Test Bank for College Accounting Chapters 1-15 22nd Edition by Heintz

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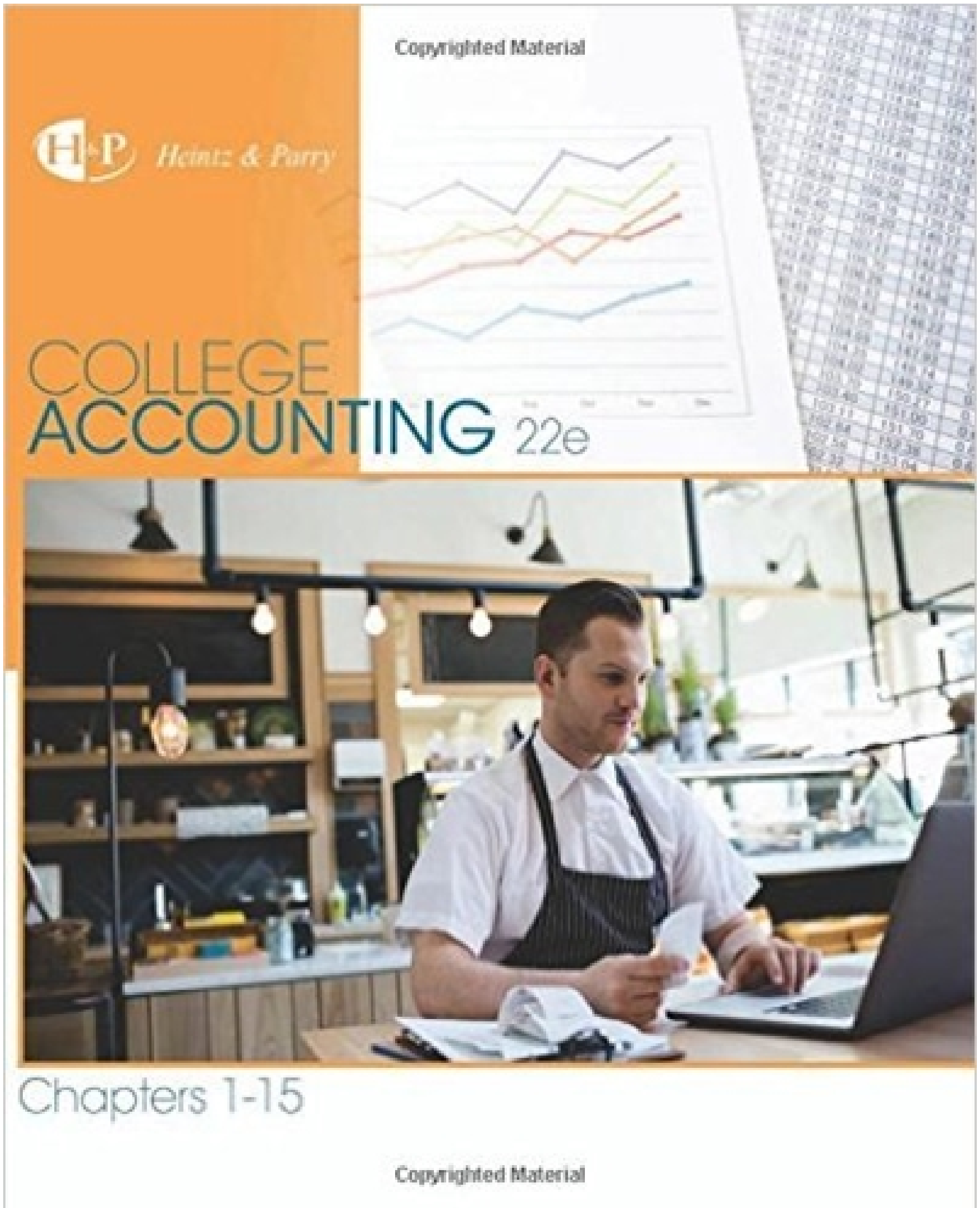

Test Bank

Chapter_2_Analyzing_Transactions_The_Accounting_Equation.pdf

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Chapter 2—Analyzing Transactions: The Accounting Equation

1. A business entity is an individual, association, or organization with control over economic resources and which engages in economic activities.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-03-Business Forms
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

2. Liabilities represent an "inside" interest in a business.
   a. True
   b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-03-Business Forms
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

3. The accounting equation shows the relationship among the three basic accounting elements—assets, expenses, and owner's equity.
   a. True
   b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

4. If owner's equity and liabilities increased during the period, then assets must also have increased.
   a. True
   b. False

ANSWER:	True

POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

5. An accounts payable is an unwritten promise to pay a supplier for assets purchased or services rendered.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

6. If the revenue of a period exceeds the expenses, the excess represents a net loss.
   a. True
   b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Evaluating
NOTES:	1 min.

7. Any accounting period of twelve months' duration is usually referred to as a fiscal year.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP

KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

8. Revenues received during an accounting period increase owner's equity.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

9. Since supplies last for several months, they are recorded as assets.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

10. Since insurance lasts for several months, it is recorded as owner's equity.
   a. True
   b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

11. The income statement provides information about events over a period of a month, year, or other period of time.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

12. The terms "profit and loss statement" or "operating statement" are sometimes used as synonyms for the balance sheet.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

13. Other terms used for owner's equity include net worth and capital.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

14. Any item a business owns that will provide future benefits is called owner's equity.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication

TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

15. It is not necessary to measure a business transaction in dollars.
   a. True
   b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

16. The accounting equation may be expressed as assets − liabilities = owner's equity.
   a. True
   b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

17. According to the business entity concept, a proprietor may include nonbusiness assets and liabilities in the business entity's accounting records.
   a. True
   b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

18. Recognizing the effects of transactions on assets, liabilities, owner's equity, revenue, and expenses of a business is the

processing function.
a. True
b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.6 - LO: 2-6
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-06-Recording Transactions
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

19. Expenses represent a decrease in liabilities.
a. True
b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

20. Expenses that are incurred in operating the enterprise increase owner's equity.
a. True
b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

21. Withdrawing cash from a business entity will result in an increase in owner's equity.
a. True
b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy

LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

22. An increase in a revenue account may also result in an increase in the accounts receivable account.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

23. Financial statements commonly prepared by businesses include an income statement, a statement of owner's equity, and a balance sheet.
    a. True
    b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

24. The statement of owner's equity shows the state of the business on a specific date.
    a. True
    b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering

NOTES: 1 min.

25. The balance sheet reports assets, liabilities, and owner's equity on a specific date.
    a. True
    b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

26. The income statement and statement of owner's equity provide information covering a period of time.
    a. True
    b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

27. The accounting equation may be expressed as
    a. owner's equity = assets − liabilities.
    b. revenue − expenses = net income.
    c. revenue = net income − expenses.
    d. liabilities − owner's equity = assets.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

28. Jason purchased office equipment for $4,800 in cash. This transaction would
    a. increase assets and increase owner's equity.

b. increase assets and increase liabilities.
c. increase one asset and decrease another asset.
d. decrease assets and decrease liabilities.

ANSWER:	c
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

29. Stephen purchased office supplies for $800 on account. This transaction would
a. increase assets and increase owner's equity.
b. increase one asset and decrease another asset.
c. increase assets and increase liabilities.
d. decrease assets and decrease liabilities.

ANSWER:	c
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

30. Meghan started her business by investing $30,000 in cash. This transaction would
a. increase assets and increase owner's equity.
b. increase assets and increase liabilities.
c. increase one asset and decrease another asset.
d. decrease assets and decrease liabilities.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

31. Any accounting period of twelve months' duration is usually referred to as a(n)

a. fiscal year.
b. calendar year.
c. physical year.
d. operational year.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

32. Increases to owner's equity may be from
a. expenses that are incurred.
b. expenses exceeding revenue for the period.
c. withdrawals of cash from the business by the owner.
d. revenue that is derived from sales of goods or services.

ANSWER:	d
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Critical thinking BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

33. Tyler paid $3,700 on account to the company from which equipment was purchased on credit. This transaction would
a. decrease assets and decrease liabilities.
b. increase assets and increase owner's equity.
c. increase assets and increase liabilities.
d. increase one asset and decrease another asset.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

34. An example of an expense is
    a. investments.
    b. supplies consumed.
    c. prepaid insurance.
    d. withdrawals by the owner.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

35. A decrease in owner's equity may result from a(n)
    a. purchase of office supplies for cash.
    b. withdrawal of cash from the business by the owner.
    c. revenue that is derived from sales of goods or services.
    d. investment of cash in the business by the owner.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Critical thinking BUSPROG: Analytic
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Understanding
NOTES:	1 min.

36. Which phase of the accounting process involves recognizing the effect of transactions on assets, liabilities, owner's equity, revenue, and expenses of a business?
    a. input
    b. processing
    c. output
    d. summarizing

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.6 - LO: 2-6
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-06-Recording Transactions
KEYWORDS:	Bloom's: Remembering

NOTES:	1 min.

37. The financial statement that should be completed first is the
   a. balance sheet.
   b. statement of financial position.
   c. statement of financial condition.
   d. income statement.

ANSWER:	d
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Analyzing
NOTES:	1 min.

38. Falana received $7,000 in cash from a client for professional services rendered. This transaction would
   a. increase assets and increase owner's equity.
   b. decrease assets and increase owner's equity.
   c. increase liabilities and decrease owner's equity.
   d. decrease assets and decrease owner's equity.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

39. The financial statement that shows the state of the firm's assets, liabilities, and owner's equity on a specific date is called a(n)
   a. balance sheet.
   b. statement of operations.
   c. statement of owner's equity.
   d. income statement.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Communication
TOPICS:	ACBSP: APC-09-Financial Statements

KEYWORDS:	Bloom's: Analyzing
NOTES:	1 min.

40. Sue Lee paid $1,200 for her employees' salaries. This transaction would
    a. increase assets and decrease owner's equity.
    b. increase assets and increase liabilities.
    c. decrease assets and decrease liabilities.
    d. decrease assets and decrease owner's equity.

ANSWER:	d
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

41. Match the letter corresponding to one of the basic elements of accounting to each of the accounts below.

A = Asset
L = Liability
OE = Owner's Equity
R = Revenue
E = Expense

1. Utility Expense ________
2. Accounts Payable ________
3. Prepaid Rent ________
4. Supplies ________
5. P. Coyote, Drawing ________
6. Wages Expense ________
7. P. Coyote, Capital ________
8. Cash ________
9. Advertising Expense ________
10. Fees Earned ________

ANSWER:	1. E 2. L 3. A 4. A 5. OE 6. E 7. OE 8. A 9. E 10. R
POINTS:	1
DIFFICULTY:	Easy

Chapter 2—Analyzing Transactions: The Accounting Equation

LEARNING OBJECTIVES:	COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	5 min.

42. Show the effect of each transaction on the three basic accounting elements by indicating the dollar amount of the increase or decrease under the proper element heading. Compute the resulting accounting equation.

a. Owner invested $16,500 cash in the business.
b. Paid premium for two-year insurance policy, $1,500.
c. Purchased a van valued at $35,000 with $5,000 down payment; the balance to be paid over three years.
d. Paid the rent for the month, $900.
e. Purchased $470 of supplies for cash.
f. Cash sales for the month, $8,750.
g. Billed credit customers $14,200 for monthly services.
h. Paid monthly utility bill, $210.
i. Owner withdrew $2,200 for personal use.
j. Received payments of $3,300 from credit customers.

					ASSETS					=	>
	Cash	+	**Accounts Rec.**	+	**Supplies**	+	**Prepaid Ins.**	+	**Van**	=	>
											>
a.	_____		_____		_____		_____		_____		>
b.	_____		_____		_____		_____		_____		>
c.	_____		_____		_____		_____		_____		>
d.	_____		_____		_____		_____		_____		>
e.	_____		_____		_____		_____		_____		>
f.	_____		_____		_____		_____		_____		>
g.	_____		_____		_____		_____		_____		>
h.	_____		_____		_____		_____		_____		>
i.	_____		_____		_____		_____		_____		>
j.	_____		_____		_____		_____		_____		>
	_____		_____		_____		_____		_____		>

		LIAB.	+			**OWNER'S EQUITY**				
<		**Notes Payable**	+	**Capital**	–	**Drawing**	+	**Revenues**	–	**Expenses**
<										
<	a.	_____		_____		_____		_____		_____
<	b.	_____		_____		_____		_____		_____
<	c.	_____		_____		_____		_____		_____
<	d.	_____		_____		_____		_____		_____
<	e.	_____		_____		_____		_____		_____
<	f.	_____		_____		_____		_____		_____
<	g.	_____		_____		_____		_____		_____
<	h.	_____		_____		_____		_____		_____
<	i.	_____		_____		_____		_____		_____
<	j.	_____		_____		_____		_____		_____
<		_____		_____		_____		_____		_____

PROOF

Cash	_____	Notes Payable	_____
Accounts Receivable	_____	Capital	_____
Supplies	_____	Drawing	_____
Prepaid Insurance	_____	Revenues	_____
Van	_____	Expenses	_____
	═══		═══

ANSWER:

					ASSETS					=	>
	Cash	+	**Accounts Rec.**	+	**Supplies**	+	**Prepaid Ins.**	+	**Van**	=	>
											>
a.	16,500										>
b.	(1,500)						1,500				>
c.	(5,000)								35,000		>
d.	(900)										>
e.	(470)				470						>
f.	8,750										>
g.			14,200								>
h.	(210)										>
i.	(2,200)										>
j.	3,300		(3,300)								>
	18,270		10,900		470		1,500		35,000		>

		LIAB.	+			OWNER'S EQUITY				
<		**Note Payable**	+	**Capital**	–	**Drawing**	+	**Revenues**	–	**Expenses**
<										
<	a.			16,500						
<	b.									
<	c.	30,000								
<	d.									900
<	e.									
<	f.							8,750		
<	g.							14,200		
<	h.									210
<	i.					2,200				
<	j.									
<		30,000		16,500		2,200		22,950		1,110

PROOF

Cash	18,270	Notes Payable	30,000
Accounts Receivable	10,900	Capital	16,500
Supplies	470	Drawing	(2,200)
Prepaid Insurance	1,500	Revenues	22,950
Van	35,000	Expenses	(1,110)
	66,140		66,140

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: COLL.HEIN.17.2 - LO: 2-2
COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3

Chapter 2—Analyzing Transactions: The Accounting Equation

ACCREDITING STANDARDS:	AICPA FN-Measurement BUSPROG: Analytic
TOPICS:	ACBSP: APC-06-Recording Transactions
KEYWORDS:	Bloom's: Applying
NOTES:	15 min.

43. Show the effects of each transaction on the accounting equation by indicating under the proper heading the dollar amount of increase or decrease for each transaction listed below. Compute the resulting accounting equation.

a. Owner deposited $20,000 in his new business checking account.
b. Supplies were purchased for $300 on account.
c. Paid a $1,200 premium for six months of liability insurance.
d. Purchased supplies for $200 cash.
e. Purchased equipment for $4,000 by paying $1,000; the rest to be paid in six months.
f. Paid the $300 bill outstanding (from transaction b).
g. Owner withdrew $700 from the business for personal use.

	ASSETS							=	LIAB.	+	OWNER'S EQUITY		
	Cash	+	**Supp.**	+	**Prep. Insur.**	+	**Equip**	=	**Accts. Pay.**	+	**Capital**	–	**Drawing**
a.	_____		_____		_____		_____		_____		_____		_____
b.	_____		_____		_____		_____		_____		_____		_____
c.	_____		_____		_____		_____		_____		_____		_____
d.	_____		_____		_____		_____		_____		_____		_____
e.	_____		_____		_____		_____		_____		_____		_____
f.	_____		_____		_____		_____		_____		_____		_____
g.	_____		_____		_____		_____		_____		_____		_____
	_____		_____		_____		_____		_____		_____		_____

ANSWER:

	ASSETS							=	LIAB.	+	OWNER'S EQUITY		
	Cash	+	**Supp.**	+	**Prep. Insur.**	+	**Equip**	=	**Accts. Pay.**	+	**Capital**	–	**Drawing**
a.	20,000										20,000		
b.			300						300				
c.	(1,200)				1,200								
d.	(200)		200										
e.	(1,000)						4,000		3,000				
f.	(300)								(300)				
g.	(700)												700
	16,600		500		1,200		4,000		3,000		20,000		700

PROOF

Cash 16,600 Accounts Payable 3,000

Supplies	500	Capital	20,000
Prepaid Insurance	1,200	Drawing	(700)
Equipment	4,000		
	22,300		22,300

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: COLL.HEIN.17.2 - LO: 2-2
COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3

ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic

TOPICS: ACBSP: APC-06-Recording Transactions

KEYWORDS: Bloom's: Applying

NOTES: 15 min.

44. Madame Shira began a fortune telling business on May 1. The following transactions occurred:

1. Owner Madame Shira invested $5,000 cash in the business.
2. Purchased $2,000 of furniture with a down payment of $500; the rest by issuing an account payable to be paid in three monthly installments.
3. Paid $700 rent.
4. Purchased a crystal ball for $300.
5. Paid $1,700 for a 12-month insurance policy.
6. During the first month received $2,500 from cash customers.
7. Sent billings of $2,000 for services rendered to credit customers.
8. Paid assistant $1,500 wages for the month.
9. Received $600 in payments from credit customers.
10. Borrowed $3,200 by signing a note.
11. Made a $500 payment on the furniture bill (from transaction 2).
12. Owner withdrew $300 cash for personal use.
13. Paid bills for advertising $60, utilities $39, and repairs $52.

Required:
1. Enter the above transactions in an accounting equation work sheet.
2. Prepare an income statement for Madame Shira for the month of May.
3. Prepare a statement of owner's equity for the month of May.

ANSWER: 1.

				ASSETS						**= LIABILITIES**					>
	Cash	+	**Furniture**	+	**Crystal Ball**	+	**Accounts Rec.**	+	**Prepaid Ins.**	=	**Accounts Payable**	+	**Notes Payable**		>
1.	5,000														>
2.	(500)		2,000								1,500				>
3.	(700)														>
4.	(300)				300										>
5.	(1,700)								1,700						>
6.	2,500														>
7.							2,000								>
8.	(1,50														>

	0)							
9.	600			(600)				>
10.	3,200						3,200	>
11.	(500)					(500)		>
12.	(300)							>
13.	(60)							>
	(39)							>
	(52)							>
	5,649	2,000	300	1,400	1,700	1,000	3,200	>

<	+ OWNER'S EQUITY				
<	+ Shira, Capital	− Shira, Drawing	+ Revenues	− Expenses	Desc.
<	5,000				
<					
<				700	Rent
<					
<					
<			2,500		
<			2,000		
<				1,500	Wages
<					
<					
<					
<		300			
<				60	Advertising
<				39	Utilities
<				52	Repairs
<	5,000	300	4,500	2,351	

2.

Madame Shira Fortune Telling
Income Statement
For Month Ended May 31, 20--

Revenues:		
Fortune telling fees		$4,500
Expenses:		
Rent expense	$ 700	
Wages expense	1,500	
Advertising expense	60	
Utilities expense	39	
Repairs expense	52	
Total expenses		2,351
Net income		$2,149

3.

Madame Shira Fortune Telling
Statement of Owner's Equity
For Month Ended May 31, 20--

Madame Shira, capital May 1, 20--		$ 0
Investment by owner		5,000
Net income for May	$2,149	
Less withdrawals for May	300	
Increase in capital		1,849
Madame Shira, capital May 31, 20--		$6,849

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3

ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic

TOPICS: ACBSP: APC-06-Recording Transactions

KEYWORDS: Bloom's: Applying

NOTES: 15 min.

45. From the following list of accounts, prepare an income statement, statement of owner's equity, and balance sheet for the year ended or at December 31, 20--, for Milner's Star Express Cleaning Service.

Cash	$ 2,026
Fees Earned	13,835
Accounts Payable	7,530
D. Milner, Capital January 1, 20--	6,000
D. Milner, Drawing	1,750
Utilities Expense	153
Prepaid Insurance	1,216
Rent Expense	1,200
Accounts Receivable	4,080
Equipment	15,290
Wages Expense	1,650

ANSWER:

Milner's Star Express Cleaning Service
Income Statement
For the Year Ended December 31, 20--

Revenues:		
Fees earned		$13,835
Expenses:		
Utilities expense	$ 153	
Rent expense	1,200	
Wages expense	1,650	
Total expenses		3,003
Net income		$10,832

Milner's Star Express Cleaning Service
Statement of Owner's Equity
For the Year Ended December 31, 20--

D. Milner, capital January 1, 20--		$ 6,000
Net income for the year	$10,832	
Less withdrawals for the year	1,750	
Increase in capital		9,082
D. Milner, capital December 31, 20--		$15,082

Milner's Star Express Cleaning Service
Balance Sheet
December 31, 20--

Assets		**Liabilities**	
Cash	$ 2,026	Accounts payable	$ 7,530
Prepaid insurance	1,216		
Accounts receivable	4,080	**Owner's Equity**	
Equipment	15,290	D. Milner, capital	15,082
Total assets	$22,612	Total liab. & owner's equity	$22,612

POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Analytic
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Applying
NOTES:	15 min.

46. From the following list of accounts, prepare an income statement, statement of owner's equity, and balance sheet for the year ended or at December 31, 20--, for J. Carr's Delivery Service.

Cash	$11,450
Accounts Payable	4,450
Fees Earned	41,500
J. Carr, Capital January 1, 20--	14,500
J. Carr, Drawing	7,000
Office Supplies	250
Rent Expense	10,000
Accounts Receivable	7,000
Equipment	6,000
Wages Expense	14,000
Repairs Expense	250
Furniture	4,500

ANSWER:

J. Carr's Delivery Service
Income Statement
For the Year Ended December 31, 20--

Revenues:		
Fees earned		$41,500
Expenses:		
Rent expense	$10,000	
Wages expense	14,000	
Repairs expense	250	
Total expenses		24,250
Net income		$17,250

J. Carr's Delivery Service
Statement of Owner's Equity
For the Year Ended December 31, 20--

J. Carr, capital January 1, 20--		$14,500
Net income for the year	$17,250	

Less withdrawals for the year	7,000	
Increase in capital		10,250
J. Carr, capital December 31, 20--		$24,750

J. Carr's Delivery Service
Balance Sheet
December 31, 20--

Assets		**Liabilities**	
Cash	$11,450	Accounts Payable	$ 4,450
Accounts receivable	7,000		
Office supplies	250		
Equipment	6,000	**Owner's Equity**	
Furniture	4,500	J. Carr, capital	24,750
Total assets	$29,200	Total liab. & owner's equity	$29,200

POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Analytic
TOPICS:	ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Applying
NOTES:	15 min.

47. Dr. Etana Jenson is a podiatrist. As of December 31, Jenson owned the following assets related to the professional practice:

Cash	$6,600	X-ray Equipment	$9,000
Office Equipment	3,500	Laboratory Equipment	3,000

As of that date, Jenson owed business suppliers as follows:

Top Flight Office Equipment Co.	$3,000
Dunhill Medical Supplies Company	1,000
Island Gas Company	2,200

Required:

a. Compute the amount of assets, liabilities, and owners' equity as of December 31.

Assets	=	Liabilities	+	Owner's Equity
____________		____________		____________

b. Assuming that during January there is an increase of $4,600 in Dr. Jenson's business assets and an increase of $2,500 in the business liabilities, compute the resulting equation as of January 31.

____________ ____________ ____________

c. Assuming that during February there is a decrease of $1,500 in assets and a decrease of $1,200 in liabilities, compute the resulting accounting equation as of February

28.

______________ ______________ ______________

ANSWER:

	Assets	=	Liabilities	+	Owner's Equity
a.	$22,100	=	$6,200	+	$15,900
b.	26,700	=	8,700	+	18,000
c.	25,200	=	7,500	+	17,700

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Understanding
NOTES: 3 min.

48. Kristin Holden started her own consulting business in July, 20--. During the first month, the following transactions occurred:

a. Owner invested $12,000 cash in the business.
b. Purchased office equipment for $7,500 cash.
c. Purchased computer equipment costing $11,500 on account.
d. Paid $1,100 office rent for the month.
e. Received $1,700 cash from a client for services rendered.
f. Paid water bill for the month, $170.
g. Paid $2,400 on account for computer equipment purchased in transaction (c).
h. Paid the electric bill for the month, $200.

Required:

Record the effects of these transactions in an accounting equation worksheet.

			ASSETS				**= LIABILITIES**			>
	Cash	+	**Office Equip.**	+	**Computer Equip.**	=	**Accounts Payable**	+	**K. Holden, Capital**	>
a.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
b.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
c.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
d.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
e.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
f.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
g.	_____		_____		_____		_____		_____	>
Bal.	_____		_____		_____		_____		_____	>
h.	_____		_____		_____		_____		_____	>

Bal.	____	____	____	____	____	>

<	+		OWNER'S EQUITY		
<	+	Client Fees	– Rent Expense	–	Utilities Expense
<	a.	____	____		____
<	Bal.	____	____		____
<	b.	____	____		____
<	Bal.	____	____		____
<	c.	____	____		____
<	Bal.	____	____		____
<	d.	____	____		____
<	Bal.	____	____		____
<	e.	____	____		____
<	Bal.	____	____		____
<	f.	____	____		____
<	Bal.	____	____		____
<	g.	____	____		____
<	Bal.	____	____		____
<	h.	____	____		____
<	Bal.	____	____		____

ANSWER:

			ASSETS			= LIABILITIES				>
	Cash	+	Office Equip.	+	Computer Equip.	=	Accounts Payable	+	K. Holden, Capital	>
a.	12,000								12,000	>
Bal.	12,000								12,000	>
b.	(7,500)		7,500						____	>
Bal.	4,500		7,500						12,000	>
c.	____		____		11,500		11,500		____	>
Bal.	4,500		7,500		11,500		11,500		12,000	>
d.	(1,100)		____		____		____		____	>
Bal.	3,400		7,500		11,500		11,500		12,000	>
e.	1,700		____		____		____		____	>
Bal.	5,100		7,500		11,500		11,500		12,000	>
f.	(170)		____		____		____		____	>
Bal.	4,930		7,500		11,500		11,500		12,000	>
g.	(2,400)		____		____		(2,400)		____	>
Bal.	2,530		7,500		11,500		9,100		12,000	>
h.	(200)		____		____		____		____	>
Bal.	2,330		7,500		11,500		9,100		12,000	>

<	+		OWNER'S EQUITY		
<	+	Client Fees	- Rent Expense	-	Utilities Expense
<	a.				
<	Bal.				
<	b.				
<	Bal.				
<	c.				
<	Bal.				
<	d.		1,100		
<	Bal.				

<	e.	1,700	1,100	
<	Bal.	1,700	1,100	
<	f.			170
<	Bal.	1,700	1,100	170
<	g.			
<	Bal.	1,700	1,100	170
<	h.			200
<	Bal.	1,700	1,100	370

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Analytic
TOPICS: ACBSP: APC-06-Recording Transactions
KEYWORDS: Bloom's: Remembering
NOTES: 10 min.

49. Most businesses recognize ____________________ when earned, even if cash has not yet been received.
ANSWER: revenue
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA FN-Measurement
BUSPROG: Communication
TOPICS: ACBSP: APC-04-Cash vs. Accrual
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

50. ____________________ represent the decrease in assets (or increase in liabilities) as a result of efforts made to produce revenues.
ANSWER: Expenses
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA FN-Reporting
BUSPROG: Communication
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

51. The ____________________, sometimes called the profit and loss statement, reports the profitability of business operations for a specific period of time.
ANSWER: income statement
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5

ACCREDITING STANDARDS: AICPA BB-Industry
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

52. ____________________ represent the amount a business charges customers for products sold or services performed.
ANSWER: Revenues
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA BB-Industry
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

53. The relationship between the three basic accounting elements: ____________________, ____________________, and ____________________, can be expressed in the form of a simple equation known as the accounting equation.
ANSWER: assets, liabilities, owner's equity
assets, owner's equity, liabilities
liabilities, assets, owner's equity
liabilities, owner's equity, assets
owner's equity, assets, liabilities
owner's equity, liabilities, assets
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.2 - LO: 2-2
ACCREDITING STANDARDS: AICPA BB-Industry
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

54. ____________________ represent probable future benefits.
ANSWER: Assets
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS: AICPA BB-Industry
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

55. A(n) ____________________ is an unwritten promise to pay a supplier for assets purchased or services received.

ANSWER: accounts payable
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS: AICPA BB-Industry
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

56. The report which shows a firm's assets, liabilities, and owner's equity as of a specific date is called the ____________________.
ANSWER: balance sheet
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS: AICPA FN-Reporting
BUSPROG: Communication
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Understanding
NOTES: 1 min.

57. The ____________________ reports the investments and withdrawals by the owner, the profits and losses generated through operations, and how they have affected the capital account.
ANSWER: statement of owner's equity
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.3 - LO: 2-5
ACCREDITING STANDARDS: AICPA FN-Reporting
BUSPROG: Communication
TOPICS: ACBSP: APC-09-Financial Statements
KEYWORDS: Bloom's: Understanding
NOTES: 1 min.

58. A(n) ____________________ is a reduction in owner's equity as a result of the owner taking cash or other assets out of the business for personal use.
ANSWER: withdrawal
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: COLL.HEIN.17.4 - LO: 2-4
ACCREDITING STANDARDS: AICPA FN-Reporting
BUSPROG: Communication
TOPICS: ACBSP: APC-02-GAAP
KEYWORDS: Bloom's: Remembering
NOTES: 1 min.

59. ____________________ is the amount by which business assets exceed the business liabilities.

ANSWER:	Owner's equity
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

60. Amounts owed to the business by its customers are called ____________________.

ANSWER:	accounts receivable
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA FN-Reporting BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

61. A(n) ____________________ is an economic event that has a direct impact on the business.

ANSWER:	business transaction
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

62. A(n) ____________________ is a separate record used to summarize changes in assets, liabilities, and owner's equity of a business.

ANSWER:	account
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

63. According to the ____________________, nonbusiness assets and liabilities are not included in the business entity's accounting records.

ANSWER:	business entity concept
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

64. ____________________ is a measure of the ease with which an asset will be converted to cash.

ANSWER:	Liquidity
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

Match the terms with the definitions.

a. account
b. accounts payable
c. accounts receivable
d. accounting equation
e. assets
f. balance sheet
g. business entity
h. business entity concept
i. business transaction
j. drawing
k. expenses
l. income statement
m. liability
n. net income
o. net loss
p. notes payable
q. owner's equity
r. revenues
s. statement of owner's equity

DIFFICULTY:	Easy

Chapter 2—Analyzing Transactions: The Accounting Equation

LEARNING OBJECTIVES:	COLL.HEIN.17.1 - LO: 2-1 COLL.HEIN.17.2 - LO: 2-2 COLL.HEIN.17.3 - LO: 2-5 COLL.HEIN.17.4 - LO: 2-4 COLL.HEIN.17.5 - LO: 2-3
ACCREDITING STANDARDS:	AICPA BB-Industry BUSPROG: Communication
TOPICS:	ACBSP: APC-02-GAAP ACBSP: APC-09-Financial Statements
KEYWORDS:	Bloom's: Remembering
NOTES:	1 min.

65. The amount by which the business assets exceed the business liabilities.
ANSWER: q
POINTS: 1

66. Reports assets, liabilities, and owner's equity on a specific date.
ANSWER: f
POINTS: 1

67. Withdrawals that reduce owner's equity as a result of the owner taking cash or other assets out of the business for personal use.
ANSWER: j
POINTS: 1

68. The decrease in assets (or increase in liabilities) as a result of efforts to produce revenues.
ANSWER: k
POINTS: 1

69. A formal written promise to pay a supplier or lender a specified sum of money at a definite future time.
ANSWER: p
POINTS: 1

70. The excess of total revenues over total expenses for the period.
ANSWER: n
POINTS: 1

71. Reports the profitability of business operations for a specific period of time.
ANSWER: l
POINTS: 1

72. Reports beginning capital, plus net income, less withdrawals to compute ending capital.
ANSWER: s
POINTS: 1

73. An economic event that has a direct impact on the business.
ANSWER: i
POINTS: 1

74. The concept that nonbusiness assets and liabilities are not included in the business' accounting records.
ANSWER: h
POINTS: 1

75. Consists of the three basic accounting elements: assets = liabilities + owner's equity.
ANSWER: d
POINTS: 1

76. Items a business owns that will provide future benefits.
ANSWER: e
POINTS: 1

77. An unwritten promise to pay a supplier for assets purchased or services rendered.
ANSWER: b
POINTS: 1

78. A separate record used to summarize changes in each asset, liability, and owner's equity of a business.
ANSWER: a
POINTS: 1

79. An amount owed to a business by its customers as a result of the sale of goods or services.
ANSWER: c
POINTS: 1

80. An individual, association, or organization that engages in economic activities and controls specific economic resources.
ANSWER: g
POINTS: 1

Chapters 1 & 2, TEST A

Name ______________________

Date ______________________

SCORING RECORD

Section	Total Possible	Deductions	Student Score
A	30		
B	30		
C	10		
D	30		
Total	100		

Section A

Directions: Each of the following statements is true or false. Indicate your choice by writing in the Answers column T for a true answer or F for a false answer. (*2 points for each correct answer)*

	Statement	Answers	For Scoring
1.	The purpose of accounting is to provide management information about a business to individuals, agencies, and organizations.	__F__	______
2.	The Securities and Exchange Commission (SEC) has the power to require firms to follow generally accepted accounting principles (GAAP).	__T__	______
3.	There are only two types of business ownership: partnerships and sole proprietorships.	__F__	______
4.	A business that produces a product to sell to retailers is called a merchandising business.	__F__	______
5.	A sole proprietorship can have multiple owners.	__F__	______
6.	As explained in the text, there are six major steps in the accounting process.	__T__	______
7.	The drawing account is used to record assets distributed by the business to the owner.	__T__	______
8.	A business transaction usually requires an exchange between the business and another outside entity.	__T__	______
9.	Assets represent something owed to another business entity.	__F__	______
10.	In a business, capital is equal to cash.	__F__	______
11.	When analyzing the effects of every business transaction, the accountant must always answer the following question: "What do I owe?"	__F__	______
12.	The concept that income determination can be made on a periodic basis is known as the accounting period concept.	__T__	______
13.	Assets + Liabilities = Owner's Equity.	__F__	______
14.	The balance sheet reports the earnings of the business over time.	__F__	______
15.	The heading for all financial statements contains the company's name, the report title, and the date on which the report was prepared.	__F__	______

Section B

Directions: Complete each of the following statements by writing in the Answers column the letter of the word or words that correctly completes each statement or answers the question. *(3 points each)*

		Answers	For Scoring
1.	Users of accounting information may include (A) owners; (B) managers; (C) creditors; (D) government agencies; (E) all of these.	__E__	______
2.	Looking at events that have taken place and thinking about how they affect the business is (A) analyzing; (B) recording; (C) classifying, (D) summarizing; (E) reporting.	__A__	______
3.	The Sarbanes-Oxley Act (SOX) was passed by Congress to (A) keep all managers from doing something illegal; (B) require that all companies send reports to the government; (C) improve reporting by public companies; (D) give the Securities and Exchange Commission (SEC) legal rights; (E) allow public accounting firms to provide management advising services.	__C__	______
4.	The amount by which the business assets exceed the business liabilities is (A) net income; (B) owner’s equity; (C) revenue; (D) A & C; (E) B & C.	__B__	______
5.	Rod paid $1,000 for the month’s rent. This transaction would (A) increase an asset and decrease an asset; (B) increase an asset and increase a liability; (C) decrease an asset and increase owner’s equity; (D) decrease an asset and decrease owner’s equity; (E) increase two asset accounts.	__D__	______
6.	Ken paid $400 cash for services he had received earlier in the month. This transaction would (A) increase an asset and decrease an asset; (B) increase an asset and decrease a liability; (C) increase an asset and increase owner’s equity; (D) decrease a liability and increase owner’s equity; (E) none of these.	__E__	______
7.	Owner’s equity is <u>not</u> affected by (A) investments; (B) withdrawals by the owner; (C) profits; (D) losses; (E) all transactions.	__E__	______
8.	Mr. T invested $20,000 in cash into his business. This transaction would (A) increase assets and decrease owner’s equity; (B) decrease assets and increase owner’s equity; (C) decrease assets and decrease liabilities; (D) increase assets and increase owner’s equity; (E) none of these.	__D__	______
9.	Which of the following accounts is a liability? (A) Accounts Payable; (B) Sales; (C) Prepaid Insurance; (D) Retained Earnings; (E) Drawing.	__A__	______
10.	Which is an example of a merchandising business? (A) a car manufacturer; (B) a dentist; (C) a toy factory; (D) a pharmacy; (E) a travel agency.	__D__	______

Section C

Directions: Match the letter corresponding to one of the basic elements of accounting to each of the accounts below. A = Asset, L = Liability, and O = Owner's Equity. *(2 points for each correct answer)*

a. Prepaid Insurance __A__

b. Rent Expense __O__

c. Accounts Payable __L__

d. Delivery Equipment __A__

e. T. Smart, Drawing __O__

Section D

Rory Alia has started her own business. During the first month, the following transactions occurred.
(a) She invested $10,000 cash in the business.
(b) Paid $800 for insurance for the next 12 months.
(c) Purchased a computer on account for $1,200.
(d) Received $500 cash from a client for professional services rendered.
(e) Paid $200 office rent for the month.
(f) Paid $300 on account for the computer purchased in (c) above.

Directions: Using the lines provided below, show the effect of each transaction on the basic elements of the accounting equation: assets, liabilities, and owner's equity. Compute the new amounts for each element after each transaction to show that the accounting equation has remained balanced. *(30 points total)*

	ASSETS		LIABILITIES	OWNER'S EQUITY
(a)	+$10,000	=		+ $10,000
Bal.	10,000	=		10,000
(b)	– 600	=		
	+ 600			
Bal.	10,000	=		10,000
(c)	+ 1,200	=	+$1,200	
Bal.	11,200	=	1,200	10,000
(d)	+ 500	=		+ 500
Bal.	11,700	=	1,200	10,500
(e)	– 200	=		– 200
Bal.	11,500	=	1,200	10,300
(f)	– 300	=	– 300	
Bal.	$11,200	=	$900	$10,300

Chapters 1 & 2, TEST A

Name ______________________________

Date ______________________________

SCORING RECORD

Section	Total Possible	Deductions	Student Score
A	30		
B	30		
C	10		
D	30		
Total	100		

Section A

Directions: Each of the following statements is true or false. Indicate your choice by writing in the Answers column T for a true answer or F for a false answer. (*2 points for each correct answer)*

	Answers	For Scoring
1. The purpose of accounting is to provide management information about a business to individuals, agencies, and organizations.	______	______
2. The Securities and Exchange Commission (SEC) has the power to require firms to follow generally accepted accounting principles (GAAP).	______	______
3. There are only two types of business ownership: partnerships and sole proprietorships.	______	______
4. A business that produces a product to sell to retailers is called a merchandising business.	______	______
5. A sole proprietorship can have multiple owners.	______	______
6. As explained in the text, there are six major steps in the accounting process.	______	______
7. The drawing account is used to record assets distributed by the business to the owner.	______	______
8. A business transaction usually requires an exchange between the business and another outside entity.	______	______
9. Assets represent something owed to another business entity.	______	______
10. In a business, capital is equal to cash.	______	______
11. When analyzing the effects of every business transaction, the accountant must always answer the following question: "What do I owe?"	______	______
12. The concept that income determination can be made on a periodic basis is known as the accounting period concept.	______	______
13. Assets + Liabilities = Owner's Equity.	______	______
14. The balance sheet reports the earnings of the business over time.	______	______
15. The heading for all financial statements contains the company's name, the report title, and the date on which the report was prepared.	______	______

Section B

Directions: Complete each of the following statements by writing in the Answers column the letter of the word or words that correctly completes each statement or answers the question. *(3 points each)*

	Answers	For Scoring
1. Users of accounting information may include (A) owners; (B) managers; (C) creditors; (D) government agencies; (E) all of these.	_____	_____
2. Looking at events that have taken place and thinking about how they affect the business is (A) analyzing; (B) recording; (C) classifying, (D) summarizing; (E) reporting.	_____	_____
3. The Sarbanes-Oxley Act (SOX) was passed by Congress to (A) keep all managers from doing something illegal; (B) require that all companies send reports to the government; (C) improve reporting by public companies; (D) give the Securities and Exchange Commission (SEC) legal rights; (E) allow public accounting firms to provide management advising services.	_____	_____
4. The amount by which the business assets exceed the business liabilities is (A) net income; (B) owner's equity; (C) revenue; (D) A & C; (E) B & C.	_____	_____
5. Rod paid $1,000 for the month's rent. This transaction would (A) increase an asset and decrease an asset; (B) increase an asset and increase a liability; (C) decrease an asset and increase owner's equity; (D) decrease an asset and decrease owner's equity; (E) increase two asset accounts.	_____	_____
6. Ken paid $400 cash for services he had received earlier in the month. This transaction would (A) increase an asset and decrease an asset; (B) increase an asset and decrease a liability; (C) increase an asset and increase owner's equity; (D) decrease a liability and increase owner's equity; (E) none of these.	_____	_____
7. Owner's equity is <u>not</u> affected by (A) investments; (B) withdrawals by the owner; (C) profits; (D) losses; (E) all transactions.	_____	_____
8. Mr. T invested $20,000 in cash into his business. This transaction would (A) increase assets and decrease owner's equity; (B) decrease assets and increase owner's equity; (C) decrease assets and decrease liabilities; (D) increase assets and increase owner's equity; (E) none of these.	_____	_____
9. Which of the following accounts is a liability? (A) Accounts Payable; (B) Sales; (C) Prepaid Insurance; (D) Retained Earnings; (E) Drawing.	_____	_____
10. Which is an example of a merchandising business? (A) a car manufacturer; (B) a dentist; (C) a toy factory; (D) a pharmacy; (E) a travel agency.	_____	_____

Section C

Directions: Match the letter corresponding to one of the basic elements of accounting to each of the accounts below. A = Asset, L = Liability, and O = Owner's Equity. *(2 points for each correct answer)*

a. Prepaid Insurance ____

b. Rent Expense ____

c. Accounts Payable ____

d. Delivery Equipment ____

e. T. Smart, Drawing ____

Section D

Rory Alia has started her own business. During the first month, the following transactions occurred.
(a) She invested $10,000 cash in the business.
(b) Paid $800 for insurance for the next 12 months.
(c) Purchased a computer on account for $1,200.
(d) Received $500 cash from a client for professional services rendered.
(e) Paid $200 office rent for the month.
(f) Paid $300 on account for the computer purchased in (c) above.

Directions: Using the lines provided below, show the effect of each transaction on the basic elements of the accounting equation: assets, liabilities, and owner's equity. Compute the new amounts for each element after each transaction to show that the accounting equation has remained balanced. *(30 points total)*

ASSETS	LIABILITIES	OWNER'S EQUITY
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		

Chapters 1 & 2, TEST B

Name ____________________________

Date ____________________________

SCORING RECORD

Section	Total Possible	Deductions	Student Score
A	30		
B	30		
C	10		
D	30		
Total	100		

Section A

Directions: Each of the following statements is true or false. Indicate your choice by writing in the Answers column T for a true answer or F for a false answer. (*2 points for each correct answer)*

		Answers	For Scoring
1.	It is important to learn the language of business in order to understand the impact of economic events on a specific company.	__T__	______
2.	Common, everyday terms have very precise meaning when used in accounting.	__T__	______
3.	In a corporation, the personal assets of stockholders cannot be taken to pay creditors.	__T__	______
4.	All accountants must be licensed as Certified Public Accountants.	__F__	______
5.	A business that purchases a product from another business to sell to customers is called a service business.	__F__	______
6.	The heading of financial statements contains only the name of the business and the name of the statement.	__F__	______
7.	A business entity is an individual, association, or organization that engages in economic activities but has no control over economic resources.	__F__	______
8.	The three basic accounting elements—assets, liabilities, and owner's equity—exist for every business.	__T__	______
9.	If a business has no business liabilities, the owner's equity is equal to the total assets.	__T__	______
10.	Accounts Receivable represents the amount of money that a business owes to its creditors as a result of purchasing "on account."	__F__	______
11.	Other terms used for owner's equity include net worth and capital.	__T__	______
12.	All business transactions affect the accounting equation through specific accounts.	__T__	______
13.	Expenses either increase liabilities or increase assets.	__F__	______
14.	Financial statements are an important output of the accounting process.	__T__	______
15.	The income statement is also referred to as a statement of financial position.	__F__	______

Section B

Directions: Complete each of the following statements by writing in the Answers column the letter of the word or words that correctly completes each statement or answers the question. *(3 points each)*

		Answers	For Scoring
1.	Information needed by users of accounting data includes (A) the firm's profitability; (B) detailed measures of the firm's performance; (C) the firm's outstanding debt; (D) the firm's inflow and outflow of cash; (E) all of these.	__E__	_____
2.	Entering financial information about business events into the accounting system is called (A) recording; (B) classifying; (C) interpreting; (D) analyzing; (E) reporting.	__A__	_____
3.	A business that purchases a product from another business to sell to customers is called a (A) service business; (B) merchandising business; (C) manufacturing business; (D) nonprofit business; (E) warehousing business.	__B__	_____
4.	A public accountant probably would <u>not</u> (A) advise on management issues; (B) audit financial information; (C) prepare tax returns; (D) prepare client budgets; (E) A public accountant would do all of these.	__D__	_____
5.	If assets are $130,000 and liabilities are $25,000, owner's equity is (A) $155,000; (B) $130,000; (C) $105,000; (D) $25,000; (E) $0.	__C__	_____
6.	Alva provided services totaling $800 on account for a customer. This transaction would (A) increase an asset and decrease an asset; (B) increase a liability and increase an asset; (C) decrease an asset and decrease a liability; (D) increase an asset and increase owner's equity; (E) decrease two asset accounts.	__D__	_____
7.	Torilyn bought a $45,000 delivery van on account. This transaction would (A) increase an asset and decrease an asset; (B) decrease an asset and decrease owner's equity; (C) decrease a liability and increase owner's equity; (D) increase a liability and increase an asset; (E) increase an expense and decrease owner's equity.	__D__	_____
8.	The income statement provides information about (A) assets; (B) revenues; (C) owner's equity; (D) liabilities; (E) all of these.	__B__	_____
9.	Which of the following would <u>not</u> decrease owner's equity? (A) sales; (B) withdrawals of cash by the owner; (C) more expenses than revenues during the period; (D) expenses incurred; (E) none of these.	__A__	_____
10.	Which in <u>not</u> an example of a service business? (A) a hair salon; (B) a doctor; (C) an accountant; (D) a bookstore; (E) all are service businesses.	__D__	_____

Section C

Directions: Match the letter corresponding to one of the basic elements of accounting to each of the accounts below. A = Asset, L = Liability, and O = Owner's Equity. *(2 points for each correct answer)*

a. Accounts Receivable __A__

b. Supplies __A__

c. Fees for Services __O__

d. C. Fallon, Capital __O__

e. Prepaid Utilities __A__

Section D

Felix Ruiz has started his own business. During the first month, the following transactions occurred.

(a) He invested $59,000 cash in the business.
(b) Purchased supplies for cash, $3,000.
(c) Provided services on account, $3,700.
(d) Purchased a computer on account, $850.
(e) Received $500 cash on account from a client.
(f) Withdrew $2,000 for personal use.

Directions: Using the lines provided below, show the effect of each transaction on the basic elements of the accounting equation: assets, liabilities, and owner's equity. Compute the new amounts for each element after each transaction to show that the accounting equation has remained balanced. *(30 points total)*

	ASSETS		LIABILITIES	OWNER'S EQUITY
(a)	+$59,000	=		+$59,000
Bal.	59,000	=		59,000
(b)	– 3,000	=		
	+ 3,000			
Bal.	59,000	=		59,000
(c)	+ 3,700	=		+ 3,700
Bal.	62,700	=		62,700
(d)	+ 850	=	+$850	
Bal.	63,550	=	850	62,700
(e)	– 500	=		
	+ 500			
Bal.	63,550	=	850	62,700
(f)	– 2,000	=		– 2,000
Bal.	$61,550	=	$850	$60,700

Chapters 1 & 2, TEST B

Name ____________________________

Date ____________________________

SCORING RECORD

Section	Total Possible	Deductions	Student Score
A	30		
B	30		
C	10		
D	30		
Total	100		

Section A

Directions: Each of the following statements is true or false. Indicate your choice by writing in the Answers column T for a true answer or F for a false answer. (*2 points for each correct answer)*

	Answers	For Scoring
1. It is important to learn the language of business in order to understand the impact of economic events on a specific company.	____	_____
2. Common, everyday terms have very precise meaning when used in accounting.	____	_____
3. In a corporation, the personal assets of stockholders cannot be taken to pay creditors.	____	_____
4. All accountants must be licensed as Certified Public Accountants.	____	_____
5. A business that purchases a product from another business to sell to customers is called a service business.	____	_____
6. The heading of financial statements contains only the name of the business and the name of the statement.	____	_____
7. A business entity is an individual, association, or organization that engages in economic activities but has no control over economic resources.	____	_____
8. The three basic accounting elements—assets, liabilities, and owner's equity—exist for every business.	____	_____
9. If a business has no business liabilities, the owner's equity is equal to the total assets.	____	_____
10. Accounts Receivable represents the amount of money that a business owes to its creditors as a result of purchasing "on account."	____	_____
11. Other terms used for owner's equity include net worth and capital.	____	_____
12. All business transactions affect the accounting equation through specific accounts.	____	_____
13. Expenses either increase liabilities or increase assets.	____	_____
14. Financial statements are an important output of the accounting process.	____	_____
15. The income statement is also referred to as a statement of financial position.	____	_____

Section B

Directions: Complete each of the following statements by writing in the Answers column the letter of the word or words that correctly completes each statement or answers the question. *(3 points each)*

		Answers	For Scoring
1.	Information needed by users of accounting data includes (A) the firm's profitability; (B) detailed measures of the firm's performance; (C) the firm's outstanding debt; (D) the firm's inflow and outflow of cash; (E) all of these.	____	_____
2.	Entering financial information about business events into the accounting system is called (A) recording; (B) classifying; (C) interpreting; (D) analyzing; (E) reporting.	____	_____
3.	A business that purchases a product from another business to sell to customers is called a (A) service business; (B) merchandising business; (C) manufacturing business; (D) nonprofit business; (E) warehousing business.	____	_____
4.	A public accountant probably would not (A) advise on management issues; (B) audit financial information; (C) prepare tax returns; (D) prepare client budgets; (E) A public accountant would do all of these.	____	_____
5.	If assets are $130,000 and liabilities are $25,000, owner's equity is (A) $155,000; (B) $130,000; (C) $105,000; (D) $25,000; (E) $0.	____	_____
6.	Alva provided services totaling $800 on account for a customer. This transaction would (A) increase an asset and decrease an asset; (B) increase a liability and increase an asset; (C) decrease an asset and decrease a liability; (D) increase an asset and increase owner's equity; (E) decrease two asset accounts.	____	_____
7.	Torilyn bought a $45,000 delivery van on account. This transaction would (A) increase an asset and decrease an asset; (B) decrease an asset and decrease owner's equity; (C) decrease a liability and increase owner's equity; (D) increase a liability and increase an asset; (E) increase an expense and decrease owner's equity.	____	_____
8.	The income statement provides information about (A) assets; (B) revenues; (C) owner's equity; (D) liabilities; (E) all of these.	____	_____
9.	Which of the following would not decrease owner's equity? (A) sales; (B) withdrawals of cash by the owner; (C) more expenses than revenues during the period; (D) expenses incurred; (E) none of these.	____	_____
10.	Which in not an example of a service business? (A) a hair salon; (B) a doctor; (C) an accountant; (D) a bookstore; (E) all are service businesses.	____	_____

Section C

Directions: Match the letter corresponding to one of the basic elements of accounting to each of the accounts below. A = Asset, L = Liability, and O = Owner's Equity. *(2 points for each correct answer)*

a. Accounts Receivable ____

b. Supplies ____

c. Fees for Services ____

d. C. Fallon, Capital ____

e. Prepaid Utilities ____

Section D

Felix Ruiz has started his own business. During the first month, the following transactions occurred.

(a) He invested $59,000 cash in the business.
(b) Purchased supplies for cash, $3,000.
(c) Provided services on account, $3,700.
(d) Purchased a computer on account, $850.
(e) Received $500 cash on account from a client.
(f) Withdrew $5,000 for personal use.

Directions: Using the lines provided below, show the effect of each transaction on the basic elements of the accounting equation: assets, liabilities, and owner's equity. Compute the new amounts for each element after each transaction to show that the accounting equation has remained balanced. *(30 points total)*

ASSETS	LIABILITIES	OWNER'S EQUITY
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		