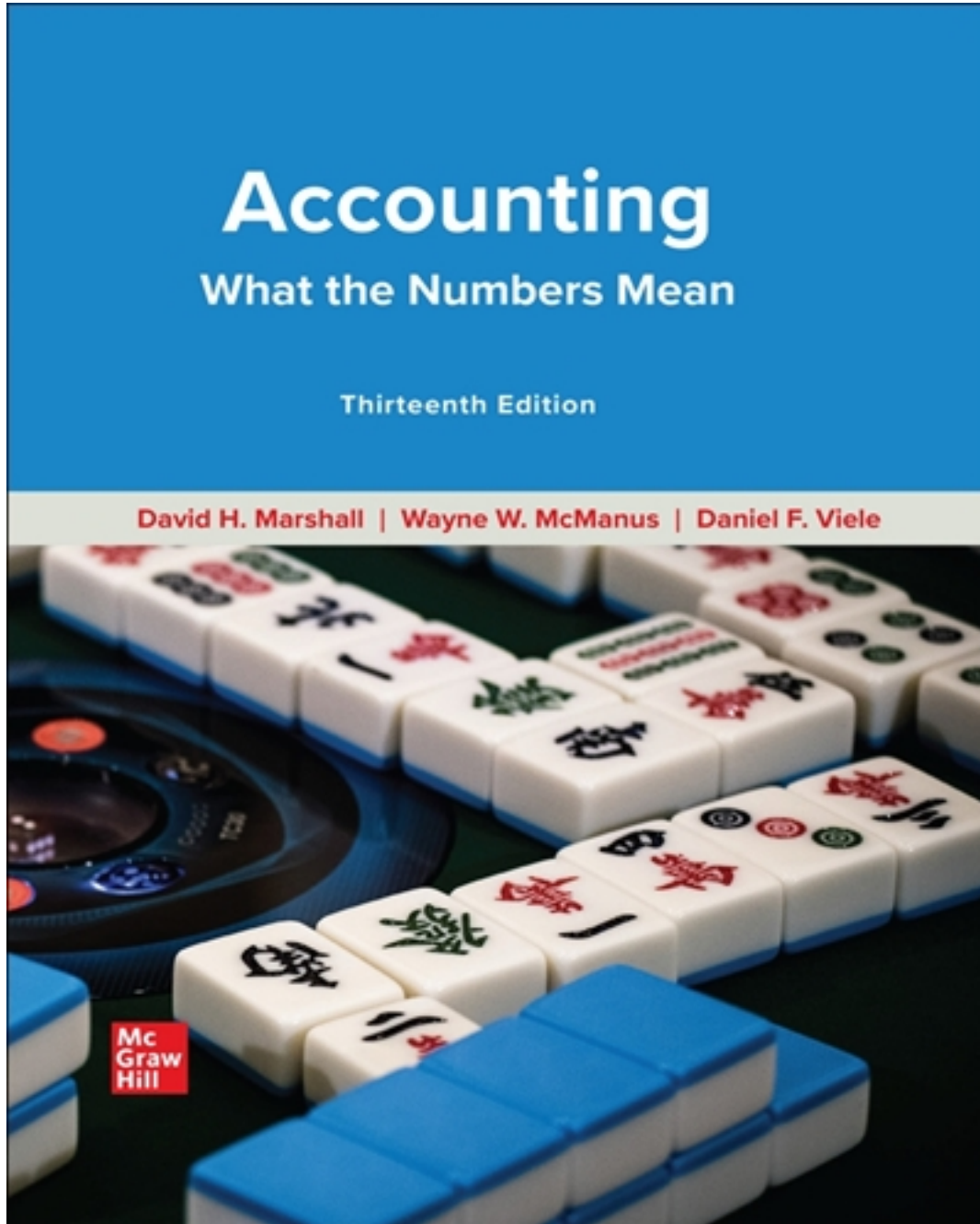


Test Bank for Accounting What the Numbers Mean 13th Edition by Marshall

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Test Bank

Accounting What the Numbers Mean 13th Marshall

CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.
MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

- 1) Which of the following is **not** a transaction to be recorded in the accounting records of a company?
 - A) Investment of cash by the owners
 - B) Sale of product to customers
 - C) Receipt of a plaque recognizing the company's encouragement of employee participation in the United Way fund drive
 - D) Receipt of services from a "quick-print" shop in exchange for the promise to provide advertising design services of equivalent value
- 2) The balance sheet might also be called:
 - A) Statement of Financial Position.
 - B) Statement of Assets.
 - C) Statement of Changes in Financial Position.
 - D) Statement of Equity.
- 3) Transactions are summarized in:
 - A) the notes to the financial statements.
 - B) the independent auditor's report.
 - C) the company's accounts.
 - D) the Accounting Standards Updates (ASUs).
- 4) A fiscal year:
 - A) is always the same as the calendar year.
 - B) is frequently selected based on the company's operating cycle.
 - C) must always end on the same date each year.
 - D) must end on the last day of a month.
- 5) Which of the following is not a principal form of business organization?
 - A) Partnership
 - B) Sole proprietorship
 - C) Limited unregistered business
 - D) Corporation

Accounting What the Numbers Mean 13th Marshall

- 6) The time frame associated with a balance sheet is:
- A) a point in time in the past.
 - B) a one-year past period of time.
 - C) a single date in the future.
 - D) a function of the information included in it.
- 7) Current U.S. Generally Accepted Accounting Principles and auditing standards require the financial statements of an entity for the reporting period to include:
- A) earnings and gross receipts of cash for the period.
 - B) projected earnings for the subsequent period.
 - C) financial position at the end of the period.
 - D) current fair values of all assets at the end of the period.
- 8) The balance sheet equation can be represented by:
- A) $\text{Assets} = \text{Liabilities} + \text{Stockholders' Equity}$
 - B) $\text{Assets} - \text{Liabilities} = \text{Stockholders' Equity}$
 - C) $\text{Net Assets} = \text{Stockholders' Equity}$
 - D) All of the answers are correct.
- 9) Stockholders' equity refers to which of the following?
- A) A listing of the organization's assets and liabilities
 - B) The ownership rights of the stockholders of the company
 - C) Probable future sacrifices of economic benefits
 - D) The amount of resources controlled by the company
- 10) Accumulated depreciation on a balance sheet:
- A) is part of stockholders' equity.
 - B) represents the portion of the cost of an asset that is assumed to have been "used up" in the process of operating the business.
 - C) represents cash that will be used to replace worn out equipment.
 - D) recognizes the economic loss in value of an asset because of its age or use.
- 11) The distinction between a current asset and other assets is based on:
- A) how long the asset has been owned.
 - B) amounts that will be paid to other entities within a year.
 - C) the ability to determine the current fair value of the asset.
 - D) when the asset is expected to be converted to cash or used to benefit the entity.

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- 12) The income statement shows amounts for:
- A) revenues, expenses, losses, and liabilities.
 - B) revenues, expenses, gains, and fair value per share.
 - C) revenues, assets, gains, and losses.
 - D) revenues, gains, expenses, and losses.
- 13) The time frame associated with an income statement is:
- A) a point in time in the past.
 - B) a past period of time.
 - C) a future period of time.
 - D) a function of the information included in it.
- 14) Revenues are:
- A) cash receipts.
 - B) increases in net assets from selling products or providing services.
 - C) increases in net assets from occasional sales of equipment.
 - D) increases in net assets from selling common stock.
- 15) Expenses are:
- A) cash disbursements.
 - B) decreases in net assets from uninsured accidents.
 - C) decreases in net assets from dividends to stockholders.
 - D) decreases in net assets resulting from usual operating activities.
- 16) The purpose of the income statement is to show the:
- A) change in the fair value of the assets from the prior income statement.
 - B) market value per share of stock at the date of the statement.
 - C) revenues collected during the period covered by the statement.
 - D) net income or net loss for the period covered by the statement.
- 17) The Statement of Changes in Stockholders' Equity shows:
- A) the change in cash during a year.
 - B) revenues, expenses, and liabilities for the period.
 - C) net income and dividends for the period.
 - D) paid-in capital and long-term debt at the end of the period.

Accounting What the Numbers Mean 13th Marshall

18) Paid-in Capital represents:

- A) earnings retained for use in the business.
- B) the amount invested in the company by the stockholders.
- C) fair value of the company's common stock.
- D) net assets of the company at the date of the statement.

19) Retained Earnings represents:

- A) the amount invested in the company by the stockholders.
- B) cash that is available for dividends.
- C) cumulative net income that has not been distributed to stockholders as dividends.
- D) par value of common stock outstanding.

20) Additional paid-in capital represents:

- A) the difference between the total amounts invested by the stockholders and the par or stated value of the stock.
- B) distributions of earnings that have been made to the stockholders.
- C) distributions of earnings that have not been made to the stockholders.
- D) the summation of the total amount invested by the stockholders and the par or stated value of the stock.

21) The Statement of Cash Flows: [TBEXAM.COM](https://www.tbexam.com)

- A) shows how cash changed during the period.
- B) is an optional financial statement.
- C) shows the change in the fair value of the company's common stock during the period.
- D) shows the dividends that will be paid in the future.

22) On January 31, a company's balance sheet showed assets of \$3,200 and liabilities of \$800.

Stockholders' equity at January 31 was:

- A) \$2,400.
- B) \$4,000.
- C) \$1,600.
- D) \$800.

23) On January 31, a company's balance sheet showed **net assets** of \$2,600 and liabilities of \$700. Stockholders' equity on January 31 was:

- A) \$1,900.
- B) \$2,600.
- C) \$3,300.
- D) \$700.

Accounting What the Numbers Mean 13th Marshall

- 24) At the end of the year, retained earnings totaled \$3,100. During the year, net income was \$750, and dividends of \$350 were declared and paid. Retained earnings at the beginning of the year totaled:
- A) \$3,500.
 - B) \$2,350.
 - C) \$1,900.
 - D) \$2,700.
- 25) The balance sheet shows the following accounts and amounts:
Cash \$13,000; Short-term Debt \$21,000; Buildings and Equipment \$420,000; Inventory, \$44,000; Notes Payable \$60,000; Accumulated Depreciation \$110,000; Common Stock \$80,000; Accounts Receivable \$38,000; Retained Earnings \$237,000; Accounts Payable \$17,000.
Total assets on the balance sheet are:
- A) \$367,000.
 - B) \$405,000.
 - C) \$515,000.
 - D) \$625,000.
- 26) The balance sheet shows the following accounts and amounts:
Cash \$13,000; Short-term Debt \$21,000; Buildings and Equipment \$420,000; Inventory, \$44,000; Notes Payable \$60,000; Accumulated Depreciation \$110,000; Common Stock \$80,000; Accounts Receivable \$38,000; Retained Earnings \$237,000; Accounts Payable \$17,000.
Total liabilities on the balance sheet are:
- A) \$77,000.
 - B) \$98,000.
 - C) \$178,000.
 - D) \$208,000.
- 27) The balance sheet shows the following accounts and amounts:
Cash \$26,000; Short-term Debt \$42,000; Buildings and Equipment \$840,000; Inventory, \$88,000; Notes Payable \$120,000; Accumulated Depreciation \$220,000; Common Stock \$160,000; Accounts Receivable \$76,000; Retained Earnings \$474,000; Accounts Payable \$34,000.
Total assets on the balance sheet are:
- A) \$810,000.
 - B) \$1,030,000.
 - C) \$1,250,000.
 - D) \$734,000.

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28) The balance sheet shows the following accounts and amounts:

Cash \$26,000; Short-term Debt \$42,000; Buildings and Equipment \$840,000; Inventory, \$88,000; Notes Payable \$120,000; Accumulated Depreciation \$220,000; Common Stock \$160,000; Accounts Receivable \$76,000; Retained Earnings \$474,000; Accounts Payable \$34,000.

Total liabilities on the balance sheet are:

- A) \$356,000.
- B) \$416,000.
- C) \$154,000.
- D) \$196,000.

29) The balance sheet shows the following accounts and amounts:

Inventory, \$84,000; Long-term Debt 125,000; Common Stock \$60,000; Accounts Payable \$44,000; Cash \$132,000; Buildings and Equipment \$390,000; Short-term Debt \$48,000; Accounts Receivable \$109,000; Retained Earnings \$204,000; Notes Payable (six month) \$54,000; Accumulated Depreciation \$180,000.

Total current assets on the balance sheet are:

- A) \$216,000.
- B) \$325,000.
- C) \$535,000.
- D) \$715,000.

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30) The balance sheet shows the following accounts and amounts:

Inventory, \$84,000; Long-term Debt 125,000; Common Stock \$60,000; Accounts Payable \$44,000; Cash \$132,000; Buildings and Equipment \$390,000; Short-term Debt \$48,000; Accounts Receivable \$109,000; Retained Earnings \$204,000; Notes Payable (six month) \$54,000; Accumulated Depreciation \$180,000.

Total current liabilities on the balance sheet are:

- A) \$98,000.
- B) \$146,000.
- C) \$271,000.
- D) \$326,000.

Accounting What the Numbers Mean 13th Marshall

31) The balance sheet shows the following accounts and amounts:

Inventory, \$42,000; Long-term Debt 62,500; Common Stock \$30,000; Accounts Payable \$22,000; Cash \$66,000; Buildings and Equipment \$195,000; Short-term Debt \$24,000; Accounts Receivable \$54,500; Retained Earnings \$102,000; Notes Payable (nine month) \$27,000; Accumulated Depreciation \$90,000.

Total current assets on the balance sheet are:

- A) \$357,500.
- B) \$108,000.
- C) \$162,500.
- D) \$267,500.

32) The balance sheet shows the following accounts and amounts:

Inventory, \$42,000; Long-term Debt 62,500; Common Stock \$30,000; Accounts Payable \$22,000; Cash \$66,000; Buildings and Equipment \$195,000; Short-term Debt \$24,000; Accounts Receivable \$54,500; Retained Earnings \$102,000; Notes Payable (nine month) \$27,000; Accumulated Depreciation \$90,000.

Total current liabilities on the balance sheet are:

- A) \$135,500.
- B) \$163,000.
- C) \$49,000.
- D) \$73,000.

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33) At the beginning of the fiscal year, the balance sheet showed assets of \$2,728 and stockholders' equity of \$1,672. During the year, assets increased \$148 and liabilities decreased \$76.

Stockholders' equity at the end of the year totaled:

- A) \$1,672.
- B) \$1,744.
- C) \$1,896.
- D) \$2,876.

34) At the beginning of the fiscal year, the balance sheet showed assets of \$2,728 and stockholders' equity of \$1,672. During the year, assets increased \$148 and liabilities decreased \$76.

Liabilities at the end of the year totaled:

- A) \$980.
- B) \$1,056.
- C) \$1,672.
- D) \$1,820.

Accounting What the Numbers Mean 13th Marshall

- 35) At the beginning of the fiscal year, the balance sheet showed assets of \$1,364 and stockholders' equity of \$836. During the year, assets increased \$74 and liabilities decreased \$38.

Stockholders' equity at the end of the year totaled:

- A) \$948.
- B) \$1,438.
- C) \$836.
- D) \$872.

- 36) At the beginning of the fiscal year, the balance sheet showed assets of \$1,364 and stockholders' equity of \$836. During the year, assets increased \$74 and liabilities decreased \$38.

Liabilities at the end of the year totaled:

- A) \$910.
- B) \$836.
- C) \$528.
- D) \$490.

- 37) At the beginning of the year, paid-in capital was \$164 and retained earnings was \$94. During the year, the stockholders invested \$48 and dividends of \$12 were declared and paid.

Retained earnings at the end of the year were \$104.

Total stockholders' equity at the end of the year was:

- A) \$164.
- B) \$188.
- C) \$212.
- D) \$316.

- 38) At the beginning of the year, paid-in capital was \$164 and retained earnings was \$94. During the year, the stockholders invested \$48 and dividends of \$12 were declared and paid.

Retained earnings at the end of the year were \$104.

Net income for the year was:

- A) \$20.
- B) \$22.
- C) \$30.
- D) \$40.

Accounting What the Numbers Mean 13th Marshall

- 39) At the beginning of the year, paid-in capital was \$492 and retained earnings was \$282. During the year, the stockholders invested \$144 and dividends of \$36 were declared and paid. Retained earnings at the end of the year were \$312. Total stockholders' equity at the end of the year was:
- A) \$948.
 - B) \$636.
 - C) \$564.
 - D) \$492.
- 40) At the beginning of the year, paid-in capital was \$492 and retained earnings was \$282. During the year, the stockholders invested \$144 and dividends of \$36 were declared and paid. Retained earnings at the end of the year were \$312. Net income for the year was:
- A) \$120.
 - B) \$90.
 - C) \$66.
 - D) \$60.
- 41) The going concern concept refers to a presumption that:
- A) the entity will be profitable in the coming year.
 - B) the entity will not be involved in a merger within a year.
 - C) the entity will continue to operate in the foreseeable future.
 - D) top management of the entity will not change in the coming year.
- 42) Consolidated financial statements report financial position, results of operations, and cash flows for:
- A) a parent corporation and its subsidiaries.
 - B) a parent corporation alone.
 - C) two corporations that are owned by the same individual.
 - D) a parent corporation and its 100% owned subsidiaries only.
- 43) A concept or principle that relates to transactions is:
- A) materiality.
 - B) full disclosure.
 - C) original cost.
 - D) consistency.

Accounting What the Numbers Mean 13th Marshall

- 44) Matching revenues and expenses refers to:
- A) having revenues equal expenses.
 - B) recording revenues when cash is received.
 - C) accurately reflecting the results of operations for a fiscal period.
 - D) recording revenues when the extending warranty period for the product sold has expired.
- 45) Accrual accounting:
- A) is designed to match revenues and expenses to a period of time.
 - B) results in the balance sheet showing the fair value of the company's assets.
 - C) means that expenses are recorded when they are paid.
 - D) cannot result in the company having net income unless cash is received from customers.
- 46) Which of the following accounting methods accomplishes much of the matching of revenues and expenses?
- A) Match accounting
 - B) Cash accounting
 - C) Accrual accounting
 - D) Full disclosure accounting
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- 47) The principle of consistency means that:
- A) the accounting methods used by a company never change.
 - B) the same accounting methods are used by all companies in an industry.
 - C) the effect of any change in an accounting method will be disclosed in the financial statements or notes thereto.
 - D) there are no alternative methods of accounting for the same transaction.
- 48) The principle of full disclosure means that the reporting company must fully disclose:
- A) all client data.
 - B) all proprietary information.
 - C) all necessary information to prevent a reasonably astute user of financial statements from being misled.
 - D) all necessary information to prevent all users of financial statements from being misled.

Accounting What the Numbers Mean 13th Marshall

- 49) The balance sheet of a company:
- A) shows the fair value of the assets at the date of the balance sheet.
 - B) reflects the impact of inflation on the replacement cost of the assets.
 - C) reports plant and equipment at its opportunity cost.
 - D) shows amounts that are not adjusted for changes in the purchasing power of the dollar.
- 50) Which of the following is **not** a limitation of financial statements?
- A) Financial statements report quantitative economic information; they do not reflect qualitative economic variables.
 - B) The cost principle requires assets to be recorded at their original cost; thus, the balance sheet does not generally reflect the fair values of most assets and liabilities.
 - C) Net income from the income statement is added to the Retained Earnings account balance in the balance sheet.
 - D) Estimates are used in many areas of accounting; when the estimate is made, about the only fact known is that the estimate is probably not equal to the "true" amount.
- 51) Which of the following is **not** a limitation of financial statements?
- A) It is possible that two companies operating in the same industry may follow different accounting methods for the exact same transaction.
 - B) Full disclosure requires that the financial statements and notes include all necessary information to prevent a reasonably astute user of the financial statements from being misled.
 - C) Financial statements are not adjusted to show the impact of inflation.
 - D) Financial statements do not reflect opportunity cost, which is an economic concept relating to income forgone because an opportunity to earn income was not pursued.
- 52) Which of the following is **not** included in a corporation's annual report?
- A) The reporting company's financial statements for the fiscal year.
 - B) The report of the external auditor's examination of the financial statements.
 - C) Notes to the financial statements and key financial data for at least the past five years.
 - D) A detailed Management's Discussion and Analysis section.
 - E) All of the answers are included in a corporation's annual report.

Accounting What the Numbers Mean 13th Marshall

Answer Key

Test name: Chapter 02

- 1) C
- 2) A
- 3) C
- 4) B
- 5) C
- 6) A
- 7) C
- 8) D
- 9) B
- 10) B
- 11) D
- 12) D
- 13) B
- 14) B
- 15) D
- 16) D
- 17) C
- 18) B
- 19) C
- 20) A
- 21) A
- 22) A

$$\$3,200 - \$800 = \$2,400$$

- 23) B

$$\text{Net assets} = \text{stockholders' equity} = \$2,600$$

- 24) D

$$?_{\text{question mark}} + \$750 - \$350 = \$3,100.$$

$$\text{Solve for the missing number: } \$3,100 - \$750 + \$350 = \$2,700$$

- 25) B

$$\$13,000 + \$420,000 + \$44,000 - \$110,000 + \$38,000 = \$405,000$$

- 26) B

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$$\$21,000 + \$60,000 + \$17,000 = \$98,000$$

27) A

$$\$26,000 + \$840,000 + \$88,000 - \$220,000 + \$76,000 = \$810,000$$

28) D

$$\$42,000 + 120,000 + \$34,000 = \$196,000$$

29) B

$$\$84,000 + \$132,000 + \$109,000 = \$325,000$$

30) B

$$\$44,000 + \$48,000 + \$54,000 = \$146,000$$

31) C

$$\$42,000 + \$66,000 + \$54,500 = \$162,500$$

32) D

$$\$22,000 + \$24,000 + \$27,000 = \$73,000$$

33) C

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$$\$1,672 + \$148 + \$76 = \$1,896$$

34) A

$$\$2,728 - \$1,672 = \$1,056; \$1,056 - \$76 = \$980$$

35) A

$$\$836 + \$74 + \$38 = \$948$$

36) D

$$\$1,364 - \$836 = \$528; \$528 - \$38 = \$490$$

37) D

Paid-in capital + Retained earnings = Total stockholders' equity

$$\$164 + \$48 + \$104 = \$316$$

38) B

Beginning retained earnings + Net income - Dividend = Ending retained earnings, or $\$94 + ? - \$12 = \$104$.

Solve for the missing net income = $\$104 - \$94 + \$12 = \22

Accounting What the Numbers Mean 13th Marshall

39) A

paid-in capital + retained earnings = total stockholders' equity

$$\$492 + \$144 + \$312 = \$948$$

40) C

Beginning retained earnings + Net income – Dividend = Ending retained earnings, or $\$282 + ? - \$36 = \$312$.

Solve for the missing net income = $\$312 - \$282 + \$36 = \66

41) C

42) A

43) C

44) C

45) A

46) C

47) C

48) C

49) D

50) C

51) B

52) E

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