

## Chapter 2

1. The basic elements of a financial accounting system include a framework for preparing financial statements.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-01 - Purpose  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Remembering

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GQNB

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJS-G71S-KC5R-CF1U-NA31-GHSU-OATA-8RSU-OA3Z-GOSU-QQMR-GCSU-1ATU-CO5G-NA3U-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

2. The accounting equation is expressed as follows: Assets = Liabilities + Stockholders' Equity.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Remembering

**DATE CREATED:** 7/19/2016 9:45 AM

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**QUESTION ID:** JFND-GO3A-EW4R-GQB3

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMD-CE5U-NATI-GBTD-OCB1-CRSU-EATI-8RSS-RP3T-GOSU-QA33-GHSS-G3UR-GRHU-CA3Z-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

3. Any given transaction must affect at least two different parts of the accounting equation.

- a. True
- b. False

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**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** True / False  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Understanding  
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4. The accounting equation can be expressed as: Assets – Liabilities = Revenues.
- True
  - False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** True / False  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
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United States - AK - DISC: AICPA: FN-Measurement  
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5. On a statement of cash flows, each cash transaction is recorded and classified as an operating, investing, or financing activity.
- True
  - False

**ANSWER:** True  
**POINTS:** 1

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**DIFFICULTY:** Easy  
**QUESTION TYPE:** True / False  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
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**KEYWORDS:** Bloom's: Remembering  
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6. Equality of the accounting equation means that no errors have occurred.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** True / False  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01  
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7. Dividends are an example of an expense.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** True / False  
**HAS VARIABLES:** False

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**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

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United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

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**DATE MODIFIED:** 7/19/2016 9:45 AM

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CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMB-GAHU-EPBS-GFUD-GC3O-  
GOSU-EQMB-8RSU-O3JI-GOSU-NPBS-CESS-ECMG-GF1U-RCJ1-E7JI-YT4D-JFNN-  
4OTI-GO4W-NQNBEE

8. Retained earnings will be increased by the amount in the dividend account.

a. True

b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
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**KEYWORDS:** Bloom's: Understanding

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**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GQBU

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CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMR-8FTG-KQDR-GI1D-O3MR-8RSS-  
E3JA-8RSU-RCDB-GOSU-YP3S-GCSU-GP5B-COHU-OQBO-E7JI-YT4D-JFNN-4OTI-  
GO4W-NQNBEE

9. By keeping a running total of the effects of transactions, the accounting equation provides a framework for summarizing the effects of a series of transactions.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

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**KEYWORDS:** Bloom's: Understanding

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**DATE MODIFIED:** 7/19/2016 9:45 AM

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10. A business receives \$10,000 cash for a sale of merchandise and records this receipt of cash as an increase in accounts receivable by mistake. The accounting equation is still in balance.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

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**KEYWORDS:** Bloom's: Understanding

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11. The effect of every transaction is an increase or a decrease in one or more of the accounting equation elements.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

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United States - AK - DISC: AICPA: FN-Measurement

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**KEYWORDS:** Bloom's: Understanding  
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12. When a notes payable account is paid in cash, the stockholders' equity in the business increases.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** True / False  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Understanding  
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13. When an account receivable is collected in cash, the total assets of the business increase.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** True / False  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Understanding  
**DATE CREATED:** 7/19/2016 9:45 AM  
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**QUESTION ID:** JFND-GO3A-EW4R-GQBS

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJW-GW3U-R3MF-GBTG-RQJW-GRSU-QAJZ-8RSU-YATZ-GOSU-K3JT-GOSU-CPMB-CW4S-NQJZ-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

14. It is possible for a transaction to change the makeup of assets, but to *not* affect assets in total.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

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**KEYWORDS:** Bloom's: Understanding

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15. When common stock is issued by a corporation for cash, both the income statement and the balance sheet are affected.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

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E3TI-8YSU-1CMF-GOSU-NPTA-CASS-K3JT-GO3U-NP5N-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

16. Fees earned and received in cash will increase cash flows from operating activity as well as retained earnings.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
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**KEYWORDS:** Bloom's: Understanding

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17. Miscellaneous expenses are expenses that have an undetermined amount to be paid.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

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**KEYWORDS:** Bloom's: Remembering

**DATE CREATED:** 7/19/2016 9:45 AM

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18. The payment of utilities expense in cash would affect the operating activities in the statement of cash flows and the



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income statement but *not* the balance sheet.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

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**KEYWORDS:** Bloom's: Understanding

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19. The integrated financial statement approach has built-in controls to ensure that all transactions are correctly analyzed, recorded, and summarized.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

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**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

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**QUESTION ID:** JFND-GO3A-EW4R-GQJA

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20. Accounts receivable is less liquid than Furniture, so it is listed after Furniture on a balance sheet.

- a. True

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b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Remembering

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 10/13/2016 2:10 AM

**QUESTION ID:** JFND-GO3A-EW4R-GQKG

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJS-8B1D-OCJW-CFUG-RP3T-CWSU-CA5R-8YSU-YQBT-GOSS-EA3T-GHSU-GQMD-GFTU-QPMR-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

21. When comparing operating performance across companies within the same industry, companies prefer common-sized income statements prepared through net income rather than those prepared through operating income. This is because other income and expenses are influenced by a variety of factors that are independent of operations and that can vary significantly across companies.

a. True

b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** True / False

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-6 - LO: 02.06

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Reporting

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 10/13/2016 3:34 AM

**QUESTION ID:** JFND-GO3A-EW4R-GQKF

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ1-G7UG-NQBW-C3TS-CQJZ-CESU-RPJA-CESS-EC3T-GOSS-CQJZ-GHSU-N3TT-CPTG-N3BI-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

22. The basic financial statements include the:

a. trial balance.

b. bank reconciliation statement.

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- c. balance sheet.
- d. ledger account.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Remembering  
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**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMR-G71U-CCMD-GEAU-KCBI-GOSU-YAMR-8YSU-K3J1-GOSS-NA3A-GWSU-RCTA-CFOU-GAMB-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

23. Which of the following is a control that is built into the integrated financial statement approach?
- a. Assets + Liabilities = Stockholders' Equity
  - b. Cash from operating activities is equal to cash on the balance sheet.
  - c. Net income on the income statement must equal the net effects of revenues and expenses on retained earnings.
  - d. Total assets on balance sheet should equal income from investing activities on the statement of cash flows.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Understanding  
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24. If a \$15,000 purchase of equipment for cash is incorrectly recorded as an increase to equipment and as an increase to cash, at the end of the period assets will:

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- a. exceed liabilities and stockholders' equity by \$15,000.
- b. equal liabilities and stockholders' equity.
- c. exceed liabilities and stockholders' equity by \$30,000.
- d. exceed liabilities and stockholders' equity by \$40,000.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Challenging  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Understanding  
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25. Which of the following is considered to be a liability?

- a. Prepaid expenses
- b. Investments
- c. Unearned revenues
- d. Accrued revenues

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Understanding  
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**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJU-GA3G-E3DB-GW5U-YCTT-GHSU-G3DF-CRSS-RPBU-GOSU-YQJ1-CRSS-RCT3-CAHS-KCDD-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

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26. Which of the following group of accounts are all assets?

- a. Cash, Accounts Payable, Buildings
- b. Accounts Receivable, Revenue, Cash
- c. Prepaid Expenses, Buildings, Patents
- d. Unearned Revenues, Prepaid Expenses, Cash

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Reporting

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

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**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJS-GBTS-C3TS-8Y4S-EPTW-GWSS-G3JZ-8YSU-YQDD-GOSU-CPTW-COSS-RAJ3-CCHD-OPJS-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

27. Expenses can be defined as:

- a. assets consumed.
- b. services used in the process of generating revenues.
- c. costs that have been incurred during the normal course of business.
- d. all of these.

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Remembering

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**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJW-CO4S-KC5F-GOAD-QCDF-CCSS-EAMF-8RSU-K3TT-GOSU-GAMF-GWSS-CP3I-CJOU-OA31-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

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28. The gross increases in stockholders' equity attributable to business activities are called:
- assets.
  - liabilities.
  - revenues.
  - net income.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Remembering

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**QUESTION ID:** JFND-GO3A-EW4R-GQJS

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMG-GRAU-OPTI-G31G-GQBU-GHSS-KA3O-8YSU-R3JW-GOSS-RPJZ-GHSU-KQMG-GCHG-C3UG-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

29. The payment of \$20,000 for expenses was incorrectly recorded by Elite Co. as an increase in cash of \$20,000 and a decrease in retained earnings of \$20,000. What is the effect of this error on the accounting equation?
- Total assets will exceed total liabilities and stockholders' equity by \$20,000.
  - Total assets will exceed total liabilities and stockholders' equity by \$40,000.
  - Total assets will be less than total liabilities and stockholders' equity by \$40,000.
  - The error will not affect the accounting equation.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Challenging

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

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GASU-OAMN-CRSU-O3BO-GOSU-EQMR-GRSS-EPDB-GY5D-NCJT-E7JI-YT4D-JFNN-40TI-GO4W-NQNBEE

30. The stockholders' equity will increase as a result of the:

- a. issue of common stock.
- b. repayment of long-term debt.
- c. buyback of common stock.
- d. issue of long-term debt.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

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**QUESTION ID:** JFND-GO3A-EW4R-GQJW

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31. A \_\_\_\_\_ is an economic event that under generally accepted accounting principles affects an element of the financial statements and must be recorded.

- a. framework
- b. control
- c. set of rules
- d. transaction

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-02 - GAAP  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Remembering

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTKN

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**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ1-G7OS-CCBZ-G71D-EPBZ-GRSS-N3TO-8RSU-OC3T-GOSU-GA3Z-GOSU-E3TZ-CAHG-GCBO-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

32. The statement of cash flows is integrated with the balance sheet because:
- the cash at the beginning of the period plus or minus the cash flows from operating, investing, and financing activities equals the end of period cash reported on the balance sheet.
  - the cash at the beginning of the period plus or minus the net income equals the end of period cash reported on the balance sheet.
  - the cash at the beginning of the period plus or minus assets and liabilities equals the end of period cash reported on the balance sheet.
  - the cash at the beginning of the period plus or minus the cash flows from operating activities equals the end of period cash reported on the balance sheet.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Reporting

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

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**QUESTION ID:** JFND-GO3A-EW4R-GTKB

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJU-CAHU-QAT1-G7OS-GAJT-GHSU-GAJ1-8RSS-GAUF-GOSU-OPB1-GRSU-E3JU-GFTU-E3BO-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

33. Which of the following statements is true about liabilities?
- Liabilities include insurance premium paid in advance.
  - Liabilities arise when a company sells goods on account.
  - Liabilities equal assets plus stockholders' equity.
  - Liabilities are the debt owed by a company.

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement



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**KEYWORDS:** Bloom's: Understanding  
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34. Which of the following situations increase stockholders' equity?

- a. Supplies are purchased on account.
- b. Services are provided on account.
- c. Cash is received from customers.
- d. Utility bill will be paid next month.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding  
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35. Which of the following transactions changes the mix of only liabilities?

- a. Paying off accounts payables by raising a short-term loan
- b. Writing off accounts receivable as bad debt
- c. Financing the purchase of land with a long-term loan
- d. Paying accounts receivable with cash

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements

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United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:**

Bloom's: Understanding

**DATE CREATED:**

7/19/2016 9:45 AM

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10/13/2016 3:42 AM

**QUESTION ID:**

JFND-GO3A-EW4R-GTKG

**QUESTION GLOBAL ID:**

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36. Brite Inc. had the following assets and liabilities at the end of the year:

Assets \$54,800

Liabilities \$32,000

What is the year-end stockholders' equity of Brite Inc.?

- a. \$32,000
- b. \$22,800
- c. \$86,800
- d. Cannot be determined with this information

**ANSWER:**

b

**POINTS:**

1

**DIFFICULTY:**

Moderate

**QUESTION TYPE:**

Multiple Choice

**HAS VARIABLES:**

False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:**

United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:**

Bloom's: Applying

**DATE CREATED:**

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**QUESTION ID:**

JFND-GO3A-EW4R-GTKF

**QUESTION GLOBAL ID:**

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37. Sunlight, Inc. had the following assets and liabilities as of September 30, 2016

Assets \$60,600

Liabilities \$27,500

If assets increased by \$4,350 and equity increased by \$2,900 during October, what is the increase or decrease in liabilities of Sunlight as of October 31, 2016?

- a. (\$1,450)
- b. \$1,450
- c. \$7,250
- d. (\$7,250)

**ANSWER:**

b

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**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Applying  
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38. Rush Corporation borrowed \$25,000 from the bank. Which of the following accurately shows the effects of the transaction?

- a. Increase cash \$25,000 and decrease notes payable \$25,000
- b. Increase cash \$25,000 and increase notes payable \$25,000
- c. Decrease cash \$25,000 and decrease notes payable \$25,000
- d. Decrease cash \$25,000 and increase notes payable \$25,000

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Understanding  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 7/19/2016 9:45 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTKD  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ1-GE4G-GPJ3-GOAG-NCDB-GYSU-EPMR-CESU-1ATI-GOSU-EQBO-CASU-C3UG-CO5G-CATS-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

39. Flow Inc. received cash from fees earned. How does this transaction affect the Statement of Cash Flows?

- a. Increase cash from Operating Activities
- b. Increase cash from Investing Activities
- c. Increase cash from Financing Activities

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d. No effect on the Statement of Cash Flows

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-24 - Statement of Cash Flows  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Understanding  
**DATE CREATED:** 7/19/2016 9:45 AM  
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40. Yuan Corporation purchased office equipment on account. What is the effect of this transaction?

- Cash will decrease and office equipment will increase.
- Total assets will increase and shareholders' equity will decrease.
- Total assets and total liabilities will increase.
- Cash flow from financing activities will decrease.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Understanding  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 10/13/2016 3:55 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTJ1  
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41. Johnson, Inc. paid rent expense of \$3,500 for the month of October. How are the accounts affected due to this transaction?

- Increase in cash \$3,500 and increase in retained earnings \$3,500

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- b. Increase in cash \$3,500 and decrease in retained earnings \$3,500
- c. Decrease in cash \$3,500 and decrease in retained earnings \$3,500
- d. Decrease in cash \$3,500 and increase in retained earnings \$3,500

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Understanding  
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**DATE MODIFIED:** 7/19/2016 9:45 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTJT  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJS-CWAD-C3TI-GO3U-1PJ1-GCSU-OPBU-8RSS-NPBT-GOSU-OA5F-GCSS-CA3S-GE5U-13DF-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

42. Johnson, Inc. purchased land for cash. What effect does this transaction have?
- a. Increase in Cash and decrease in Land
  - b. Decrease in Cash and decrease in Land
  - c. Increase in Cash and increase in Land
  - d. Decrease in Cash and increase in Land

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Understanding  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 7/19/2016 9:45 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTJO  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJI-CI1D-QP3A-CO3D-C3DD-GHSU-13J1-CRSS-GAUN-GOSU-Y3BI-GASS-KATS-CR3D-KCMR-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

43. Johnson, Inc. issued \$15,000 in common stock in exchange for cash. What is the effect of this transaction?

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- a. Total assets remain unchanged.
- b. Cash flow from Financing Activities will increase.
- c. Net Income will increase.
- d. Total Retained Earnings will increase.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 10/28/2016 3:40 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTJZ

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-  
CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMN-8YAD-GCJW-GF1U-EPUB-  
CCSU-GP3Z-CRSS-ECJ1-GOSS-CPMF-GCSU-YATW-CAAG-EPBA-E7JI-YT4D-JFNN-  
4OTI-GO4W-NQNBEE

44. Johnson, Inc. receives \$5,000 cash for fees earned. What is the effect of this transaction?
- a. Total assets remain unchanged.
  - b. Cash flow from Financing Activities will increase.
  - c. Net income will increase.
  - d. Retained earnings will remain unchanged.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTJS

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-  
CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJI-CRAG-R3JT-GHHU-RC5N-COSU-  
OA3S-CRSS-GQDF-GOSS-GQMF-CWSU-OPMN-GH5S-NC3Z-E7JI-YT4D-JFNN-4OTI-  
GO4W-NQNBEE

## Chapter 2

45. Stockholders' equity will be reduced by:

- a. payment of dividends.
- b. increase in revenues.
- c. owners' investments.
- d. issuance of bonds.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 11/2/2016 6:09 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTJI

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMD-8FTD-OC DG-8Y5D-GQBS-8YSU-NATS-CRSU-NQJU-GOSU-O3JZ-8RSU-CATZ-GP1S-R3UB-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

46. ABC Company deposited \$20,000 in a bank account in return for issuing shares in the corporation. This transaction would affect which two financial statement elements?

- a. Assets and stockholders' equity
- b. Assets and liabilities
- c. Liabilities and stockholders' equity
- d. None of these

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTJW

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMF-8RHG-RCUG-GCHD-YPJT-GHSU-K3UD-8YSU-QP3Z-GOSS-NA3Z-GESS-NPUR-G3TD-K3BU-E7JI-YT4D-JFNN-

## Chapter 2

### 40TI-GO4W-NQNBEE

47. JNC Company sells its products for cash, at a profit of 20%. Which of the following financial statement elements are affected as a result of this transaction?

- a. Assets
- b. Assets and liabilities
- c. Liabilities and stockholders' equity
- d. Assets and stockholders' equity

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 10/13/2016 3:58 AM

**QUESTION ID:** JFND-GO3A-EW4R-GT1N

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJS-8R4S-KCJ3-G71D-CCBW-GESU-13JT-CRSS-C3MB-GOSU-R3TW-GWSS-NP3W-GI1S-RPBS-E7JI-YT4D-JFNN-40TI-GO4W-NQNBEE

48. Lazer Company paid a utility bill of \$12,000 and paid rent of \$20,000. As a result of these transactions, the stockholders' equity:

- a. increases by \$8,000.
- b. decreases by \$32,000.
- c. increases by \$20,000.
- d. decreases by \$12,000.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Applying

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 10/13/2016 4:00 AM

**QUESTION ID:** JFND-GO3A-EW4R-GT1B



## Chapter 2

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJZ-GJTU-Q3B1-GR5D-CA5N-GHSU-EQJ3-8YSU-EA5D-GOSS-KPBZ-CWSU-EAUG-CR5G-GQBI-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

49. WFC Company paid wages of \$50,000 and received interest of \$60,000. As a result of these transactions, the stockholders' equity:

- a. increases by \$ 60,000.
- b. decreases by \$110,000.
- c. increases by \$10,000.
- d. decreases by \$50,000.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Applying

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 10/13/2016 4:03 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTT3

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ1-GRHD-Y3DG-G3TD-NC31-CRSU-K3JU-CRSU-O3MD-GOSU-13B1-GHSS-GA5N-CITU-OP5R-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

50. If liabilities have a balance of \$10,000 and stockholders' equity has a balance of \$60,000, then assets must have a balance of:

- a. \$50,000.
- b. \$60,000.
- c. \$70,000.
- d. \$10,000.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Applying

## Chapter 2

*DATE CREATED:* 7/19/2016 9:45 AM

*DATE MODIFIED:* 7/19/2016 9:45 AM

*QUESTION ID:* JFND-GO3A-EW4R-GT1F

*QUESTION GLOBAL ID:* GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJZ-CC5U-RATZ-CC5D-QP3A-GHSU-KQBO-CESS-CATU-GOSU-OPJW-GASU-KAUR-G3OS-GAJZ-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

51. Which of the following transactions changes the mix of assets only?

- a. Paid for supplies with cash.
- b. Borrowed money from Second National Bank.
- c. Received money for fees earned.
- d. Received a utility bill.

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Moderate

*QUESTION TYPE:* Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* SACC.WARR.18.2-2 - LO: 02.02

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*STATE STANDARDS:* United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

*KEYWORDS:* Bloom's: Understanding

*DATE CREATED:* 7/19/2016 9:45 AM

*DATE MODIFIED:* 7/19/2016 9:45 AM

*QUESTION ID:* JFND-GO3A-EW4R-GTTA

*QUESTION GLOBAL ID:* GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMF-GYHD-GCT1-GB1D-NQBZ-GESS-K3JU-8YSU-CCJA-GOSU-GP5G-GRSU-RAJ1-GOHG-GAUD-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

52. If assets have a balance of \$80,000 and stockholders' equity has a balance of \$60,000, then liabilities must have a balance of:

- a. \$140,000.
- b. \$60,000.
- c. \$80,000.
- d. \$20,000.

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Easy

*QUESTION TYPE:* Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* SACC.WARR.18.2-2 - LO: 02.02

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*STATE STANDARDS:* United States - DISC: - ACBSP: APC-09 - Financial Statements

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United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Applying  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 7/19/2016 9:45 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GT1G  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJT-C31U-E3BS-CE5S-ECUF-GRSU-1P3O-8YSU-G3BZ-GOSU-1PMR-CRSU-EA3A-CITU-OC3T-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

53. Dim Co. issues common stock of \$15,000. Which of the following statements regarding the effect of this transaction on the company's liquidity and profitability metric is true?

- a. The transaction increases the liquidity and decreases the profitability of the company.
- b. The transaction decreases the liquidity and increases the profitability of the company.
- c. The transaction increases the liquidity and has no effect on the profitability of the company.
- d. The transaction has no effect on the liquidity and increases the profitability of the company.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Applying  
**DATE CREATED:** 10/28/2016 3:46 AM  
**DATE MODIFIED:** 10/28/2016 3:50 AM  
**QUESTION ID:** JFND-GO33-GTBU-EP1N  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ1-GIUD-QAMG-GRHD-GP3Z-CRSU-YCBZ-CRSS-C3UR-GOSU-QC3O-GCSU-OA5F-GIUG-KP5R-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

54. Blue Ivy Inc. has the following transactions for the month of March:

Issued common stock	\$60,000
Purchased land by paying cash	\$100,000
Paid expenses	\$25,000
Earned cash fees	\$75,000

As a cumulative result of these transactions, the liquidity of Blue Ivy Inc.:

- a. increases by \$75,000.
- b. increases by \$10,000.
- c. decreases by \$25,000.
- d. decreases by \$50,000.

**ANSWER:** b

## Chapter 2

**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC- 23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Applying  
**DATE CREATED:** 10/28/2016 4:02 AM  
**DATE MODIFIED:** 11/2/2016 3:44 AM  
**QUESTION ID:** JFND-GO33-GTBU-EP1F  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMF-GAHU-RC5D-CR3U-RQBO-8YSS-C3TS-CESU-NA5N-GOSS-EAMG-8YSS-EQJU-CJUG-GA3I-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

55. Jade Inc. paid rent of \$25,000 for the current month. This transaction:
- decreases the profitability of the company.
  - has no effect on the profitability of the company.
  - increases the liquidity of the company.
  - has no effect on the liquidity of the company.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC- 23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Applying  
**DATE CREATED:** 10/28/2016 3:56 AM  
**DATE MODIFIED:** 10/28/2016 3:59 AM  
**QUESTION ID:** JFND-GO33-GTBU-EPTA  
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56. Blue Lilly Co. paid \$50,000 to stockholders as dividends. As a result of this transaction, \_\_\_\_\_.
- the liquidity of Blue Lilly Co. increases
  - the profitability of Blue Lilly Co. remains unchanged
  - the profitability of Blue Lilly Co. decreases
  - the liquidity of Blue Lilly Co. remains unchanged

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**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC- 23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Applying  
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57. JNC Co. buys equipment for \$1,500,000 cash. This transaction:
- decreases JNC Co.'s liquidity and has no effect on its profitability metric.
  - has no effect on JNC Co.'s liquidity and profitability.
  - increases JNC Co.'s liquidity and profitability.
  - has no effect on JNC Co.'s liquidity and decreases its profitability.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC- 23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Applying  
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58. ABC Inc. borrows \$50,000 from a bank to finance its operations. Which of the following statements regarding the effect of this transaction on the company's liquidity and profitability metric is true?
- The transaction decreases the liquidity and increases the profitability of ABC Inc.
  - The transaction increases the liquidity and decreases the profitability of ABC Inc.

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- c. The transaction has no effect on the liquidity and profitability of ABC Inc.
- d. The transaction increases the liquidity and has no effect on the profitability of ABC Inc.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Measurement  
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GESU-1PTI-CESU-GPUG-GOSU-1ATS-CCSU-RAT3-GCHS-E3BI-E7JI-YT4D-JFNN-  
4OTI-GO4W-NQNBEE

59. The statement of shareholders' equity is prepared:
- a. before the preparation of the income statement.
  - b. after the preparation of the statement of cash flows.
  - c. before the preparation of the balance sheet.
  - d. after the audit of the financial statements.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Understanding  
**DATE CREATED:** 7/19/2016 9:45 AM  
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NP31-CRSS-R3BA-GOSS-GP5N-GOSS-ECJI-COAU-QC33-E7JI-YT4D-JFNN-4OTI-  
GO4W-NQNBEE

60. Following is the summary of the balance sheet of AWR Company:

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	<b>Total Assets</b>	<b>Total Liabilities</b>
Beginning of the year	\$250,000	\$180,000
End of the year	\$500,000	\$370,000

Determine the net income (or loss) for the year, assuming no common stock was issued and no dividends were paid during the year?

- a. \$70,000
- b. \$200,000
- c. \$60,000
- d. \$130,000

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Challenging

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Applying

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 10/17/2016 7:29 AM

**QUESTION ID:** JFND-GO3A-EW4R-GT1R

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ1-GFTU-ECBT-8RHG-G3TA-COSU-QQDR-8RSU-NQDG-GOSU-RQJ3-CCSU-G3UR-CT1G-GCDR-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

61. If total assets increased by \$500,000 during a period and total liabilities increased by \$420,000 during the same period, determine the net income (or loss) for the year, assuming no common stock was issued and dividends of \$40,000 were paid.

- a. \$40,000
- b. \$210,000
- c. \$120,000
- d. \$290,000

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Challenging

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Applying

**DATE CREATED:** 7/19/2016 9:45 AM

## Chapter 2

*DATE MODIFIED:* 10/17/2016 7:29 AM

*QUESTION ID:* JFND-GO3A-EW4R-GT1D

*QUESTION GLOBAL ID:* GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMD-GE5D-CP3A-8BTS-EP5D-CESU-CA31-8YSS-E3MB-GOSU-CQDB-GASS-RCTI-GH4S-EP3O-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

62. Following are the summaries of balance sheet of LCF Company:

	<b>Total Assets</b>	<b>Total Liabilities</b>
Beginning of the year	\$250,000	\$180,000
End of the year	\$500,000	\$370,000

Determine the net income (or loss) for the year, assuming \$80,000 of common stock was issued and no dividends were paid during the year?

- a. \$140,000
- b. (\$20,000)
- c. \$160,000
- d. (\$60,000)

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Challenging

*QUESTION TYPE:* Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* SACC.WARR.18.2-3 - LO: 02.03

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*STATE STANDARDS:* United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

*KEYWORDS:* Bloom's: Applying

*DATE CREATED:* 7/19/2016 9:45 AM

*DATE MODIFIED:* 10/13/2016 7:06 AM

*QUESTION ID:* JFND-GO3A-EW4R-GTTU

*QUESTION GLOBAL ID:* GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMF-GE3D-KPUB-GH5D-OQJA-CASU-Y3MB-CRSU-C3TT-GOSU-OP5F-8RSU-13JA-CF1S-NQJZ-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

63. Glocal Inc. has retained earnings of \$60,000, common stock of \$110,000, and liabilities of \$35,000. The total assets of the company are worth:

- a. \$205,000
- b. \$145,000
- c. \$95,000
- d. \$170,000

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Moderate

*QUESTION TYPE:* Multiple Choice



## Chapter 2

**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Applying  
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64. Lewis Company has \$25,000 in retained earnings, \$40,000 in assets, and \$11,000 in liabilities. How much is in common stock?

- a. \$29,000
- b. \$25,000
- c. \$14,000
- d. \$4,000

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Challenging  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Applying  
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65. A to Z Corporation paid a \$10,000 cash dividend. On the Statement of Cash Flows, the transaction would be classified as:

- a. Cash Flows from Operating Activities.
- b. Cash Flows from Investing Activities.
- c. Cash Flows from Financing Activities.
- d. Noncash transaction.

**ANSWER:** c

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**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-24 - Statement of Cash Flows  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Understanding  
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66. A to Z Corporation purchased a building for \$80,000 cash. On the Statement of Cash Flows, the transaction would be classified as:

- Cash Flows from Operating Activities.
- Cash Flows from Investing Activities.
- Cash Flows from Financing Activities.
- Noncash transaction.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-24 - Statement of Cash Flows  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Understanding  
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67. A to Z Corporation issued a \$30,000 note payable to borrow cash from the bank. On the Statement of Cash Flows, the transaction would be classified as:

- Cash Flows from Operating Activities.
- Cash Flows from Investing Activities.

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- c. Cash Flows from Financing Activities.
- d. Noncash transaction.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-24 - Statement of Cash Flows  
United States - AK - DISC: AICPA: FN-Reporting  
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68. An increase in Stockholders' Equity from revenues earned will also result in an increase in:
- a. liabilities.
  - b. assets.
  - c. expenses.
  - d. cash flow from financing activities.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Understanding  
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69. For EFG Co., the transaction "payment to creditors" would:
- a. increase total assets.

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- b. decrease total assets.
- c. have no effect on total assets.
- d. decrease stockholders' equity.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
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70. For EFG Co., the transaction "cash sales to customers at a profit" would:

- a. increase total assets.
- b. decrease total assets.
- c. have no effect on total assets.
- d. decrease stockholders' equity.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Understanding  
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71. For EFG Co., the transaction "payment of interest expense" would:

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- a. increase total assets.
- b. decrease total assets.
- c. have no effect on total assets.
- d. increase stockholders' equity.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 11/2/2016 6:12 AM

**QUESTION ID:** JFND-GO3A-EW4R-GO4B

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMN-CC4D-K3TZ-GC3S-G3TS-8YSU-YAJ3-CRSS-RAJ1-GOSU-NQJ1-GOSU-YATZ-GRAS-CPJO-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

72. For EFG Co., the transaction "purchase of store equipment with cash" would:

- a. increase total assets.
- b. decrease total assets.
- c. have no effect on total assets.
- d. decrease stockholders' equity.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 11/2/2016 6:13 AM

**QUESTION ID:** JFND-GO3A-EW4R-GO33

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJI-GF1U-GCTA-8FOU-KP3O-8RSU-NQDB-CESU-CCUG-GOSS-KAUD-GESU-CC3S-CAHD-1PTW-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

## Chapter 2

73. For EFG Co., the transaction "payment of dividends" would:

- a. increase total assets.
- b. decrease total assets.
- c. have no effect on total assets.
- d. increase stockholders' equity.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 11/2/2016 6:13 AM

**QUESTION ID:** JFND-GO3A-EW4R-GO3A

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMB-8R5D-OQBS-COHS-RQJI-8YSU-QCMN-CRSU-EQDD-GOSS-EA3A-COSU-CC5B-CR3U-GCTS-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

74. For EFG Co., the transaction "purchase of store equipment with a note payable" would:

- a. increase total assets.
- b. decrease total assets.
- c. have no effect on total assets.
- d. decrease total liabilities.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GO4G

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJA-8Y5D-QQJW-GE3D-GCT3-GCSU-GC5D-8RSU-1PTS-GOSS-CP5F-GHSS-KQMF-CW3G-GAMR-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

## Chapter 2

75. For EFG Co., the transaction "payment of quarterly taxes" would:

- a. increase total assets.
- b. decrease total assets.
- c. have no effect on total assets.
- d. increase stockholders' equity.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 11/2/2016 6:14 AM

**QUESTION ID:** JFND-GO3A-EW4R-GO4F

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJA-8FTD-OQDF-CJ1D-NP3W-GASU-GC3T-8RSU-RCJ3-GOSS-N3MR-CCSU-NC3W-GYAS-ECB1-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

76. For EFG Co., the transaction "receipt of interest income" would:

- a. increase total assets.
- b. decrease total assets.
- c. have no effect on total assets.
- d. decrease total liabilities.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GO4R

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMR-CE5U-CAMD-8RAS-KPJA-CASU-EP3U-CESU-E3UD-GOSU-QC3T-CCSU-NP3I-GW3U-E3MF-E7JI-YT4D-JFNN-

## Chapter 2

### 40TI-GO4W-NQNBEE

77. For EFG Co., the transaction "receipt of a utility bill" would:

- a. increase total assets.
- b. decrease total assets.
- c. have no effect on total assets.
- d. decrease total liabilities.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GO4D

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMD-GWAU-1PBW-GY4D-QAJS-GRSU-OPMD-8YSU-1A5R-GOSU-1PTS-CWSU-Q3BS-CIOU-K3BU-E7JI-YT4D-JFNN-40TI-GO4W-NQNBEE

78. For EFG Co., the transaction "billed a customer for fees earned" would:

- a. increase total assets.
- b. decrease total assets.
- c. have no effect on total assets.
- d. increase total liabilities.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GO3U

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ1-G7TU-KATS-GC3G-KCTO-GESU-



## Chapter 2

C3JT-8RSS-EQJA-GOSU-OATU-CASS-E3TA-GFOU-RPJW-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

79. The income statement for August indicates net income of \$100,000. The corporation also paid \$25,000 in dividends during the same period. If the company is in operation for only one month and has no beginning balance in retained earnings, what is the ending balance in retained earnings?

- a. \$75,000
- b. \$100,000
- c. \$20,000
- d. \$125,000

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Applying

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GO31

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ3-8YAU-RCJO-CP1D-QPTT-8YSS-RA3T-CRSU-OCMN-GOSS-NQJU-CASU-EATO-GHAU-GATI-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

80. Anthony, Inc. buys land for \$50,000 cash. The net effect on assets is:

- a. \$50,000 increase.
- b. \$0.
- c. \$50,000 decrease.
- d. \$25,000 increase.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

## Chapter 2

**QUESTION ID:** JFND-GO3A-EW4R-GO3T

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMD-CI1U-1QJT-CE5D-EC5N-CASU-QC3Z-8RSU-YCJI-GOSS-ECMG-CCSU-NA3T-GPTG-RP3S-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

81. Declaring and paying cash dividends affects which account/ accounts?

- a. Cash only
- b. Common stock only
- c. Cash and retained earnings
- d. Cash and common stock

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 10/28/2016 3:41 AM

**QUESTION ID:** JFND-GO3A-EW4R-GO3O

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMN-GRHG-GC5G-G3OS-ECTT-8YSU-GPJU-CRSS-NA3I-GOSS-EQMD-CRSS-C3BI-GA4U-Q3TS-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

82. Buying equipment for cash affects which account/ accounts?

- a. Cash only
- b. Retained earnings only
- c. Equipment and retained earnings
- d. Cash and equipment

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

## Chapter 2

*DATE MODIFIED:* 7/19/2016 9:45 AM

*QUESTION ID:* JFND-GO3A-EW4R-GO3Z

*QUESTION GLOBAL ID:* GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJU-GRAS-RPTW-C3UG-CCMD-COSU-KQDF-8RSS-KCUB-GOSS-K3BO-GESU-1PDG-CE4U-GCTO-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

83. Inventory is less liquid than:

- a. accounts receivable.
- b. land.
- c. plant and equipment.
- d. patents.

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Easy

*QUESTION TYPE:* Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* SACC.WARR.18.2-3 - LO: 02.03

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*STATE STANDARDS:* United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Reporting

*KEYWORDS:* Bloom's: Understanding

*DATE CREATED:* 7/19/2016 9:45 AM

*DATE MODIFIED:* 10/14/2016 8:59 AM

*QUESTION ID:* JFND-GO3A-EW4R-GO3S

*QUESTION GLOBAL ID:* GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMB-GYAU-1AJO-GW4D-OP5N-COSU-YPTT-CESS-ECBZ-GOSS-N3JT-GHSS-KCDN-8R5D-ECBA-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

84. Paying expenses affects which financial statement elements?

- a. Assets only
- b. Stockholders' equity only
- c. Assets and stockholders' equity
- d. Assets and liabilities

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Easy

*QUESTION TYPE:* Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* SACC.WARR.13.2-4 - LO: 02.04

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*STATE STANDARDS:* United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

*KEYWORDS:* Bloom's: Understanding

## Chapter 2

*DATE CREATED:* 7/19/2016 9:45 AM  
*DATE MODIFIED:* 7/19/2016 9:45 AM  
*QUESTION ID:* JFND-GO3A-EW4R-GO3I  
*QUESTION GLOBAL ID:* GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ1-GI1G-NCTW-GA4U-RPDB-GESU-GPT3-8YSS-GPUG-GOSS-EA5F-8RSU-O3DF-GW5S-RPT3-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

85. Blue Inc. has the following transactions for the month of April:

Fees earned in cash	\$640,000
Expenses paid	\$300,000
Dividends paid	\$50,000

As a result of these transactions, Blue Inc.'s profitability metric:

- increases by \$340,000.
- decreases by \$300,000.
- increases by \$290,000.
- decreases by \$640,000.

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Challenging

*QUESTION TYPE:* Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* SACC.WARR.18.2-4 - LO: 02.04

*NATIONAL STANDARDS:* United States - BUSPROG: Analytic

*STATE STANDARDS:* United States - DISC: - ACBSP: APC- 23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Measurement

*KEYWORDS:* Bloom's: Applying

*DATE CREATED:* 10/28/2016 4:07 AM

*DATE MODIFIED:* 11/2/2016 4:24 AM

*QUESTION ID:* JFND-GO33-GTBU-EP1R

*QUESTION GLOBAL ID:* GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ3-GA4G-R3DR-CPTD-ECDB-CWSS-G3TS-CESU-ECDG-GOSU-QCT3-COSU-N3TA-GC3U-1A3Z-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

86. Navy Inc. buys land for \$500,000 cash in the month of March. In March, it also paid wages of \$100,000. Which of the following statements is true with regards to the above transactions?

- Navy Inc.'s profitability decreases by \$500,000, and liquidity decreases by \$100,000.
- Navy Inc.'s liquidity decreases by \$600,000, and profitability remains unchanged.
- Navy Inc.'s liquidity and profitability decrease by \$600,000.
- Navy Inc.'s liquidity decreases by \$600,000, and profitability decreases by \$100,000.

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Challenging

*QUESTION TYPE:* Multiple Choice

## Chapter 2

*HAS VARIABLES:* False  
*LEARNING OBJECTIVES:* SACC.WARR.18.2-4 - LO: 02.04  
*NATIONAL STANDARDS:* United States - BUSPROG: Analytic  
*STATE STANDARDS:* United States - DISC: - ACBSP: APC- 23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Measurement  
*KEYWORDS:* Bloom's: Applying  
*DATE CREATED:* 10/28/2016 4:12 AM  
*DATE MODIFIED:* 10/28/2016 4:14 AM  
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87. The payment of a liability:
- decreases assets and stockholders' equity.
  - increases assets and decreases liabilities.
  - decreases assets and increases liabilities.
  - decreases assets and decreases liabilities.

*ANSWER:* d  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*QUESTION TYPE:* Multiple Choice  
*HAS VARIABLES:* False  
*LEARNING OBJECTIVES:* SACC.WARR.18.2-5 - LO: 02.05  
*NATIONAL STANDARDS:* United States - BUSPROG: Analytic  
*STATE STANDARDS:* United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement  
*KEYWORDS:* Bloom's: Understanding  
*DATE CREATED:* 7/19/2016 9:45 AM  
*DATE MODIFIED:* 7/19/2016 9:45 AM  
*QUESTION ID:* JFND-GO3A-EW4R-GO3W  
*QUESTION GLOBAL ID:* GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMB-CTOU-YAMR-CC5U-QCJW-GRSU-R3T1-8RSU-KCMF-GOSU-O3TA-CRSU-N3DD-CCHU-GATS-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

88. The first month of operation showed the net cash from operating activities to be \$1,850, the net cash from investing activities to be (\$3,000), and the ending cash balance to be \$1,600. The net cash from financing activities must be:
- \$450.
  - \$2,750.
  - \$3,250.
  - \$6,450.

*ANSWER:* b  
*POINTS:* 1

## Chapter 2

**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-5 - LO: 02.05  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-24 - Statement of Cash Flows  
United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Applying  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 7/19/2016 9:45 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTNN  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJO-G7TS-NPTA-GFOS-NP33-GYSU-RPUR-CRSU-NQMN-GOSU-C3JZ-CASU-G3UF-CTTD-EA3S-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

89. A common-sized income statement is prepared by expressing income statement amounts as a percent of \_\_\_\_.
- a. sales
  - b. purchases
  - c. total assets
  - d. profit

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-6 - LO: 02.06  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Remembering  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 7/19/2016 9:45 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTNN  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMF-COHS-NCJU-CEAD-OCTW-8RSU-CPTU-CESS-RPTT-GOSS-KA3I-CCSU-NQBU-CFOU-KCMG-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

90. A common-sized balance sheet is prepared by expressing each liability item as a percent of:
- a. total sales.
  - b. total stockholders' equity.
  - c. total liabilities.
  - d. total liabilities plus stockholders' equity.

**ANSWER:** d

## Chapter 2

**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-6 - LO: 02.06  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Remembering  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 7/19/2016 9:45 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTB3  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJI-GT1G-NAMD-CAAS-CPJA-GWSS-NPTO-8RSU-OCUG-GOSU-G3UD-GCSU-ECJW-GO3S-GPBA-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

91. A common-sized balance sheet is prepared by expressing each asset as a percent of:
- total current assets.
  - total assets.
  - total long-term assets.
  - total liabilities.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-6 - LO: 02.06  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Remembering  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 10/13/2016 4:46 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTBA  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJI-CCHU-NPTU-GIOU-KA5F-COSU-C3TT-8RSU-CQJT-GOSU-C3MR-CASU-G3JA-8YAS-C3DR-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

92.

	Year 2	Year 1
Sales	\$170,000	\$130,000
Cost of sales	<u>135,000</u>	<u>105,000</u>
Gross profit	<u>\$ 35,000</u>	<u>\$ 25,000</u>

Using the above information, calculate the percentage increase or decrease in cost of sales from Year 1 to Year 2?

## Chapter 2

- a. Increase of 2.1%
- b. Decrease of 1.4%
- c. Increase of 1.4%
- d. Decrease of 2.1%

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-6 - LO: 02.06

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-23 - Financial Statement Analysis  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Applying

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 11/2/2016 3:47 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTNG

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMG-CP1D-NQDF-G71G-RPT1-GYSU-Y3TZ-8YSU-EC5D-GOSS-EAJA-CASS-GP3A-G7TG-C3MD-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

93. What are the basic elements of a financial accounting system?

**ANSWER:** A financial accounting system is designed to produce financial statements. The basic elements of a financial accounting system include:

- (1) A set of rules for determining what, when, and the amount that should be recorded
- (2) A framework for preparing financial statements
- (3) One or more controls to determine whether errors may have arisen in the recording process.

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Subjective Short Answer

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-01 - Purpose  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Remembering

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTNG

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJT-COHU-YQDR-CA3D-OAMF-CCSU-QCB1-8YSS-GQBU-GOSS-ECDR-GYSS-KPJO-GCAU-1QB3-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE



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94. The accounting equation "Assets = Liabilities + Stockholders' Equity" is affected by transactions. Is it possible to have a transaction that only impacts one financial element of the equation? Can a transaction impact two elements of the equation? Give examples.

**ANSWER:** Yes to both questions. Examples include: (1) increase cash and decrease equipment; (2) increase cash and increase stockholders' equity.

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Subjective Short Answer

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-1 - LO: 02.01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Reporting

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTND

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJI-GE4G-EQMG-CFTD-NQDB-CRSS-CPJI-CESS-CC5N-GOSS-CPMD-GRSU-QC3O-GRHU-KPMN-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBE

95. Letty's Laundry and Dry Cleaning incorporated and started business on January 1, 2016.

Letty's Laundry and Dry Cleaning began business by depositing \$30,000 in a checking

- 1 account in the name of Letty's Laundry and Dry Cleaning, Inc. for which common stock is issued.
- 2 Borrowed \$6,000 from City Bank.
- 3 Purchased equipment from Washers Wholesale, \$16,200.
- 4 Purchased supplies costing \$3,000 from Suds 'n Stuff for cash.
- 5 Paid one month's rent for business space in Pine Plaza, \$1,000.
- 6 Services provided to customers during January totaled \$13,400. All services were paid for in cash.
- 7 Paid employees for January, \$2,240.
- 8 Received and paid the utility bill, \$500.
- 9 Received and paid the telephone bill, \$250.
- 10 Paid dividends to the stockholders, \$2,140.

Indicate the effect of each transaction on the accounting equation by listing the numbers identifying the transactions, (1) through (10) in a vertical column, and inserting at the right of each number the appropriate letter from the following list:

a.	Increase in an asset, decrease in another asset.
b.	Increase in an asset, increase in a liability.
c.	Increase in an asset, increase in stockholders' equity.
d.	Decrease in an asset, decrease in a liability.
e.	Decrease in an asset, decrease in stockholders' equity

**ANSWER:**

1.	c
2.	b
3.	b
4.	a
5.	e
6.	c

## Chapter 2

- 7. e
- 8. e
- 9. e
- 10. e

**POINTS:** 1

**DIFFICULTY:** Moderate

**QUESTION TYPE:** Subjective Short Answer

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-2 - LO: 02.02

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 11/2/2016 6:17 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTBU

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJT-8RAU-QA5F-GY3U-QAMF-8YSU-GQJS-CESS-K3UN-GOSU-NPBA-GESU-E3BW-8FTG-EPDR-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBE

### 96. Part A

Indicate the effect of each transaction during the month of October 2016 and the balances for the accounting equation after all transactions have been recorded. No beginning balances exist in the accounts. An accounting equation has been provided.

- a. Opened a business bank account for Jones, Inc., with an initial deposit of \$45,000 in exchange for common stock.
- b. Paid rent on the office building for the month, \$2,000.
- c. Received cash for fees earned of \$5,000.
- d. Purchased equipment, \$7,000.
- e. Borrowed \$20,000 by issuing a note payable.
- f. Paid salaries for the month, \$1,000.
- g. Received cash for fees earned of \$8,000.
- h. Paid dividends, \$3,000.
- i. Paid interest on the note, \$100.

	Assets =		Liabilities + Stockholders' Equity		
	Cash	Equipment	Notes Payable	Common Stock	Retained Earnings
a.					
b.					
c.					
d.					
e.					
f.					
g.					
h.					
i.					
Bal.					





c.	5,000				5,000 Fees Earned
d.	-7,000	7,000			
e.	20,000		20,000		
f.	-1,000				-1,000 Salaries Expense
g.	8,000				8,000 Fees Earned
h.	-3,000				-3,000 Dividends
i.	-100				-100 Interest Expense
Bal.	64,900	7,000	20,000	45,000	6,900

**Part B**

<b>Jones, Inc.</b> <b>Income Statement</b> <b>For the Month Ended October 31, 2016</b>		
Revenues:		
Fees Earned		\$13,000
Expenses:		
Rent Expense	\$2,000	
Salaries Expense	1,000	
Interest Expense	<u>100</u>	
Total Expenses		<u>3,100</u>
Net Income		<u>\$ 9,900</u>

<b>Jones, Inc.</b> <b>Statement of Stockholders' Equity</b> <b>For the Month Ended October 31, 2016</b>		
Balances, October 1, 2016		\$ 0
Add: Net Income		9,900
Less: Dividends		<u>(3,000)</u>
Balances, October 31, 2016		<u>\$6,900</u>

<b>Jones, Inc.</b> <b>Balance Sheet</b> <b>October 31, 2016</b>		
Assets		
Cash	\$64,900	
Equipment	<u>7,000</u>	
Total Assets		<u>\$71,900</u>
Liabilities		
Notes Payable		\$20,000
Stockholders' Equity		
Common Stock	\$45,000	
Retained Earnings	<u>6,900</u>	<u>51,900</u>
Total Liabilities and Stockholders' Equity		<u>\$71,900</u>

<b>Jones, Inc.</b>
--------------------

<b>Statement of Cash Flows</b> <b>For the Month Ended October 31, 2016</b>		
Cash flows from operating activities:		
Cash receipts from operating activities	\$13,000	
Cash payments for operating activities	(3,100)	
Net cash flows from operating activities		\$ 9,900
Cash flows from investing activities:		
Cash payments for equipment		(7,000)
Cash flows from financing activities:		
Cash receipts from issuing common stock	\$45,000	
Cash receipts from note payable	20,000	
Cash payments for dividends	(3,000)	
Net cash flows from financing activities		<u>62,000</u>
Cash as of October 31, 2016		<u>\$ 64,900</u>

<b>POINTS:</b>	1
<b>DIFFICULTY:</b>	Challenging
<b>QUESTION TYPE:</b>	Subjective Short Answer
<b>HAS VARIABLES:</b>	False
<b>LEARNING OBJECTIVES:</b>	SACC.WARR.18.2-2 - LO: 02.02 SACC.WARR.18.2-3 - LO: 02.03
<b>NATIONAL STANDARDS:</b>	United States - BUSPROG: Analytic
<b>STATE STANDARDS:</b>	United States - DISC: - ACBSP: APC-09 - Financial Statements United States - AK - DISC: AICPA: FN-Reporting
<b>KEYWORDS:</b>	Bloom's: Applying
<b>DATE CREATED:</b>	7/19/2016 9:45 AM
<b>DATE MODIFIED:</b>	10/28/2016 3:45 AM
<b>QUESTION ID:</b>	JFND-GO3A-EW4R-GTB1
<b>QUESTION GLOBAL ID:</b>	GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMMF-GO3G-NPBS-CO5S-RP5B-GASU-YPUN-CRSS-NCBW-GOSS-ECMR-GESU-E3UN-GHHD-ECBS-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBE

97. Explain how the four financial statements are linked.

<b>ANSWER:</b>	A financial accounting system is designed to produce four financial statements. The income statement, statement of stockholders' equity, and statement of cash flows are linked to an element of the balance sheet.
(1)	The income statement shows the net effects of revenues and expenses, which affects the retained earnings on the balance sheet. The statement of stockholders' equity reflects the net income and dividends paid and
(2)	shows how retained earnings in the balance sheet moves from the beginning balance to the ending balance. The statement of cash flows explains how the cash balance in the balance sheet moves
(3)	from the beginning balance to the ending balance by looking at the cash effects of operating, investing, and financing activities.

**POINTS:** 1

## Chapter 2

**DIFFICULTY:** Moderate  
**QUESTION TYPE:** Subjective Short Answer  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Reporting  
**KEYWORDS:** Bloom's: Understanding  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 10/28/2016 3:46 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTBT  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJO-CW5G-C3JA-CRAG-EC5B-GASU-EQJT-CESS-NP5D-GOSS-EP5F-GWSU-YCB3-CFTD-OAJI-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

98. How can a company earn a large net income and have a small balance in retained earnings?

**ANSWER:** The company may pay out most of its earnings in dividends.

**POINTS:** 1

**DIFFICULTY:** Easy

**QUESTION TYPE:** Subjective Short Answer

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-3 - LO: 02.03

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Understanding

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 7/19/2016 9:45 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTBO

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJA-GAHU-NP5D-GR5D-YAMB-8YSU-RQDF-CRSS-G3DD-GOSU-QATT-CRSS-GATW-CA4G-RQMD-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

99. Calculate the following:

(a) Determine the cash receipts for May based on the following data:

Cash payments during May	\$42,500
Cash account balance, May 1	3,750
Cash account balance, May 31	6,000

(b) Determine the cash received from customers on account during May based on the following data:

Accounts receivable account balance, May 1	\$11,500
Accounts receivable account balance, May 31	8,250
Fees billed to customers during May	28,000

**ANSWER:** (a) \$44,750 ( $\$6,000 + \$42,500 - \$3,750$ )

## Chapter 2

(b) \$31,250 (\$11,500 + \$28,000 – \$8,250)

**POINTS:** 1  
**DIFFICULTY:** Challenging  
**QUESTION TYPE:** Subjective Short Answer  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.13.2-4 - LO: 02.04  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
 United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Applying  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 10/12/2016 5:56 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTNR  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJI-CA5G-GCUD-GHAD-NCJU-CCSS-E3T3-CRSU-QPUD-GOSU-1AUF-8RSU-YAMR-CRAS-KA3W-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

100. On May 1, the cash account balance was \$72,600. During May, cash receipts totaled \$345,600 and the May 31 balance was \$95,230. Determine the cash payments made during May.

**ANSWER:** \$95,230 = \$72,600 + \$345,600 – ?  
 Cash payments = \$322,970

**POINTS:** 1  
**DIFFICULTY:** Easy  
**QUESTION TYPE:** Subjective Short Answer  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** SACC.WARR.18.2-4 - LO: 02.04  
**NATIONAL STANDARDS:** United States - BUSPROG: Analytic  
**STATE STANDARDS:** United States - DISC: - ACBSP: APC-06 - Recording Transactions  
 United States - AK - DISC: AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Applying  
**DATE CREATED:** 7/19/2016 9:45 AM  
**DATE MODIFIED:** 10/12/2016 5:51 AM  
**QUESTION ID:** JFND-GO3A-EW4R-GTBI  
**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ3-GW5U-N3JI-CFTD-QCTU-GESE-EQDD-CESU-RQJI-GOSS-RQBI-GHSU-ECBT-GB1G-RQB1-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

101. The following are included in Ace Auto Parts, Inc.'s December 31, 2016 balance sheet:

Accounts Receivable	\$ 50,000
Building	100,000
Cash	60,000
Land	130,000
Accounts Payable	40,000
Notes Payable	70,000



## Chapter 2

Stockholders' Equity	?
Below are the balances for December 31, 2016:	
Accounts Receivable	\$ 90,000
Building	100,000
Cash	150,000
Land	130,000
Accounts Payable	60,000
Notes Payable	50,000
Stockholders' Equity	?

Analyze the changes in these balances and determine net income for 2017, assuming that the only change to stockholders' equity is from net income.

ANSWER:

	Assets =	Liabilities +	Stockholders' Equity
	50,000		
	100,000		
	60,000	40,000	
	<u>130,000</u>	<u>70,000</u>	
Bal. 12/31/2016	<u>340,000</u>	<u>110,000</u>	<u>230,000</u>

	Assets =	Liabilities +	Stockholders' Equity
	90,000		
	100,000		
	150,000	60,000	
	<u>130,000</u>	<u>50,000</u>	
Bal. 12/31/2017	<u>470,000</u>	<u>110,000</u>	<u>360,000</u>

Stockholders' Equity ending balance	<u>\$360,000</u>
Stockholders' Equity beginning balance	<u>230,000</u>
Change - Net income	<u>\$130,000</u>

**POINTS:** 1

**DIFFICULTY:** Challenging

**QUESTION TYPE:** Subjective Short Answer

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** SACC.WARR.18.2-5 - LO: 02.05

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement

**KEYWORDS:** Bloom's: Applying

**DATE CREATED:** 7/19/2016 9:45 AM

**DATE MODIFIED:** 11/2/2016 3:54 AM

**QUESTION ID:** JFND-GO3A-EW4R-GTBZ

**QUESTION GLOBAL ID:** GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-CC5N-4PUG-CJ1U-RCJZ-GTDI-GWN8-EPRW-EMJ1-CEHS-KQBO-GH4D-N3TO-GCSU-CCUR-CRSU-N3BZ-GOSU-R3MN-8RSU-CCJ1-GW3G-GPTS-E7JI-YT4D-JFNN-4OTI-GO4W-NQNBEE

Chapter 2

**THE COCA-COLA COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

December 31,	2008	2007
(In millions except par value)		
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,701	\$ 4,093
Marketable securities	278	215
Trade accounts receivable, less allowances of \$51 and \$56, respectively	3,090	3,317
Inventories	2,187	2,220
Prepaid expenses and other assets	1,920	2,260
<b>TOTAL CURRENT ASSETS</b>	<b>12,176</b>	<b>12,105</b>
<b>INVESTMENTS</b>		
Equity method investments:		
Coca-Cola Hellenic Bottling Company S.A.	1,487	1,549
Coca-Cola FEMSA, S.A.B. de C.V.	877	996
Coca-Cola Amatil Limited	638	806
Coca-Cola Enterprises Inc.	—	1,637
Other, principally bottling companies and joint ventures	2,314	2,301
Other investments, principally bottling companies	463	488
<b>TOTAL INVESTMENTS</b>	<b>5,779</b>	<b>7,777</b>
<b>OTHER ASSETS</b>	<b>1,733</b>	<b>2,675</b>
<b>PROPERTY, PLANT AND EQUIPMENT — net</b>	<b>8,326</b>	<b>8,493</b>
<b>TRADEMARKS WITH INDEFINITE LIVES</b>	<b>6,059</b>	<b>5,153</b>
<b>GOODWILL</b>	<b>4,029</b>	<b>4,256</b>
<b>OTHER INTANGIBLE ASSETS</b>	<b>2,417</b>	<b>2,810</b>
<b>TOTAL ASSETS</b>	<b>\$ 40,519</b>	<b>\$ 43,269</b>
<b>LIABILITIES AND SHAREOWNERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 6,205	\$ 6,915
Loans and notes payable	6,066	5,919
Current maturities of long-term debt	465	133
Accrued income taxes	252	258
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,988</b>	<b>13,225</b>
<b>LONG-TERM DEBT</b>	<b>2,781</b>	<b>3,277</b>
<b>OTHER LIABILITIES</b>	<b>3,401</b>	<b>3,133</b>
<b>DEFERRED INCOME TAXES</b>	<b>877</b>	<b>1,890</b>
<b>SHAREOWNERS' EQUITY</b>		
Common stock, \$0.25 par value; Authorized — 5,600 shares;		
Issued — 3,519 and 3,519 shares, respectively	880	880
Capital surplus	7,966	7,378
Reinvested earnings	38,513	36,235
Accumulated other comprehensive income (loss)	(2,674)	626
Treasury stock, at cost — 1,207 and 1,201 shares, respectively	(24,213)	(23,375)
<b>TOTAL SHAREOWNERS' EQUITY</b>	<b>20,472</b>	<b>21,744</b>
<b>TOTAL LIABILITIES AND SHAREOWNERS' EQUITY</b>	<b>\$ 40,519</b>	<b>\$ 43,269</b>

Refer to Notes to Consolidated Financial Statements.

102. Refer to Coke's balance sheet and answer the following questions:

- (a) Did Coke issue any stock in 2008? If so, how many shares were issued and where might this information be found?
- (b) Did Coke repurchase any common stock in 2008? If so, how many shares were repurchased and where might this information be found?

**ANSWER:**

- (a) No, for both 2008 and 2007, Coke had 3,519,000,000 shares issued. The information is in the Shareowners' Equity section of the Balance Sheet.
- (b) Yes, Coke repurchased 6,000,000 shares of its common stock. The information is in the Shareowners' Equity section of the Balance Sheet.

**POINTS:** 1

Chapter 2

*DIFFICULTY:* Challenging  
*QUESTION TYPE:* Subjective Short Answer  
*HAS VARIABLES:* False  
*PREFACE NAME:* Coke balance sheet  
*LEARNING OBJECTIVES:* SACC.WARR.18.2-5 - LO: 02.05  
*NATIONAL STANDARDS:* United States - BUSPROG: Analytic  
*STATE STANDARDS:* United States - DISC: - ACBSP: APC-09 - Financial Statements  
United States - AK - DISC: AICPA: FN-Measurement  
*KEYWORDS:* Bloom's: Applying  
*DATE CREATED:* 7/19/2016 9:45 AM  
*DATE MODIFIED:* 11/2/2016 6:18 AM  
*QUESTION ID:* JFND-GO3A-EW4R-GTBS  
*QUESTION GLOBAL ID:* GCID-E7BW-1TBP-CE4U-KPTI-8R4D-CQB1-GY5N-4A3W-COHN-4PTT-CE4N-4AUF-  
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CASS-E3JI-CRSU-OAUR-GOSS-EAMN-CASU-KCDB-8YAD-OA5B-E7JI-YT4D-JFNN-  
4OTI-GO4W-NQNBEE  
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