Test Bank for Financial Accounting for Managers 1st Edition by Thomas

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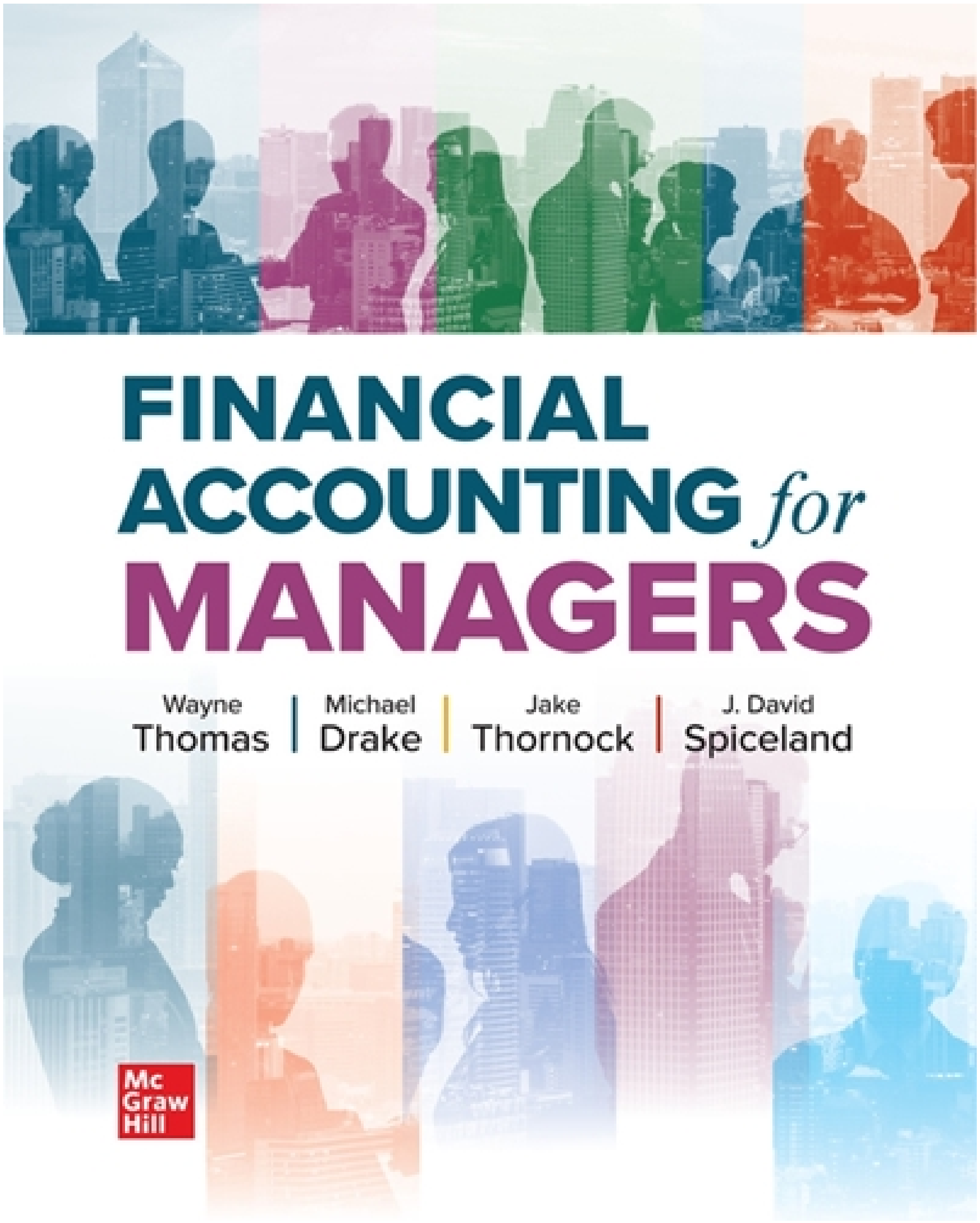

Test Bank

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) The balance sheet reports a company's financial position at a point in time.
   - ⊙ true
   - ⊙ false

2) All current assets are either cash or assets that will be converted into cash or consumed within 12 months or the operating cycle, whichever is longer.
   - ⊙ true
   - ⊙ false

3) The balance of net accounts receivable represents the amount expected to be collected.
   - ⊙ true
   - ⊙ false

4) Prepaid expenses are classified as current assets if the services purchased are expected to be consumed within one year or the operating cycle if that is longer than one year.
   - ⊙ true
   - ⊙ false

5) Assets classified as property, plant, and equipment include machinery, equipment, and inventory.
   - ⊙ true
   - ⊙ false

6) Intangible assets usually are reported in the balance sheet as current assets.
   - ⊙ true
   - ⊙ false

7) Market value and present value are two approaches used to determine an asset’s historical cost.
   - ⊙ true
   - ⊙ false

8) A company's market value is generally less than its book value.
   - ⊙ true
   - ⊙ false

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9) A company’s book value usually will not reflect its market value.
- ⊙ true
- ⊙ false

10) A company’s overall market value can be estimated by multiplying its stock price times the number of shares outstanding.
- ⊙ true
- ⊙ false

11) Unlike the balance sheet, the income statement measures activity over a period of time.
- ⊙ true
- ⊙ false

12) Revenues and expenses typically occur as a result of normal operating activity.
- ⊙ true
- ⊙ false

13) Gains and losses typically occur as a result of normal operating activity.
- ⊙ true
- ⊙ false

14) For a services company, gross profit equals service revenue minus the cost of services provided.
- ⊙ true
- ⊙ false

15) The single-step format of the income statement groups all revenues and gains into a single subtotal.
- ⊙ true
- ⊙ false

16) The multiple-step format of the income statement reports a series of intermediate subtotals such as gross profit, operating income, and pretax income.
- ⊙ true
- ⊙ false

17) Salaries expense is an example of an operating expense on the income statement.
- ⊙ true
- ⊙ false

18) Cost of goods sold is an example of a nonoperating item on the income statement.

- ⊙ true
- ⊙ false

19) Interest expense is considered a nonoperating item on the income statement of a retail company.

- ⊙ true
- ⊙ false

20) Interest expense is considered a nonoperating item on the income statement of an investment bank.

- ⊙ true
- ⊙ false

21) Basic earnings per share is calculated as total revenues divided by the number of common shares outstanding.

- ⊙ true
- ⊙ false

22) For companies with potentially dilutive securities such as employee stock options, Diluted EPS is lower than Basic EPS.

- ⊙ true
- ⊙ false

23) Salaries expense is an example of a nonrecurring item on the income statement.

- ⊙ true
- ⊙ false

24) Depreciation expense is an example of a recurring item on the income statement.

- ⊙ true
- ⊙ false

25) The inclusion of recurring and nonrecurring items on the income statement can make it difficult for investors to predict future income.

- ⊙ true
- ⊙ false

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26) In the income statement, operating income and nonoperating income items are presented on an after-tax basis so that investors can easily distinguish how much tax expense relates to each category of income.
- ◎ true
- ◎ false

27) A common method used by managers to inflate reported profits is to over-estimate expenses.
- ◎ true
- ◎ false

28) Under the accrual basis of accounting, we recognize revenues at the time goods and services are provided and recognize expenses as resources are used in operations.
- ◎ true
- ◎ false

29) In the statement of cash flows, the change in cash equals the sum of cash flows from operating activities, investing activities, and financing activities.
- ◎ true
- ◎ false

30) Net income includes changes in equity that arise from both owner and nonowner sources.
- ◎ true
- ◎ false

31) Comprehensive income reports an expanded version of income to include certain types of changes in equity not included in traditional income statements.
- ◎ true
- ◎ false

32) Accrual accounting measures revenues and expenses based on the actual exchange of cash.
- ◎ true
- ◎ false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

33) The balance sheet reports:
- A) revenues and expenses over a period of time.
- B) cash flows over a period of time.
- C) assets, liabilities and equities at a point in time.
- D) assets, liabilities, and equities over a period of time.

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34) Which financial statement provides information for a point in time only?
   A) Statement of cash flows
   B) Income statement
   C) Statement of shareholders’ equity
   D) Balance sheet

35) A classified balance sheet:
   A) Shows only current assets and current liabilities.
   B) Shows changes in assets, liabilities, revenues and expenses.
   C) Contains confidential information.
   D) Shows subtotals for current assets and current liabilities.

36) Which financial statement provides information at a point in time only?
   A) Statement of cash flows
   B) Income statement
   C) Statement of stockholders’ equity
   D) Balance sheet

37) Current assets include cash and all other assets expected to become cash or be consumed within:
   A) one year.
   B) one operating cycle.
   C) one year or one operating cycle, if shorter than one year.
   D) one year or one operating cycle, if longer than one year.

38) A company would classify a six-month prepaid insurance policy as:
   A) Property, plant, and equipment.
   B) Investment.
   C) Current asset.
   D) Goodwill.

39) An asset that is generally not expected to be converted to cash or consumed within one year or the operating cycle, whichever is longer, is:
   A) Building.
   B) Accounts receivable.
   C) Inventory.
   D) Supplies.

40) Patents, copyrights, franchises, and trademarks are examples of:
   A) Current assets.
   B) Investments.
   C) Intangible assets.
   D) Property, plant and equipment.

41) The following information is provided for a company.

Accounts payable	$ 16,200
Buildings	81,200
Cash	11,700
Accounts receivable	10,700
Salaries payable	5,700
Retained earnings	52,300
Supplies	41,200
Notes payable (due in 18 months)	36,200
Interest payable	4,200
Common stock	36,200

What is the amount of current assets, assuming the accounts above reflect normal activity?
   A) $181,000
   B) $22,400
   C) $63,600
   D) $144,800

42) The following information is provided for a company.

Accounts payable	$ 15,000
Buildings	80,000
Cash	10,500
Accounts receivable	9,500
Salaries payable	4,500
Retained earnings	47,500
Supplies	40,000
Notes payable (due in 18 months)	35,000
Interest payable	3,000
Common stock	35,000

What is the amount of current assets, assuming the accounts above reflect normal activity?
   A) $20,000
   B) $60,000
   C) $140,000
   D) $175,000

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43) The following information is provided for Sacks Company.

Cash	$ 13,600
Supplies	6,100
Prepaid rent	3,600
Salaries expense	6,100
Equipment	66,600
Service revenue	36,400
Miscellaneous expenses	21,600
Dividends	4,600
Accounts payable	6,600
Common stock	69,600
Retained earnings	9,600

What is the amount of total assets?

A) $87,300
B) $89,900
C) $70,100
D) $86,300

44) The following information is provided for Sacks Company.

Cash	$ 12,000
Supplies	4,500
Prepaid rent	2,000
Salaries expense	4,500
Equipment	65,000
Service revenue	30,000
Miscellaneous expenses	20,000
Dividends	3,000
Accounts payable	5,000
Common stock	68,000
Retained earnings	8,000

What is the amount of total assets?

A) $81,500
B) $82,500
C) $68,500
D) $83,500

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45) Consider the following items:

- Land
- Accounts Receivable
- Notes Payable (due in three years)
- Accounts Payable
- Retained Earnings
- Prepaid Rent
- Deferred Revenue
- Buildings
- Notes Payable (due in six months)
- Equipment

How many of the items listed above are generally long-term assets?

A) Two
B) Three
C) Four
D) Five

46) Assets do **not** include:

A) property, plant, and equipment.
B) investments.
C) contributed capital.
D) accounts receivable.

47) Cash equivalents would include:

A) Highly liquid investments that can be quickly converted to cash.
B) Accounts receivable from customers.
C) Cash restricted for special purposes such as to repay debt in the future.
D) Prepaid expenses that were purchased with cash.

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48) Janson Corporation Company's trial balance included the following account balances on December 31, 2024:

Accounts receivable	$ 12,600
Inventory	40,000
Patent	13,600
Investments	31,800
Prepaid insurance	7,000
Notes receivable, due 2027	50,300

Investments consist of treasury bills that were purchased in November, 2024, and mature in January, 2025. Prepaid insurance is for the next 24 months. What amount should be included in the current assets section of Janson's December 31, 2024, balance sheet?

A) $91,400
B) $56,100
C) $138,200
D) $87,900

49) Janson Corporation Company's trial balance included the following account balances on December 31, 2024:

Accounts receivable	$ 12,000
Inventory	40,000
Patent	12,000
Investments	30,000
Prepaid insurance	6,000
Notes receivable, due 2027	50,000

Investments consist of treasury bills that were purchased in November, 2024, and mature in January, 2025. Prepaid insurance is for the next 24 months. What amount should be included in the current assets section of Janson's December 31, 2024, balance sheet?

A) $88,000
B) $85,000
C) $55,000
D) $135,000

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50) Ferguson, Incorporated, reports the following account balances on December 31, 2024: accounts payable, $32,000; accounts receivable, $17,000; bonds payable, $30,000; cash, $28,000; common stock, $12,000; deferred revenue, $14,000; interest payable, $3,000; inventory, $22,000; equipment (net), $63,000; land, $51,000; notes payable (due in 3 years), $19,000; operating lease assets, $9,000. What is the amount of total current assets?

A) $76,000
B) $99,000
C) $67,000
D) $45,000

51) Ferguson, Incorporated, reports the following account balances on December 31, 2024: accounts payable, $32,000; accounts receivable, $17,000; bonds payable, $30,000; cash, $28,000; common stock, $12,000; deferred revenue, $14,000; interest payable, $3,000; inventory, $22,000; equipment (net), $63,000; land, $51,000; notes payable (due in 3 years), $19,000; operating lease assets, $9,000. What is the amount of total long-term assets?

A) $140,000
B) $123,000
C) $190,000
D) $114,000

52) Which of the following is **not** a common asset measurement method?

A) Amortized cost
B) Net realizable value
C) Liquidation value
D) Historical cost

53) Fair value as a method of asset measurement is defined as:

A) the cost of an asset adjusted for the depreciation or amortization accumulated over its lifetime.
B) the price that would be received to sell assets in an orderly transaction between market participants on a given date.
C) the value of what is given in exchange for the asset at its initial acquisition.
D) the net amount of cash into which an asset could be converted in the ordinary course of business.

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54) Amortized cost as a method of asset measurement is defined as:
A) the cost of an asset adjusted for the depreciation or amortization accumulated over its lifetime.
B) the price that would be received to sell assets in an orderly transaction between market participants on a given date.
C) the value of what is given in exchange for the asset at its initial acquisition.
D) the net amount of cash into which an asset could be converted in the ordinary course of business.

55) Which is a shareholders' equity account in the balance sheet?
A) Accumulated depreciation
B) Additional paid-in capital
C) Salaries payable
D) Accounts receivable

56) Which of the following is a shareholders' equity account in the balance sheet?
A) Service revenue
B) Investments
C) Retained earnings
D) Deferred revenue

57) Rent collected in advance is a(n):
A) asset account in the balance sheet.
B) liability account in the balance sheet.
C) shareholders' equity account in the balance sheet.
D) revenue on the income statement.

58) Notes payable that are due in two years are:
A) Current liabilities.
B) Long-term intangible assets.
C) Long-term liabilities.
D) Long-term investments.

59) Which of the following is **not** a current liability account?
A) Salaries payable
B) Interest payable
C) Prepaid rent
D) Utilities payable

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60) The following information is provided for a company. All liabilities are due to be satisfied within one year unless stated otherwise.

Retained earnings	$ 52,500
Supplies	37,500
Equipment	72,500
Accounts receivable	9,100
Deferred revenue	6,500
Accounts payable	17,000
Common stock	25,500
Notes payable (due in 18 months)	35,500
Interest payable	7,500
Cash	22,900

What is the amount of current liabilities?

A) $62,000
B) $24,500
C) $31,000
D) $46,600

61) The following information is provided for a company. All liabilities are due to be satisfied within one year unless stated otherwise.

Retained earnings	$ 52,000
Supplies	37,000
Equipment	72,000
Accounts receivable	9,000
Deferred revenue	6,000
Accounts payable	15,000
Common stock	25,000
Notes payable (due in 18 months)	35,000
Interest payable	7,000
Cash	22,000

What is the amount of current liabilities?

A) $63,000
B) $28,000
C) $46,000
D) $22,000

62) The following information is provided for Sacks Company.

Cash	$ 12,700
Supplies	5,200
Prepaid rent	2,700
Salaries expense	5,200
Equipment	65,700
Service revenue	32,800
Miscellaneous expenses	20,700
Dividends	3,700
Accounts payable	5,700
Common stock	68,700
Retained earnings	8,700

What is the amount of total liabilities?

A) $5,700
B) $86,300
C) $79,900
D) $69,200

63) The following information is provided for Sacks Company.

Cash	$ 12,000
Supplies	4,500
Prepaid rent	2,000
Salaries expense	4,500
Equipment	65,000
Service revenue	30,000
Miscellaneous expenses	20,000
Dividends	3,000
Accounts payable	5,000
Common stock	68,000
Retained earnings	8,000

What is the amount of total liabilities?

A) $5,000
B) $78,500
C) $68,500
D) $83,500

64) The following information is provided for Sacks Company before closing entries.

Cash	$ 13,800
Supplies	6,300
Prepaid rent	3,800
Salaries expense	6,300
Equipment	66,800
Service revenue	37,200
Miscellaneous expenses	21,800
Dividends	4,800
Accounts payable	6,800
Common stock	69,800
Retained earnings	14,100

What is the amount of total shareholders' equity?

A) $90,700
B) $83,900
C) $70,300
D) $6,800

65) The following information is provided for Sacks Company before closing entries.

Cash	$ 12,000
Supplies	4,500
Prepaid rent	2,000
Salaries expense	4,500
Equipment	65,000
Service revenue	30,000
Miscellaneous expenses	20,000
Dividends	3,000
Accounts payable	5,000
Common stock	68,000
Retained earnings	10,500

What is the amount of total shareholders' equity?

A) $5,000
B) $78,500
C) $68,500
D) $83,500

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66) Accrued liabilities:

A) are generally paid in services rather than cash.
B) result when payment is received before services are provided.
C) result when expenses have been incurred but not yet paid.
D) are deferred charges to expense.

67) Lanson Corporation Company's trial balance included the following account balances on December 31, 2024:

Accounts payable	$ 26,500
Bonds payable, due 2033	23,800
Salaries payable	17,000
Notes payable, due 2025	22,000
Notes payable, due 2029	41,100

What amount should be included in the current liabilities section of Lanson's December 31, 2024, balance sheet?

A) $65,500
B) $67,300
C) $106,600
D) $43,500

68) Lanson Corporation Company's trial balance included the following account balances on December 31, 2024:

Accounts payable	$ 25,000
Bonds payable, due 2033	22,000
Salaries payable	16,000
Notes payable, due 2025	20,000
Notes payable, due 2029	40,000

What amount should be included in the current liabilities section of Lanson’s December 31, 2024, balance sheet?

A) $63,000
B) $41,000
C) $61,000
D) $101,000

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69) Ferguson, Incorporated, reports the following account balances on December 31, 2024: accounts payable, $32,000; accounts receivable, $17,000; bonds payable, $30,000; cash, $28,000; common stock, $12,000; deferred revenue, $14,000; interest payable, $3,000; inventory, $22,000; equipment (net), $63,000; land, $51,000; notes payable (due in 3 years), $19,000; operating lease assets, $9,000. What is the amount of total current liabilities?
   A) $30,000
   B) $17,000
   C) $35,000
   D) $49,000

70) Ferguson, Incorporated, reports the following account balances on December 31, 2024: accounts payable, $32,000; accounts receivable, $17,000; bonds payable, $30,000; cash, $28,000; common stock, $12,000; deferred revenue, $14,000; interest payable, $3,000; inventory, $22,000; equipment (net), $63,000; land, $51,000; notes payable (due in 3 years), $19,000; operating lease assets, $9,000. What is the amount of total long-term liabilities?
   A) $49,000
   B) $19,000
   C) $98,000
   D) $81,000

71) Ferguson, Incorporated, reports the following account balances on December 31, 2024: accounts payable, $32,000; accounts receivable, $17,000; bonds payable, $30,000; cash, $28,000; common stock, $12,000; deferred revenue, $14,000; interest payable, $3,000; inventory, $22,000; equipment (net), $63,000; land, $51,000; notes payable (due in 3 years), $19,000; operating lease assets, $9,000. What is the amount of retained earnings?
   A) $92,000
   B) $74,000
   C) $130,000
   D) $80,000

72) Which of the following is a primary reason a company's book value is less than its market value?
   A) Management recorded erroneous entries.
   B) Many valuable resources of the company are not recorded as assets.
   C) Land and buildings are valued at their fair value.
   D) Investors tend to be too optimistic about a company's growth opportunities.

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73) Which of the following potentially limits the usefulness of the balance sheet?
A) Many valuable resources of the company are not recorded as assets.
B) Many items in the balance sheet reflect estimates and judgments of management.
C) Property, plant, and equipment are recorded at their book values rather than fair values.
D) All of the other answer choices represent potential limitations of the balance sheet.

74) Which of the following is an example of an estimated amount that affects reported amounts on the balance sheet?
A) The useful life of property, plant, and equipment.
B) The amount of warranty costs expected to occur in the future.
C) The amount of accounts receivable expected not to be collected.
D) All of the other answer choices are correct.

75) Book value is:
A) total assets minus total liabilities.
B) the value of the company based on its current stock price.
C) total liabilities minus total assets.
D) the value today of all future cash flows.

76) When a restaurant pays salaries to its employees, the cost is classified as a(n):

A) revenue.
B) expense.
C) gain.
D) loss.

77) When a retail store sells real estate properties for less than their book value, the difference is reported as a(n):
A) revenue.
B) expense.
C) gain.
D) loss.

78) The relationship between revenue from selling inventory and the cost of that inventory is measured as:
A) net income.
B) gross profit.
C) pretax income.
D) operating income.

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79) The measure of profit reported on a multiple-step income statement that represents the primary-revenue generating activities of the company is:
   A) net income.
   B) gross profit.
   C) pretax income.
   D) operating income.

80) The two measures of earnings per share required to be calculated by all public companies are called:
   A) basic and complex.
   B) basic and diluted.
   C) simple and complex.
   D) simple and diluted.

81) A primary advantage of the multiple-step format of the income statement over the single-step format is that the multiple-step format:
   A) classifies expenses by function.
   B) results in a higher amount of net income.
   C) separately lists income tax expense.
   D) lists revenues and expenses in order of their dollar amount.

82) Which of the following is most likely to be classified as discontinued operations?
   A) Sale of a small equity method investment in another company
   B) Sale of a group of assets that represents a strategic shift in operations
   C) Sale of undeveloped land due to lack of customer demand for additional store locations
   D) All of the other answers would be classified as discontinued operations.

83) The Claxton Company manufactures children's toys and also has a division that makes automobile parts. Due to a change in its strategic focus, the company sold the automobile parts division. The division qualifies as a component of the entity according to GAAP. How should Claxton report the sale in its income statement?
   A) Report it as restructuring costs.
   B) Do not report income or loss from operations of the division in the income statement.
   C) Report the income or loss from operations of the division in discontinued operations.
   D) Report it as a gain on sale of investments included in income from continuing operations.

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84) Which of the following is a recurring item on the income statement?
   A) One-time gain on the sale of land
   B) Unusual charge related to a natural disaster
   C) Depreciation expense
   D) One-time loss on the sale of a building

85) Which of the following is a nonrecurring item on the income statement?
   A) Cost of goods sold
   B) Salaries expense
   C) Unusual charge related to a natural disaster
   D) Depreciation expense

86) Which of the following is a nonoperating expense on the income statement of a manufacturing company?
   A) Cost of goods sold
   B) Depreciation expense
   C) Salaries expense
   D) Interest expense

87) Limitations of the income statement include:
   A) the potential misuse of estimates and judgments.
   B) the inclusion of recurring and nonrecurring items can complicate an investor's ability to predict future income.
   C) it is difficult to determine how much tax expense relates to operating and nonoperating items.
   D) All of the other answer choices are correct.

88) The statement of cash flows reports cash flows from the activities of:
   A) operating, purchasing, and investing.
   B) borrowing, paying, and investing.
   C) financing, investing, and operating.
   D) using, investing, and financing.

89) Operating cash flows would **not** include:
   A) Interest received.
   B) Interest paid.
   C) Dividends paid.
   D) Dividends received.

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90) Operating cash outflows would include:
- A) Purchase of investments.
- B) Purchase of equipment.
- C) Payment of cash dividends.
- D) Purchases of inventory.

91) Cash flows from investing activities do **not** include cash flows from:
- A) the purchase of a building.
- B) the sale of equipment.
- C) borrowing.
- D) the purchase of other corporation's securities.

92) Cash flows from investing activities do **not** include cash flows from:
- A) lending money to another corporation.
- B) the purchase of equipment.
- C) the sale of a building.
- D) the repurchase of a corporation's own securities.

93) Cash flows from financing activities include:
- A) Interest received.
- B) Interest paid.
- C) Dividends received.
- D) Dividends paid.

94) Cash flows from investing activities do **not** include:
- A) proceeds from issuing bonds.
- B) payment for the purchase of equipment.
- C) proceeds from the sale of a building.
- D) cash outflows from acquiring land.

95) Arrow Printers paid $2,000 in income taxes, $10,000 interest on long-term bonds, and $6,000 in dividends on its common stock. Arrow would report cash outflows from activities, as follows:
- A) Operating, $2,000; financing, $16,000.
- B) Operating, $0; financing, $18,000.
- C) Operating, $12,000; financing, $6,000.
- D) Operating, $18,000; financing, $0.

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96) Rowdy's Restaurants Cash Flow ($ in millions)

Cash received from:	
Customers	$ 3,600
Interest on investments	320
Sale of land	220
Sale of Rowdy's common stock	840
Issuance of debt securities	3,200
Cash paid for:	
Interest on debt	$ 420
Income tax	200
Repayment of bond principal	2,700
Purchase of equipment	6,400
Purchase of inventory	2,200
Dividends on common stock	560
Operating expenses	740

Rowdy's would report net cash inflows (outflows) from operating activities in the amount of:

A) $360 million.
B) $560 million.
C) $780 million.
D) $(200) million.

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97) Rowdy's Restaurants Cash Flow ($ in millions)

Cash received from:

Customers	$ 1,800
Interest on investments	200
Sale of land	100
Sale of Rowdy's common stock	600
Issuance of debt securities	2,000

Cash paid for:

Interest on debt	$ 300
Income tax	80
Repayment of bond principal	1,500
Purchase of equipment	4,000
Purchase of inventory	1,000
Dividends on common stock	200
Operating expenses	500

Rowdy's would report net cash inflows (outflows) from operating activities in the amount of:

A) ($80) million.
B) $120 million.
C) $200 million.
D) $420 million.

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98) Rowdy's Restaurants Cash Flow ($ in millions)

Cash received from:

Customers	$ 2,550
Interest on investments	250
Sale of land	150
Sale of Rowdy's common stock	700
Issuance of debt securities	2,500

Cash paid for:

Interest on debt	$ 350
Income tax	130
Repayment of bond principal	2,000
Purchase of equipment	5,000
Purchase of inventory	1,500
Dividends on common stock	350
Operating expenses	600

Rowdy's would report net cash inflows (outflows) from investing activities in the amount of:

A) $150 million.
B) $(4,850) million.
C) $(5,000) million.
D) $(2,350) million.

Financial Accounting for Managers Edition 1 by Thomas

99) Rowdy's Restaurants Cash Flow ($ in millions)

Cash received from:	
Customers	$ 1,800
Interest on investments	200
Sale of land	100
Sale of Rowdy's common stock	600
Issuance of debt securities	2,000
Cash paid for:	
Interest on debt	$ 300
Income tax	80
Repayment of bond principal	1,500
Purchase of equipment	4,000
Purchase of inventory	1,000
Dividends on common stock	200
Operating expenses	500

Rowdy's would report net cash inflows (outflows) from investing activities in the amount of:

A) ($4,000) million.
B) $100 million.
C) ($3,900) million.
D) ($1,900) million.

Financial Accounting for Managers Edition 1 by Thomas

100) Rowdy's Restaurants Cash Flow ($ in millions)

Cash received from:	
Customers	$ 4,800
Interest on investments	400
Sale of land	300
Sale of Rowdy's common stock	1,000
Issuance of debt securities	4,000
Cash paid for:	
Interest on debt	$ 500
Income tax	280
Repayment of bond principal	3,500
Purchase of equipment	8,000
Purchase of inventory	3,000
Dividends on common stock	800
Operating expenses	900

Rowdy's would report net cash inflows (outflows) from financing activities in the amount of:

A) $(1,500) million.
B) $1,500 million.
C) $700 million.
D) $(420) million.

Financial Accounting for Managers Edition 1 by Thomas

101) Rowdy's Restaurants Cash Flow ($ in millions)

Cash received from:	
Customers	$ 1,800
Interest on investments	200
Sale of land	100
Sale of Rowdy's common stock	600
Issuance of debt securities	2,000
Cash paid for:	
Interest on debt	$ 300
Income tax	80
Repayment of bond principal	1,500
Purchase of equipment	4,000
Purchase of inventory	1,000
Dividends on common stock	200
Operating expenses	500

Rowdy's would report net cash inflows (outflows) from financing activities in the amount of:

A) $1,100 million.
B) ($1,100) million.
C) $820 million.
D) $900 million.

102) Porite Company recognizes revenue in the period in which it records an asset for the related account receivable, rather than in the period in which the account receivable is collected in cash.

Porite's practice is an example of:

A) Cash basis accounting.
B) Accrual accounting.
C) The matching principle.
D) Economic entity.

103) Financial statements that report changes over time include:

A) statement of stockholders' equity, balance sheet, and statement of cash flows.
B) balance sheet, statement of cash flows, and income statement.
C) statement of cash flows, income statement, and statement of stockholders' equity.
D) statement of stockholders' equity, balance sheet, and income statement.

Financial Accounting for Managers Edition 1 by Thomas

104) The statement of stockholders' equity includes which of the following for the period?

A) Details of a company's profitability that represents stockholders' claims

B) Changes in the various stockholders' equity accounts (contributed capital, retained earnings, and accumulated other comprehensive income)

C) Inflows and outflows of cash that benefit stockholders

D) Current assets available to pay current liabilities to reduce risk to stockholders

105) The statement of stockholders' equity reports:

A) net income from the income statement.

B) the proceeds of the issuance of common stock during the current period.

C) distributions to owners (dividends) during the current period.

D) All of the other answer choices are correct.

106) In the statement of stockholders' equity, Retained Earnings had a beginning balance of $25,700. During the period, the company reports a net income of $10,700 and a dividend of $4,700. The ending balance in the retained earnings account is:

A) $36,400.

B) $41,100.

C) $10,700.

D) $31,700.

107) In the statement of stockholders' equity, Retained Earnings had a beginning balance of $25,000. During the period, the company reports a net income of $10,000 and a dividend of $4,000. The ending balance in the retained earnings account is:

A) $10,000.

B) $35,000.

C) $39,000.

D) $31,000.

108) In the statement of stockholders' equity, Retained Earnings had a beginning balance of $60,300. During the period, the company reports a net loss of $10,100 and net cash outflows of $15,100. The ending balance in the Retained Earnings account is:

A) $50,200.

B) $35,100.

C) $45,200.

D) $60,300

Financial Accounting for Managers Edition 1 by Thomas

109) In the statement of stockholders' equity, Retained Earnings had a beginning balance of $60,000. During the period, the company reports a net loss of $10,000 and net cash outflows of $15,000. The ending balance in the Retained Earnings account is:

A) $60,000.
B) $35,000.
C) $50,000.
D) $45,000.

110) Which of the following is an example of a change in equity from nonowner sources?

A) Issuance of common stock
B) Payment of dividends
C) Foreign currency adjustment
D) Repurchase of common stock

111) Each of the following would be reported as items of other comprehensive income **except**:

A) Foreign currency translation adjustment.
B) Gain on projected pension benefit obligation.
C) Deferred gain from derivatives.
D) Gain from the sale of equipment.

112) A foreign currency translation adjustment impacts:

1. Net income
2. Other comprehensive income
3. Comprehensive income

A) 1 only.
B) 2 only.
C) 1 and 3.
D) 2 and 3.

113) Consider the following two separate events for a company during the year:
(1) Gain on sale of investments = $10
(2) Unrealized gain on investment from increase in fair value = $20
The company reports the unrealized gain as a component of other comprehensive income. By how much would these two events increase net income and comprehensive income, ignoring tax effects?

A) Net income = $10; Comprehensive income = $20
B) Net income = $10; Comprehensive income = $30
C) Net income = $30; Comprehensive income = $30
D) Net income = $30; Comprehensive income = $20

114) Consider the following two separate events for a company during the year:
(1) Loss on sale of investments = $30
(2) Unrealized gain on investment from increase in fair value = $20
The company reports the unrealized gain as a component of other comprehensive income. By how much would these two events affect net income and comprehensive income, ignoring tax effects?

A) Net income = $(30); Comprehensive income = $(10)
B) Net income = $(30); Comprehensive income = $20
C) Net income = $0; Comprehensive income = $(10)
D) Net income = $(10); Comprehensive income = $20

115) Consider the following two separate events for a company during the year:
(1) Loss on sale of investments = $20
(2) Unrealized gain on investment from increase in fair value = $30
The company reports the unrealized gain as a component of other comprehensive income. By how much would these two events affect the balance of retained earnings, ignoring tax effects?

A) Increase of $30
B) Increase of $10
C) Decrease of $20
D) Decrease of $10

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

116) Listed below are five terms followed by a list of phrases that describe or characterize the terms. Match each phrase with the correct term.

_________ **1. Long-term liabilities**	a. Obligations payable in more than one year.
_________ **2. Current liabilities**	b. Ownership of an exclusive right.
_________ **3. Intangible asset**	c. Items expected to be converted to cash or consumed within one year or the operating cycle.
_________ **4. Current assets**	d. Obligations payable within one year.
_________ **5. Property, plant, and equipment**	e. Includes buildings and land used in operations.

Financial Accounting for Managers Edition 1 by Thomas

117) Listed below are five terms followed by a list of phrases that describe or characterize the terms. Match each phrase with the correct term.

__________ **1. Deferred revenue**	a. Assets acquired in one period that are expensed in a future period.
__________ **2. Accrued liabilities**	b. Goods to be sold in the ordinary course of business.
__________ **3. Inventory**	c. Due from customers in the ordinary course of business.
__________ **4. Accounts receivable**	d. Cash received in advance from customers for goods or services to be provided in the future.
__________ **5. Prepaid expenses**	e. Expenses already incurred but not yet paid.

118) Listed below are five terms followed by a list of phrases that describe or characterize each of the terms. Match each phrase with the correct term.

TERM	**PHRASE**	**Number for term that matches the phrase.**
1. Balance sheet	Reports operating, investing, and financing activities.	______________
2. Income statement	Reports profitability, measured as revenues and gains minus expenses and losses.	______________
3. Expenses	Presents financial position on a particular date showing resources equal claims to resources.	______________
4. Statement of cash flows	Represents outflows of resources incurred to generate revenues.	______________
5. Gross profit	Sales revenue minus cost of goods sold.	______________

Financial Accounting for Managers Edition 1 by Thomas

119) Listed below are five terms followed by a list of phrases that describe or characterize each of the terms. Match each phrase with the correct number code for the term.

TERM	PHRASE	Term number that matches the phrase.
1. Losses	Decreases in income from transactions not classified as expenses.	__________
2. Assets	Increases in equity from the sale of goods and/or services.	__________
3. Revenues	Results if an asset is sold for more than book value.	__________
4. Comprehensive income	All changes in equity except owner transactions.	__________
5. Gains	Probable future economic benefits controlled by an entity.	__________

120) Listed below are five terms followed by a list of phrases that describe or characterize each of the terms. Match each phrase with the number for the correct term.

TERM	PHRASE	NUMBER
1. Other comprehensive income	Reported in the nonoperating section of the income statement.	__________
2. Discontinued operations	Reported net of tax immediately after income from continuing operations.	__________
3. Gain/loss from sale of investments	Gains and losses from nonowner sources that are not reported in the income statement.	__________
4. Multiple-step income statement	Reports intermediate subtotals in arriving at net income.	__________
5. Earnings per share	Required disclosure for publicly traded corporations.	__________

Financial Accounting for Managers Edition 1 by Thomas

121) Provided below is partial information from the balance sheet of KRM Manufacturing.

Cash and cash equivalents	$ 55,000	Inventory	$ 27,000
Deferred revenue	?	Property, plant, and equipment	152,000
Retained earnings	77,000	Accounts receivable	?
Bonds payable	84,000	Common stock	68,000
Total assets	265,000	Total liabilities	?

Required: Determine the missing amounts.

122) Whitestar, Incorporated, reports the following account balances on December 31, 2024: accounts payable, $25,000; accounts receivable, $22,000; cash, $31,000; common stock, $8,000; interest payable, $3,000; inventory, $21,000; equipment (net), $59,000; land, $65,000; notes payable (due in 3 years), $28,000; operating lease assets, $12,000; salaries payable, $14,000.

Required: Calculate the following amounts that would appear in the company's year-end balance sheet:

1. Total current assets.
2. Total current liabilities.
3. Retained earnings.

123) MTJ Consulting reports the following amounts on December 31, 2024: accounts payable, $25,000; accounts receivable, $40,000; cash, $13,000; common stock, $61,000; deferred revenue, $16,000; equipment, $70,000; inventory, $33,000; retained earnings, $54,000.

Required: Prepare the balance sheet for MTJ Consulting on December 31, 2024.

124) Libby Corporation reports the following on December 31, 2024:

	Amount
Cash	30,000
Investment in equity securities (short-term)	70,000
Accounts receivable	37,000
Prepaid insurance	6,500
Inventory	175,000
Land (used in operations)	60,000
Buildings (net)	150,000
Equipment (net)	110,000
Patent (net)	7,000
Accounts payable	45,000
Notes payable (due next year)	80,000
Interest payable	17,500
Bonds payable (due in 10 years)	195,000
Common stock	224,000
Retained earnings	84,000

Required: Prepare a balance sheet for Libby Corporation on December 31, 2024. Be sure to properly classify assets, liabilities, and equity accounts.

125) Libby Corporation reports the following on December 31, 2024:

	Amount
Cash	20,500
Investment in equity securities (short-term)	55,000
Accounts receivable	24,500
Prepaid insurance	4,500
Inventory	100,000
Land (used in operations)	45,000
Buildings (net)	90,000
Equipment (net)	102,500
Patent (net)	5,000
Accounts payable	37,500
Notes payable (due next year)	65,000
Interest payable	10,000
Bonds payable (due in 10 years)	120,000
Common stock	150,000
Retained earnings	64,500

Required: Prepare a balance sheet for Libby Corporation on December 31, 2024. Be sure to properly classify assets, liabilities, and equity accounts.

Financial Accounting for Managers Edition 1 by Thomas

126) The following information for Morgan Corporation is provided:

Service revenue	$ 199,000
Loss on sale of equipment	6,000
Selling and administrative expenses	52,000
Interest expense	17,000
Cost of services	83,000
Depreciation expense	31,000
Income tax expense	2,400

Required: Determine the following amounts:

1. Gross profit.
2. Operating income.
3. Pretax income.
4. Net income.

Financial Accounting for Managers Edition 1 by Thomas

127) The following information relates to Kirkwood Consulting's income statement in a recent year:

Kirkwood Consulting
Income Statement

Revenues	$ 162,100
Cost of goods sold	84,500
Gross profit	?
Operating expenses	18,900
Marketing expenses	1,600
Research and development expense	2,500
General and administrative expense	8,400
Depreciation expense	3,700
Operating income	?
Interest expense	(1,200)
Other income	800
Pretax income	?
Income tax expense	10,525
Net income	$?

Required: Solve for the missing amounts.

Financial Accounting for Managers Edition 1 by Thomas

128) The Filzinger Corporation reported the following income statement items for the year ended December 31, 2024:

Account Title	Amount
Sales revenue	$ 6,825,000
Interest revenue	75,000
Gain on sale of investments	57,000
Cost of goods sold	3,950,000
Selling expense	450,000
General and administrative expense	973,000
Interest expense	35,000
Research and development expense	700,000
Income tax expense	150,000

Required: Calculate the company's operating income for the year using a single-step income statement format.

129) The Filzinger Corporation reported the following income statement items for the year ended December 31, 2024:

Account Title	Amount
Sales revenue	$ 6,700,000
Interest revenue	70,000
Gain on sale of investments	52,000
Cost of goods sold	4,200,000
Selling expense	350,000
General and administrative expense	948,000
Interest expense	30,000
Research and development expense	600,000
Income tax expense	145,000

Required: Calculate the company's operating income for the year using a single-step income statement format.

130) Use the following information to answer the question below.

Plano Company 12/31/2024 Account Balances	Amount
Sales revenue	$ 622,000
Interest revenue	76,000
Gain on sale of investments	126,000
Cost of goods sold	440,000
Selling expense	134,000
Interest expense	24,000
General and administrative expenses	88,000

Plano had 50,000 shares of stock outstanding throughout the year. Income tax expense has not yet been accrued. The effective tax rate is 25%.

Required: Prepare a single-step income statement with earnings per share disclosure.

131) Use the following information to answer the question below.

Plano Company 12/31/2024 Account Balances	Amount
Sales revenue	$ 700,000
Interest revenue	60,000
Gain on sale of investments	110,000
Cost of goods sold	500,000
Selling expense	150,000
Interest expense	40,000
General and administrative expenses	100,000

Plano had 50,000 shares of stock outstanding throughout the year. Income tax expense has not yet been accrued. The effective tax rate is 25%.

Required: Prepare a single-step income statement with earnings per share disclosure.

Financial Accounting for Managers Edition 1 by Thomas

132) Use the following information to answer the question below.

Plano Company 12/31/2024 Account Balances	Amount
Sales revenue	$ 582,000
Interest revenue	80,000
Gain on sale of investments	130,000
Cost of goods sold	425,000
Selling expense	130,000
Interest expense	20,000
General and administrative expenses	80,000

Plano had 50,000 shares of stock outstanding throughout the year. Income tax expense has not yet been accrued. The effective tax rate is 25%.

Required: Prepare a multiple-step income statement with earnings per share disclosure.

133) Use the following information to answer the question below.

Plano Company 12/31/2024 Account Balances	Amount
Sales revenue	$ 700,000
Interest revenue	60,000
Gain on sale of investments	110,000
Cost of goods sold	500,000
Selling expense	150,000
Interest expense	40,000
General and administrative expenses	100,000

Plano had 50,000 shares of stock outstanding throughout the year. Income tax expense has not yet been accrued. The effective tax rate is 25%.

Required: Prepare a multiple-step income statement with earnings per share disclosure.

Financial Accounting for Managers Edition 1 by Thomas

134) Use the information below to answer the following question.

Kroeger Incorporated reported the following amounts as of December 31, 2024:

	Amount
Sales revenue	$ 8,280,000
Interest revenue	68,000
Gain on sale of investments	128,000
Gain on debt securities	144,000
Cost of goods sold	6,020,000
Selling expense	680,000
Depreciation expense	460,000
Interest expense	38,000
General and administrative expense	580,000

The gain on debt securities represents the increase in the fair value of debt securities and is classified a component of other comprehensive income. Kroeger had 300,000 shares of stock outstanding throughout the year. Income tax expense has not yet been recorded. The effective tax rate is 25%.

Required: Prepare a 2024 multiple-step income statement for Kroeger Incorporated with earnings per share disclosure.

Financial Accounting for Managers Edition 1 by Thomas

135) Use the information below to answer the following question.

Kroeger Incorporated reported the following amounts as of December 31, 2024:

	Amount
Sales revenue	$ 8,200,000
Interest revenue	60,000
Gain on sale of investments	120,000
Gain on debt securities	140,000
Cost of goods sold	6,100,000
Selling expense	600,000
Depreciation expense	500,000
Interest expense	30,000
General and administrative expense	500,000

The gain on debt securities represents the increase in the fair value of debt securities and is classified a component of other comprehensive income. Kroeger had 300,000 shares of stock outstanding throughout the year. Income tax expense has not yet been recorded. The effective tax rate is 25%.

Required: Prepare a 2024 multiple-step income statement for Kroeger Incorporated with earnings per share disclosure.

136) Use the information below to answer the following question.

Kroeger Company reported net income of $456,000 for its fiscal year ended December 31, 2024. In addition, during the year the company experienced an unrealized gain on debt securities of $137,000 and a negative foreign currency translation adjustment of $154,000. The company’s effective tax rate is 25%. Each component of other comprehensive income is displayed net of tax.

Required: Prepare a 2024 separate statement of comprehensive income for Kroeger Incorporated.

137) Use the information below to answer the following question.

Kroeger Company reported net income of $487,500 for its fiscal year ended December 31, 2024. In addition, during the year the company experienced an unrealized gain on debt securities of $140,000 and a negative foreign currency translation adjustment of $160,000. The company's effective tax rate is 25%. Each component of other comprehensive income is displayed net of tax.

Required: Prepare a 2024 separate statement of comprehensive income for Kroeger Incorporated.

138) Wellington Company reports select items from its statement of cash flows.

Activity	Amount
Cash from customers for providing services	$ 215,000
Cash paid for income taxes	58,000
Cash paid to purchase investment securities	20,000
Cash received from issuance of stock	83,000
Cash received from a long-term note	122,000
Cash paid for employee salaries	79,000
Cash paid to repurchase stock	17,000
Cash paid to purchase equipment	61,000
Cash paid to purchase inventory	64,000
Cash received from the sale of investments	38,000

Required: Identify those items related to operating activities and compute net cash flows from operating activities.

139) Wellington Company reports select items from its statement of cash flows.

Activity	Amount
Cash from customers for providing services	$ 215,000
Cash paid for income taxes	58,000
Cash paid to purchase investment securities	20,000
Cash received from issuance of stock	83,000
Cash received from a long-term note	122,000
Cash paid for employee salaries	79,000
Cash paid to repurchase stock	17,000
Cash paid to purchase equipment	61,000
Cash paid to purchase inventory	64,000
Cash received from the sale of investments	38,000

Required: Identify those items related to investing activities and compute net cash flows from investing activities.

140) Wellington Company reports select items from its statement of cash flows.

Activity	Amount
Cash from customers for providing services	$ 215,000
Cash paid for income taxes	58,000
Cash paid to purchase investment securities	20,000
Cash received from issuance of stock	83,000
Cash received from a long-term note	122,000
Cash paid for employee salaries	79,000
Cash paid to repurchase stock	17,000
Cash paid to purchase equipment	61,000
Cash paid to purchase inventory	64,000
Cash received from the sale of investments	38,000

Required: Identify those items related to financing activities and compute net cash flows from financing activities.

141) The following information is for Redwood Incorporated for the year ended December 31, 2024. Redwood had a balance of cash of $4,800 on January 1, 2024.

Cash Received from:

Customers	$ 2,040
Interest on investments	270
Sale of land	170
Issuance of common stock	740
Issuance of debt securities	2,140

Cash Paid for:

Interest on debt	$ 370
Income taxes	76
Debt principal reduction	1,640
Purchase of equipment	3,700
Purchase of inventory	1,000
Dividends to stockholders	270
Operating expenses	570

Required: Prepare a statement of cash flows for the year.

Financial Accounting for Managers Edition 1 by Thomas

142) The following information is for Redwood Incorporated for the year ended December 31, 2024. Redwood had a balance of cash of $5,200 on January 1, 2024.

Cash Received from:

Customers	$ 1,900
Interest on investments	200
Sale of land	100
Issuance of common stock	600
Issuance of debt securities	2,000

Cash Paid for:

Interest on debt	$ 300
Income taxes	80
Debt principal reduction	1,500
Purchase of equipment	4,100
Purchase of inventory	1,000
Dividends to stockholders	200
Operating expenses	500

Required: Prepare a statement of cash flows for the year.

Financial Accounting for Managers Edition 1 by Thomas

143) Tri-Star Industries reports the following statement of stockholders' equity.

	Common stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Beginning balance	$ 10,000	$ (a)	$ 340,000	$ (b)
Net income			(c)	(d)
Dividends			(50,000)	(50,000)
Stock repurchase		(115,000)		(115,000)
Ending balance	$ 10,000	$ 445,000	$ (e)	$ 820,000

Required: Solve for the missing amounts.

144) Qwest Industries reports the following information related to its stockholders' equity for the year ended December 31, 2024.

Account	Amount
Stockholders' equity, beginning of period	$ 760,000
Retained earnings, beginning of period	320,000
Common stock, beginning of period	5,000
Additional paid-in capital, beginning of period	465,000
Dividends	79,000
Net income	186,000
Stock-based compensation	34,000

Required: Prepare a statement of stockholders' equity for Qwest Industries.

Financial Accounting for Managers Edition 1 by Thomas

145) The following is selected financial information for D. Kay Dental Laboratories for 2023 and 2024:

	2023	2024
Retained earnings, January 1	$ 70,000	?question mark
Net income	54,000	59,000
Dividends declared and paid	32,000	35,000
Common stock	87,000	?question mark

Kay issued 3,700 shares of additional common stock in 2024 for $37,000. There were no other shareholder transactions.

Required: Prepare a statement of stockholders' equity for D. Kay Dental Laboratories for the year ended December 31, 2024.

146) The following is selected financial information for D. Kay Dental Laboratories for 2023 and 2024:

	2023	2024
Retained earnings, January 1	$ 53,000	?
Net income	37,000	42,000
Dividends declared and paid	15,000	18,000
Common stock	70,000	?

Kay issued 2,000 shares of additional common stock in 2024 for $20,000. There were no other shareholder transactions.

Required: Prepare a statement of stockholders' equity for D. Kay Dental Laboratories for the year ended December 31, 2024.

Financial Accounting for Managers Edition 1 by Thomas

147) Below are incomplete financial statements for Weaver, Incorporated.

Weaver, Incorporated
Income Statement
Year Ended December 31

Revenues:	
Service revenue	(a)
Rent revenue	10,000
Expenses:	
Salaries	8,000
Insurance	7,000
Depreciation	6,000
Net income	(b)

Weaver, Incorporated
Statement of Stockholders' Equity
For the Year Ended December 31

	Common Stock	Retained Earnings	Total Stockholders' Equity
Beginning balance	$ 15,000	(d)	(e)
[add] Issuances	6,000		6,000
[add] Net income		14,000	14,000
[less] Dividends		(1,000)	(1,000)
Ending balance	(c)	$ 24,000	(f)

Weaver, Incorporated
Balance Sheet
At December 31, 2024

Assets		Liabilities	
Cash	$ 14,000	**Accounts payable**	$ 12,000
Accounts receivable	11,000	**Notes payable**	(h)
Prepaid insurance	4,000		
Equipment	41,000		
		Stockholders' Equity	
		Common stock	(i)

		Retained earnings	24,000
Total assets	(g)	**Total liabilities and stockholders' equity**	(j)

Required: Calculate the missing amounts.

148) Briefly explain why the income statement is referred to as a change statement.

149) Net income, often referred to as "the bottom line," is not always a good predictor of future income. Explain this statement.

150) What is the purpose of the statement of cash flows? List the three major categories of cash flows and give an example of a cash transaction for each category.

151) Give an example of a major investing activity cash outflow that would be reported in the statement of cash flows for a manufacturing company.

Financial Accounting for Managers Edition 1 by Thomas

152) List at least four operating activities that would be reported in the statement of cash flows for Walmart.

153) Presented below is an excerpt ($ in millions) from the annual report to shareholders. Explain how the shareholder should interpret the difference between the net income and total comprehensive income.

Comprehensive Income:

Net income	$ 16,798
Other comprehensive income (loss), net of tax:	
Net unrealized loss on derivatives	(238)
Net unrealized loss on investments	(228)
Foreign currency translation adjustment	(519)
Other comprehensive income (loss)	(985)
Comprehensive income	$ 15,813

Financial Accounting for Managers Edition 1 by Thomas

Answer Key

Test name: Chapter 02

1) TRUE
2) TRUE
3) TRUE
4) TRUE
5) FALSE
6) FALSE
7) FALSE

Market value and present value are two approaches used to determine an asset's fair value.

8) FALSE
9) TRUE
10) TRUE
11) TRUE
12) TRUE
13) FALSE
14) TRUE
15) TRUE
16) TRUE
17) TRUE
18) FALSE
19) TRUE
20) FALSE

Interest expense is an operating item on the income statement of a financial institution since it relates to the entity's primary revenue-generating activities.

21) FALSE
22) TRUE
23) FALSE
24) TRUE
25) TRUE
26) FALSE

Operating income and nonoperating income items are presented on a pretax basis.

27) FALSE

Over-estimated expenses *decrease* reported profits.

28) TRUE

Financial Accounting for Managers Edition 1 by Thomas

29) TRUE
30) FALSE
Comprehensive income, not net income, encompass changes in equity that arise from both owner and nonowner sources.

31) TRUE
32) FALSE
33) C
34) D
35) D
36) D
37) D
38) C
39) A
40) C
41) C
Total current assets: $11,700 + $10,700 + $41,200 = $63,600

42) B
Total current assets: $10,500 + $9,500 + $40,000 = $60,000

43) B
Total assets: $13,600 + $6,100 + $3,600 + $66,600 = $89,900

44) D
Total assets: $12,000 + $4,500 + $2,000 + $65,000 = $83,500

45) B
Land, Buildings, and Equipment

46) C
47) A
48) D
<p>$12,600 + $40,000 + $31,800 + $3,500 (1/2 of prepaid insurance) = $87,900.</p>

49) B
<p>$12,000 + $40,000 + $30,000 + $3,000 (1/2 of prepaid insurance) = $85,000.</p>

50) C
Total current assets: $17,000 + $28,000 + $22,000 = $67,000

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51) B
Total long-term assets: $63,000 + $51,000 + $9,000 = $123,000

52) C
53) B
54) A
55) B
56) C
57) B
58) C
59) C
60) C
Total current liabilities: $6,500 + $17,000 + $7,500 = $31,000

61) B
Total current liabilities: $6,000 + $15,000 + $7,000 = $28,000

62) A
Total liabilities: $5,700 (Accounts Payable)

63) A

Total liabilities: $5,000 (Accounts Payable)

64) B
Total shareholders' equity includes common stock plus (ending) retained earnings. Common stock is $69,800. Ending retained earnings = $14,100.
Total shareholders' equity = $69,800 + $14,100 = $83,900. Alternatively, total stockholders' equity = total assets ($90,700) − total liabilities ($6,800).

65) B
Total shareholders' equity includes common stock plus (ending) retained earnings. Common stock is $68,000. Ending retained earnings = $10,500.
Total shareholders' equity = $68,000 + $10,500 = $78,500. Alternatively, total stockholders' equity = total assets ($83,500) − total liabilities ($5,000).

66) C
67) A
$26,500 + $17,000 + $22,000 = $65,500.

68) C

Financial Accounting for Managers Edition 1 by Thomas

$25,000 + $16,000 + $20,000 = $61,000.

69) D
Total current liabilities: $32,000 + $14,000 + $3,000 = $49,000

70) A
Total long-term liabilities: $19,000 + $30,000 = $49,000

71) D
Retained earnings = Total assets ($17,000 + $28,000 + $22,000 + $63,000 + $51,000 + $9,000) − Total liabilities ($32,000 + $30,000 + $14,000 + $3,000 + $19,000) − Common stock ($12,000) = $80,000

72) B
73) D
74) D
75) A
76) B
77) D
78) B
79) D
80) B
81) A
82) B
83) C
84) C
85) C
86) D
87) D
88) C
89) C
90) D
91) C
92) D
93) D
94) A
95) C
96) A

Customers	$ 3,600
Interest on investments	320
Interest on debt	(420)
Income tax	(200)
Purchase of inventory	(2,200)
Operating expenses	(740)
Cash inflows from operating activities	$ 360

97) B

Customers	$ 1,800
Interest on investments	200
Interest on debt	(300)
Income tax	(80)
Purchase of inventory	(1,000)
Operating expenses	(500)
Cash inflows from operating activities	$ 120

98) B

Sale of land	$ 150
Purchase of equipment	(5,000)
Cash outflows from investing activities	$ (4,850)

99) C

Sale of land	$ 100
Purchase of equipment	(4,000)
Cash outflows from investing activities	$ (3,900)

100) C

Sale of common stock	$ 1,000
Issuance of debt securities	4,000
Repayment of bond principal	(3,500)
Dividends on common stock	(800)
Cash inflows from financing activities	$ 700

101) D

Financial Accounting for Managers Edition 1 by Thomas

Sale of common stock	$ 600
Issuance of debt securities	2,000
Repayment of bond principal	(1,500)
Dividends on common stock	(200)
Cash inflows from financing activities	$ 900

102) B
103) C
104) B
105) D
106) D
Beginning Retained Earnings ($25,700) + Net Income ($10,700) − Dividends ($4,700) = Ending Retained Earnings ($31,700).

107) D
Beginning Retained Earnings ($25,000) + Net Income ($10,000) − Dividends ($4,000) = Ending Retained Earnings ($31,000).

108) A
Beginning Retained earnings ($60,300) − Net loss ($10,100) = Ending Retained earnings ($50,200)

109) C
Beginning Retained earnings ($60,000) − Net loss ($10,000) = Ending Retained earnings ($50,000)

110) C
111) D
112) D
113) B
114) A
115) C
116) Essay

Financial Accounting for Managers Edition 1 by Thomas

a 1. Long-term liabilities	a. Obligations payable in more than one year.
d 2. Current liabilities	b. Ownership of an exclusive right.
b 3. Intangible asset	c. Items expected to be converted to cash or consumed within one year or the operating cycle.
c 4. Current assets	d. Obligations payable within one year.
e 5. Property, plant, and equipment	e. Includes buildings and land used in operations.

117) Essay

d _________blank Deferred revenue	a. Assets acquired in one period that are expensed in a future period.
e _________blank Accrued liabilities	b. Goods to be sold in the ordinary course of business.
b _________blank Inventory	c. Due from customers in the ordinary course of business.
c _________blank Accounts receivable	d. Cash received in advance from customers for goods or services to be provided in the future.
a _________blank Prepaid expenses	e. Expenses already incurred but not yet paid.

118) Essay

TERM	**PHRASE**	**Number for term that matches the phrase.**
1. Balance sheet	Reports operating, investing, and financing activities.	4
2. Income statement	Reports profitability, measured as revenues and gains minus expenses and losses.	2
3. Expenses	Presents financial position on a particular date showing resources equal claims to resources.	1
4. Statement of cash flows	Represents outflows of resources incurred to generate revenues.	3
5. Gross profit	Sales revenue minus cost of goods sold.	5

119) Essay

Financial Accounting for Managers Edition 1 by Thomas

TERM	PHRASE	Term number that matches the phrase.
1. Losses	Decreases in income from transactions not classified as expenses.	1
2. Assets	Increases in equity from the sale of goods and/or services.	3
3. Revenues	Results if an asset is sold for more than book value.	5
4. Comprehensive income	All changes in equity except owner transactions.	4
5. Gains	Probable future economic benefits controlled by an entity.	2

120) Essay

TERM	PHRASE	NUMBER
1. Other comprehensive income	Reported in the nonoperating section of the income statement.	3
2. Discontinued operations	Reported net of tax immediately after income from continuing operations.	2
3. Gain/loss from sale of investments	Gains and losses from nonowner sources that are not reported in the income statement.	1
4. Multiple-step income statement	Reports intermediate subtotals in arriving at net income.	4
5. Earnings per share	Required disclosure for publicly traded corporations.	5

121) Essay

Financial Accounting for Managers Edition 1 by Thomas

Cash and cash equivalents	$ 55,000	Inventory	$ 27,000
Deferred revenue	36,000	Property, plant, and equipment	152,000
Retained earnings	77,000	Accounts receivable	31,000
Bonds payable	84,000	Common stock	68,000
Total assets	265,000	Total liabilities	120,000

- Accounts receivable = $265,000 − $55,000 − $27,000 − $152,000 = $31,000
- Total liabilities = Total assets ($265,000) − Total stockholders' equity ($77,000 + $68,000) = $120,000
- Deferred revenue = $120,000 − $84,000 = $36,000

122) Essay

Total current assets: $74,000

Total current liabilities: $42,000

Retained earnings: $132,000

Total current assets = $22,000 + $31,000 + $21,000 = $74,000

Total current liabilities = $25,000 + $3,000 + 14,000 = $42,000

Retained earnings = Total assets ($22,000 + $31,000 + $21,000 + $59,000 + $65,000 + $12,000) − Total liabilities ($25,000 + $3,000 + $28,000 + $14,000) − Common stock ($8,000) = $132,000

123) Essay

Financial Accounting for Managers Edition 1 by Thomas

MTJ Consulting
Balance Sheet
At December 31, 2024

Assets		Liabilities	
Cash	$ 13,000	**Accounts payable**	$ 25,000
Accounts receivable	40,000	**Deferred revenue**	16,000
Inventory	33,000	**Total liabilities**	41,000
Equipment	70,000		
		Stockholders’ Equity	
		Common stock	61,000
		Retained earnings	54,000
		Total stockholders’ equity	115,000
Total assets	$ 156,000	**Total liabilities and stockholders’ equity**	$ 156,000

124) Essay

Financial Accounting for Managers Edition 1 by Thomas

LIBBY CORPORATION
Balance Sheet
At December 31, 2024

Assets	
Current assets:	
Cash	$ 30,000
Investment in equity securities	70,000
Accounts receivable	37,000
Inventory	175,000
Prepaid insurance	6,500
Total current assets	318,500
Property, plant, and equipment:	
Equipment (net)	110,000
Buildings (net)	150,000
Land	60,000
Net property, plant, and equipment	320,000
Intangible assets:	
Patent (net)	7,000
Total assets	$ 645,500
Liabilities and Shareholders' Equity	
Current liabilities:	
Accounts payable	$ 45,000
Notes payable	80,000
Interest payable	17,500
Total current liabilities	142,500

Long-term liabilities:		
Bonds payable		195,000
Total liabilities		337,500
Shareholders' equity:		
Common stock	$ 224,000	
Retained earnings	84,000	
Total shareholders' equity		308,000
Total liabilities and shareholders' equity		$ 645,500

125) Essay

Financial Accounting for Managers Edition 1 by Thomas

LIBBY CORPORATION
Balance Sheet
At December 31, 2024

Assets	
Current assets:	
Cash	$ 20,500
Investment in equity securities	55,000
Accounts receivable	24,500
Inventory	100,000
Prepaid insurance	4,500
Total current assets	204,500
Property, plant, and equipment:	
Equipment (net)	102,500
Buildings (net)	90,000
Land	45,000
Net property, plant, and equipment	237,500
Intangible assets:	
Patent (net)	5,000
Total assets	$ 447,000
Liabilities and Shareholders' Equity	
Current liabilities:	
Accounts payable	$ 37,500
Notes payable	65,000
Interest payable	10,000
Total current liabilities	112,500

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Long-term liabilities:		
Bonds payable		120,000
Total liabilities		232,500
Shareholders' equity:		
Common stock	$ 150,000	
Retained earnings	64,500	
Total shareholders' equity		214,500
Total liabilities and shareholders' equity		$ 447,000

126) Essay
Gross profit: $116,000
Operating income: $33,000
Pretax income: $10,000
Net income: $7,600

Morgan Corporation
Income Statement

Service revenue	$ 199,000
Cost of services	83,000
Gross profit	116,000
Selling and administrative expenses	52,000
Depreciation expense	31,000
Operating income	33,000
Loss on sale of equipment	(6,000)
Interest expense	(17,000)
Pretax income	10,000
Income tax expense	2,400
Net income	$ 7,600

127) Essay

Financial Accounting for Managers Edition 1 by Thomas

Kirkwood Consulting
Income Statement

Revenues	$ 162,100
Cost of goods sold	84,500
Gross profit	77,600
Operating expenses	18,900
Marketing expenses	1,600
Research and development expense	2,500
General and administrative expense	8,400
Depreciation expense	3,700
Operating income	42,500
Interest expense	(1,200)
Other income	800
Pretax income	42,100
Income tax expense	10,525
Net income	$ 31,575

128) Essay

Filzinger Corporation
Income Statement
For the Year Ended December 31, 2024

Sales revenue		$ 6,825,000
Less operating expenses:		
Cost of goods sold	$ 3,950,000	
Selling expense	450,000	
General and administrative expenses	973,000	
Research and development expenses	700,000	6,073,000
Operating income		$ 752,000

129) Essay

Financial Accounting for Managers Edition 1 by Thomas

Filzinger Corporation
Income Statement
For the Year Ended December 31, 2024

Sales revenue		$ 6,700,000
Less operating expenses:		
Cost of goods sold	$ 4,200,000	
Selling expense	350,000	
General and administrative expenses	948,000	
Research and development expenses	600,000	6,098,000
Operating income		$ 602,000

130) Essay

Financial Accounting for Managers Edition 1 by Thomas

Plano Company
Income Statement
For the Year Ended December 31, 2024

Revenues and gains:		
Sales revenue		$ 622,000
Gain on sale of investments		126,000
Interest revenue		76,000
Total revenues and gains		824,000
Expenses:		
Cost of goods sold	$ 440,000	
Selling expense	134,000	
General and administrative expense	88,000	
Interest expense	24,000	
Total expenses		686,000
Pretax income		138,000
Income tax expense		34,500
Net income		$ 103,500
Earnings per share		$ 2.07

131) Essay

Financial Accounting for Managers Edition 1 by Thomas

Plano Company
Income Statement
For the Year Ended December 31, 2024

Revenues and gains:		
Sales revenue		$ 700,000
Gain on sale of investments		110,000
Interest revenue		60,000
Total revenues and gains		870,000
Expenses:		
Cost of goods sold	$ 500,000	
Selling expense	150,000	
General and administrative expense	100,000	
Interest expense	40,000	
Total expenses		790,000
Pretax income		80,000
Income tax expense		20,000
Net income		$ 60,000
Earnings per share		$ 1.20

132) Essay

Financial Accounting for Managers Edition 1 by Thomas

Plano Company
Income Statement
For the Year Ended December 31, 2024

Sales revenue		$ 582,000
Cost of goods sold		(425,000)
Gross profit		157,000
Operating expenses:		
Selling expense	$ (130,000)	
General and administrative expense	(80,000)	
Total operating expenses		(210,000)
Operating income (loss)		(53,000)
Other income (expense):		
Gain on sale of investments	130,000	
Interest revenue	80,000	
Interest expense	(20,000)	
Total other income, net		190,000
Pretax income		137,000
Income tax expense		(34,250)
Net income		$ 102,750
Earnings per share		$ 2.06

133) Essay

Plano Company
Income Statement
For the Year Ended December 31, 2024

Sales revenue		$ 700,000
Cost of goods sold		500,000
Gross profit		200,000
Operating expenses:		
Selling expense	$ 150,000	
General and administrative expense	100,000	
Total operating expenses		250,000
Operating income (loss)		(50,000)
Other income (expense):		
Gain on sale of investments	110,000	
Interest revenue	60,000	
Interest expense	(40,000)	
Total other income, net		130,000
Pretax income		80,000
Income tax expense		20,000
Net income		$ 60,000
Earnings per share		$ 1.20

134) Essay

Kroeger Incorporated
Income Statement
For the Year Ended December 31, 2024

Sales revenue		$ 8,280,000
Cost of goods sold		6,020,000
Gross profit		2,260,000
Operating expenses:		
Selling expense	$ 680,000	
General and administrative expense	580,000	
Depreciation expense	460,000	
Total operating expenses		1,720,000
Operating income		540,000
Other income (expense):		
Gain on sale of investments	128,000	
Interest revenue	68,000	
Interest expense	(38,000)	
Total other income, net		158,000
Pretax income		698,000
Income tax expense		174,500
Net income		$ 523,500
Earnings per share		$ 1.75

135) Essay

Financial Accounting for Managers Edition 1 by Thomas

Kroeger Incorporated
Income Statement
For the Year Ended December 31, 2024

Sales revenue		$ 8,200,000
Cost of goods sold		6,100,000
Gross profit		2,100,000
Operating expenses:		
Selling expense	$ 600,000	
General and administrative expense	500,000	
Depreciation expense	500,000	
Total operating expenses		1,600,000
Operating income		500,000
Other income (expense):		
Gain on sale of investments	120,000	
Interest revenue	60,000	
Interest expense	(30,000)	
Total other income, net		150,000
Pretax income		650,000
Income tax expense		162,500
Net income		$ 487,500
Earnings per share		$ 1.625

136) Essay

Kroeger Incorporated
Statement of Comprehensive Income
For the Year Ended December 31, 2024

Net income		$ 456,000
Other comprehensive income (net of tax):		
Gain on debt securities*Footnote asterisk	102,750	
Foreign currency translation adjustment Footnote asterisk asterisk**	(115,500)	
Total other comprehensive income (loss)		(12,750)
Comprehensive income		$ 443,250

*Footnote asterisk $137,000 − ($137,000 × 25%)
**Footnote asterisk asterisk $154,000 − ($154,000 × 25%)

137) Essay

Kroeger Incorporated
Statement of Comprehensive Income
For the Year Ended December 31, 2024

Net income		$ 487,500
Other comprehensive income (net of tax):		
Gain on debt securities*Footnote asterisk	105,000	
Foreign currency translation adjustment Footnote asterisk asterisk**	(120,000)	
Total other comprehensive income (loss)		(15,000)
Comprehensive income		$ 472,500

*Footnote asterisk $140,000 − ($140,000 × 25%)
**Footnote asterisk asterisk $160,000 − ($160,000 × 25%)

138) Essay

Activity	**Amount**
Cash from customers for providing services	$ 215,000
Cash paid for income taxes	(58,000)
Cash paid to purchase inventory	(64,000)
Cash paid for employee salaries	(79,000)
Net cash flows from operating activities	$ 14,000

139) Essay

Activity	**Amount**
Cash paid to purchase investment securities	$ (20,000)
Cash paid to purchase equipment	(61,000)
Cash received from the sale of investments	38,000
Net cash flows from investing activities	$ (43,000)

140) Essay

Activity	**Amount**
Cash received from issuance of stock	$ 83,000
Cash received from a long-term note	122,000
Cash paid to repurchase stock	(17,000)
Net cash flows from financing activities	$ 188,000

141) Essay

REDWOOD INCORPORATED
Statement of Cash Flows
For the Year Ended December 31, 2024

Cash flows from operating activities:		
Cash received from customers	$ 2,040	
Interest on investments	270	
Interest on debt	(370)	
Payment of income taxes	(76)	
Purchase of inventory	(1,000)	
Payment of operating expenses	(570)	
Net cash flows from operating activities		$ 294
Cash flows from investing activities:		
Sale of land	170	
Purchase of equipment	(3,700)	
Net cash flows from investing activities		(3,530)
Cash flows from financing activities:		
Issuance of common stock	740	
Issuance of debt securities	2,140	
Payment on debt	(1,640)	
Dividends paid to stockholders	(270)	
Net cash flows from financing activities		970
Net decrease in cash		(2,266)
Beginning cash		4,800
Ending cash		$ 2,534

Financial Accounting for Managers Edition 1 by Thomas

142) Essay

REDWOOD INCORPORATED
Statement of Cash Flows
For the Year Ended December 31, 2024

Cash flows from operating activities:		
Cash received from customers	$ 1,900	
Interest on investments	200	
Interest on debt	(300)	
Payment of income taxes	(80)	
Purchase of inventory	(1,000)	
Payment of operating expenses	(500)	
Net cash flows from operating activities		$ 220
Cash flows from investing activities:		
Sale of land	100	
Purchase of equipment	(4,100)	
Net cash flows from investing activities		(4,000)
Cash flows from financing activities:		
Issuance of common stock	600	
Issuance of debt securities	2,000	
Payment on debt	(1,500)	
Dividends paid to stockholders	(200)	
Net cash flows from financing activities		900
Net decrease in cash		(2,880)
Beginning cash		5,200
Ending cash		$ 2,320

Financial Accounting for Managers Edition 1 by Thomas

143) Essay

	Common stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Beginning balance	$ 10,000	$ 560,000	$ 340,000	$ 910,000
Net income			75,000	75,000
Dividends			(50,000)	(50,000)
Stock repurchase		(115,000)		(115,000)
Ending balance	$ 10,000	$ 445,000	$ 365,000	$ 820,000

Beginning Additional Paid-in Capital (a) = $445,000 + $115,000 = $560,000
Beginning Total Stockholders' Equity (b) = $10,000 + $560,000 + $340,000 = $910,000
Ending Retained Earnings (e) = $820,000 – $445,000 – $10,000 = $365,000
Net income (c) = $365,000 – $340,000 + $50,000 = $75,000
Net income (d) = $75,000 (from (c))

144) Essay

Qwest Industries
Statement of Stockholders' Equity
For the Year Ended December 31, 2024

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Beginning balance	$ 5,000	$ 465,000	$ 320,000	$ 790,000
Net income			186,000	186,000
Dividends			(79,000)	(79,000)
Stock-based compensation		34,000		34,000
Ending balance	$ 5,000	$ 499,000	$ 427,000	$ 931,000

145) Essay

Financial Accounting for Managers Edition 1 by Thomas

D. Kay Dental Laboratories
Statement of Stockholders' Equity
For the Year Ended December 31, 2024

	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2024	$ 87,000	$ 92,000*Footnote asterisk	$ 179,000
Issue of common stock	37,000		37,000
Net income for 2024		59,000	59,000
Less: Dividends		−35,000	−35,000
Balance, December 31, 2024	$ 124,000	$ 116,000	$ 240,000

*Footnote asteriskBeginning balance, Retained Earnings = Retained earnings, January 1 + Net income − Dividends declared and paid

Beginning balance, Retained Earnings = $70,000 + $54,000 − $32,000 = $92,000

146) Essay

Financial Accounting for Managers Edition 1 by Thomas

D. Kay Dental Laboratories
Statement of Stockholders' Equity
For the Year Ended December 31, 2024

	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2024	$ 70,000	$ 75,000*Footnote asterisk	$ 145,000
Issue of common stock	20,000		20,000
Net income for 2024		42,000	42,000
Less: Dividends		−18,000	−18,000
Balance, December 31, 2024	$ 90,000	$ 99,000	$ 189,000

*Footnote asteriskBeginning balance, Retained Earnings = Retained earnings, January 1 + Net income − Dividends declared and paid

Beginning balance, Retained Earnings = $53,000 + $37,000 − $15,000 = $75,000

147) Essay

Financial Accounting for Managers Edition 1 by Thomas

Weaver, Incorporated
Income Statement
Year Ended December 31

Revenues:		
Service revenue	$ 25,000	
Rent revenue	10,000	
Expenses:		
Salaries	8,000	
Insurance	7,000	
Depreciation	6,000	
Net income	14,000	

Weaver, Incorporated
Statement of Stockholders' Equity
For the Year Ended December 31

	Common Stock	**Retained Earnings**	**Total Stockholders' Equity**
Beginning balance	$ 15,000	$ 11,000	$ 26,000
[add] Issuances	6,000		6,000
[add] Net income		14,000	14,000
[less] Dividends		(1,000)	(1,000)
Ending balance	$ 21,000	$ 24,000	$ 45,000

Weaver, Incorporated
Balance Sheet
At December 31, 2024

Assets		**Liabilities**	
Cash	$ 14,000	**Accounts payable**	$ 12,000
Accounts receivable	11,000	**Notes payable**	13,000
Prepaid insurance	4,000		
Equipment	41,000		
		Stockholders' Equity	

Financial Accounting for Managers Edition 1 by Thomas

		Common stock	21,000
		Retained earnings	24,000
Total assets	$ 70,000	**Total liabilities and stockholders' equity**	$ 70,000

From the statement of stockholders' equity,
Net income (b) = $14,000
On the income statement,
From (b),
Service revenue (a) + $10,000 − $8,000 − $7,000 − $6,000 = $14,000 (b)
Service revenue (a) = $25,000
On the statement of stockholders' equity,
Ending common stock (c) = $15,000 + $6,000 = $21,000
Beginning retained earnings (d) = $24,000 − $14,000 + $1,000 = $11,000
Beginning total stockholders' equity (e) = $15,000 + $11,000 (d) = $26,000
Ending total stockholders' equity (f) = $21,000 (c) + $24,000 = $45,000
On the balance sheet,
From the statement of stockholders' equity, Ending common stock (i) = $21,000
Total assets (g) = $14,000 + $11,000 + $4,000 + $41,000 = $70,000
From total assets,

Total liabilities and stockholders' equity (j) = $70,000
From (j),
$12,000 + Notes payable (h) + $21,000 (i) + $24,000 = $70,000 (j)
Notes payable (h) = $13,000

148) Essay
The income statement is one of three primary financial statements that is a change statement. That is, it reports on activities over a distinct period of time that caused some element or elements of financial position to change. Specifically, the income statement reports periodic revenues, gains, expenses, and losses, that is, changes in the retained earnings component of shareholders' equity.

149) Essay
Net income is of low quality when items such as discontinued operations or other unusual items are present. Income from continuing operations becomes more important when these items are present. Material items included in continuing operations, such as restructuring charges, may make income from continuing operations less predictable (in terms of its relation to future profitability) as well.

Financial Accounting for Managers Edition 1 by Thomas

150) Essay
The purpose of the statement of cash flows is to summarize the transactions that caused cash to change during the reporting period. The statement of cash flows summarizes cash flows in three categories: operating, investing, and financing. Operating activities include cash flows related to transactions entering into the determination of net income, such as cash collections from customers, payments for purchases, and other receipts, such as interest and dividends. Investing activities include purchasing and selling equipment or certain investment securities. Financing activities include borrowing or repaying loans, issuing stock, and payment of dividends.

151) Essay
Purchases of property, plant, and equipment would typically be a major investing cash outflow for a manufacturing company.

152) Essay
Typical operating cash inflows (Walmart)
Cash collected from customers
Typical operating cash outflows (Walmart)
Payments of salaries and other operating expenses
Payments to vendors for merchandise
Payments of income taxes

153) Essay
The $16,798 million in net income is the reported results of operations for the year, measured according to GAAP. In this measure, certain nonowner changes in equity are omitted, such as the effects of holding assets in foreign currencies that are subject to fluctuation, unrealized gains and losses on certain investments, and the effects of hedging derivative contracts. Although these events are not reported directly in the income statement, they are disclosed in the computation of comprehensive income. By disclosing them there, the company reports the entire nonowner change in equity for the year.