash inflow from sales revenue
- Cash inflow from issuance of common stock
- Cash outflow for the payment of accounts payable

Financing activities include obtaining cash (inflow) from owners or paying cash (outflow) to owners (dividends). A cash inflow from issuing common stock is classified as a financing activity.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-08 Prepare a statement of cash flows.

72. Award: 1.00 point

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

- As an operating activity that decreases cash, decreases stockholders' equity, and decreases net income.
- As a financing activity that decreases cash and decreases liabilities.
- As a financing activity that decreases cash, decreases stockholders' equity, and decreases net income.
- As an investing activity that decreases cash and decreases liabilities.

Repaying a bank loan is a cash outflow for financing activities that decreases assets and decreases liabilities.

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-08 Prepare a statement of cash flows.

73. Award: 1.00 point

Retained Earnings at the beginning and ending of the period were \$1,000 and \$2,100, respectively. If revenues were \$3,900 and dividends paid to stockholders were \$900, what was the amount of expenses for the period?

- \$1,100.
- \$2,800.
- \$1,900.
- \$3,000.

Beginning retained earnings of \$1,000 + Revenues of \$3,900 – Expenses – Dividends of \$900 = Ending retained earnings of \$2,100
Expenses = \$1,900

References

Multiple Choice Learning Objective: 01-04 Show how business events affect the accounting equation.

Difficulty: 3 Hard Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

74. Award: 1.00 point

Retained Earnings at the beginning and ending of the period were \$300 and \$800, respectively. If revenues were \$1,100 and dividends paid to stockholders were \$200, what was the amount of expenses for the period?

- \$500
- \$400
- \$900
- \$700

Beginning retained earnings of \$300 + Revenues of \$1,100 – Expenses – Dividends of \$200 = Ending retained earnings of \$800; Expenses = \$400

References

Multiple Choice Learning Objective: 01-04 Show how business events affect the accounting equation.

Difficulty: 3 Hard Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

75. Award: 1.00 point

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

- 1) issued stock for \$60,000
- 2) borrowed \$35,000 from its bank
- 3) provided consulting services for \$59,000 cash
- 4) paid back \$25,000 of the bank loan
- 5) paid rent expense for \$14,000
- 6) purchased equipment for \$22,000 cash
- 7) paid \$4,000 dividends to stockholders
- 8) paid employees' salaries of \$31,000

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

- Inflow of \$45,000
- Inflow of \$14,000
- Inflow of \$10,000
- Inflow of \$28,000

Net cash flow from operating activities = \$59,000 inflow from consulting services – \$14,000 outflow for rent expense – \$31,000 outflow for salaries expense = \$14,000 inflow

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-08 Prepare a statement of cash flows.

76. Award: 1.00 point

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

- 1) issued stock for \$40,000
- 2) borrowed \$25,000 from its bank
- 3) provided consulting services for \$39,000 cash
- 4) paid back \$15,000 of the bank loan
- 5) paid rent expense for \$9,000
- 6) purchased equipment for \$12,000 cash
- 7) paid \$3,000 dividends to stockholders
- 8) paid employees' salaries of \$21,000

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

- Inflow of \$6,000
- Inflow of \$9,000
- Inflow of \$18,000
- Inflow of \$30,000

Net cash flow from operating activities = \$39,000 inflow from consulting services – \$9,000 outflow for rent expense – \$21,000 outflow for salaries expense = \$9,000 inflow

References

Multiple Choice

Difficulty: 2 Medium

Learning Objective: 01-08 Prepare a statement of cash flows.

77. Award: 1.00 point

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

- 1) issued stock for \$58,000
- 2) borrowed \$34,000 from its bank
- 3) provided consulting services for \$57,000 cash
- 4) paid back \$24,000 of the bank loan
- 5) paid rent expense for \$13,500
- 6) purchased equipment for \$21,000 cash
- 7) paid \$3,900 dividends to stockholders
- 8) paid employees' salaries of \$30,000

What is Yowell's notes payable balance at the end of Year 1?

- \$10,000
- \$0
- \$34,000
- \$24,000

Beginning notes payable balance of \$0 + Loan of \$34,000 – Repayment of loan of \$24,000 = Ending notes payable balance of \$10,000.

References

Multiple Choice

Learning Objective: 01-04 Show how business events affect the accounting equation.

Difficulty: 1 Easy

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.

78. Award: 1.00 point

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

- 1) issued stock for \$40,000
- 2) borrowed \$25,000 from its bank
- 3) provided consulting services for \$39,000 cash
- 4) paid back \$15,000 of the bank loan
- 5) paid rent expense for \$9,000
- 6) purchased equipment for \$12,000 cash
- 7) paid \$3,000 dividends to stockholders
- 8) paid employees' salaries of \$21,000

What is Yowell's notes payable balance at the end of Year 1?

- \$0
- \$25,000
- (\$15,000)
- \$10,000

Beginning notes payable balance of \$0 + Loan of \$25,000 – Repayment of loan of \$15,000 = Ending notes payable balance of \$10,000.

References

Multiple Choice

Learning Objective: 01-04 Show how business events affect the accounting equation.

Difficulty: 1 Easy

Learning Objective: 01-07 Prepare an income statement, a statement of changes in stockholders equity, and a balance sheet.