Student name:\_\_\_\_\_\_\_\_\_\_

**TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.  
1)** In a market, creditors are resource providers.

⊚ true  
 ⊚ false

**2)** In a market, a company that manufactures cars would be referred to as a business.

⊚ true  
 ⊚ false

**3)** The value created by a business is created by its assets.

⊚ true  
 ⊚ false

**4)** The types of resources needed by a business are financial, physical, and labor resources.

⊚ true  
 ⊚ false

**5)** Financial accounting information is usually less detailed than managerial accounting information.

⊚ true  
 ⊚ false

**6)** The Financial Accounting Standards Board is a privately funded organization with authority for establishing accounting standards for businesses in the US.

⊚ true  
 ⊚ false

**7)** A business and the person who owns the business are separate reporting entities.

⊚ true  
 ⊚ false

**8)** Land is an element of the financial statements.

⊚ true  
 ⊚ false

**9)** Liabilities are obligations of a business to relinquish assets, provide services, or accept other obligations.

⊚ true  
 ⊚ false

**10)** Liabilities are not a source of assets for a business.

⊚ true  
 ⊚ false

**11)** Retained earnings reduces a company's commitment to use its assets for the benefit of its stockholders.

⊚ true  
 ⊚ false

**12)** The historical cost concept requires that most assets be recorded at the amount paid for them, regardless of increases in market value.

⊚ true  
 ⊚ false

**13)** An asset source transaction increases a business’s assets and the claims to assets.

⊚ true  
 ⊚ false

**14)** Borrowing money from the bank is an example of an asset source transaction.

⊚ true  
 ⊚ false

**15)** An asset use transaction does not affect the total amount of claims to a company's assets.

⊚ true  
 ⊚ false

**16)** The four financial statements prepared by a business bear no relationship to each other.

⊚ true  
 ⊚ false

**17)** The dividends a business pays to its owners appear on the income statement.

⊚ true  
 ⊚ false

**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.  
18)** Which of the following groups has the primary responsibility for establishing generally accepted accounting principles for business entities in the United States?

A) Securities and Exchange Commission   
 B) U.S. Congress  
 C) International Accounting Standards Board  
 D) Financial Accounting Standards Board

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

A) Business   
 B) Regulatory agency  
 C) Consumer  
 D) Resource owner

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

A) Consumers   
 B) Creditors  
 C) Investors  
 D) Owners

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

A) Cost accounting   
 B) Managerial accounting  
 C) Tax accounting  
 D) Financial accounting

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

A) It is often used by investors.   
 B) It is more detailed than financial accounting information.  
 C) It can include nonfinancial information.  
 D) It focuses on divisional rather than overall profitability.

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

A) Generally Accepted Accounting Principles   
 B) Generally Applied Accounting Procedures  
 C) Governmentally Approved Accounting Practices  
 D) Generally Authorized Auditing Principles

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

A) Internationally Accepted Standards Board   
 B) International Accounting Standards Board  
 C) International Accountability Standards Bureau  
 D) International Accounting and Sustainability Board

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

A) One reporting entity.   
 B) Two reporting entities.  
 C) Three reporting entities.  
 D) Four reporting entities.

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

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

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

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

A) One reporting entity.   
 B) Two reporting entities.  
 C) Three reporting entities.  
 D) Four reporting entities.

**28)** Which of the following is an example of revenue?

A) Cash received as a result of a bank loan.   
 B) Cash received from investors from the sale of common stock.  
 C) Cash received from customers at the time services were provided.  
 D) Cash received from the sale of land for its original selling price.

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

A) Stockholders’ Equity   
 B) Liabilities  
 C) Assets  
 D) Cash

**30)** Which of the following is an accurate definition of the term asset?

A) An obligation to creditors.   
 B) A resource that will be used to produce revenue.  
 C) A transfer of wealth from the business to its owners.  
 D) A sacrifice incurred from operating the business.

**31)** Which of the following is a source of assets?

A) Creditors   
 B) Investors  
 C) Operations  
 D) All the answers represent sources of assets.

**32)** If total assets decrease, then

A) liabilities must increase and retained earnings must decrease.   
 B) common stock must decrease and retained earnings must increase.  
 C) liabilities, common stock, or retained earnings must decrease.  
 D) liabilities, common stock, or retained earnings must increase.

**33)** Liabilities

A) represent obligations to repay debts.   
 B) may increase when assets increase.  
 C) are found on the claims side of the accounting equation.  
 D) All of the answers are characteristics of liabilities.

**34)** Which term describes assets earned from operations that have been reinvested into the business?

A) Liability   
 B) Dividend  
 C) Common stock  
 D) Retained earnings

**35)** Which of the following is the most accurate depiction of the accounting equation?

A) Assets = Liabilities + Common Stock + Retained Earnings   
 B) Assets = Liabilities + Common Stock − Expenses  
 C) Assets = Liabilities + Retained Earnings − Dividends  
 D) Assets = Liabilities + Common Stock + Dividends

**36)** Which term describes a distribution of the Company’s assets back to the owners of the business?

A) Liability   
 B) Dividend  
 C) Retained earnings  
 D) Common stock

**37)** Finn Company reported assets of $1,000 and stockholders’ equity of $600. What amount will Finn report for liabilities?

A) $400   
 B) $600  
 C) $1,600  
 D) Cannot be determined

**38)** Algonquin Company reported assets of $50,000, liabilities of $22,000 and common stock of $15,000. Based on this information only, what is the amount of the company’s retained earnings?

A) $7,000.   
 B) $57,000.  
 C) $13,000.  
 D) $87,000.

**39)** Stosch Company's balance sheet reported assets of $112,000, liabilities of $29,000 and common stock of $26,000 as of December 31, Year 1. Retained earnings on the December 31, Year 2 balance sheet is $74,000 and Stosch paid a $28,000 dividend during Year 2. What is the amount of net income for Year 2?

A) $57,000   
 B) $45,000  
 C) $17,000  
 D) $28,000

**40)** Stosch Company's balance sheet reported assets of $40,000, liabilities of $15,000 and common stock of $12,000 as of December 31, Year 1. Retained earnings on the December 31, Year 2 balance sheet is $18,000 and Stosch paid a $14,000 dividend during Year 2. What is the amount of net income for Year 2?

A) $17,000   
 B) $19,000  
 C) $13,000  
 D) $21,000

**41)** Hazeltine Company issued common stock for $200,000 cash. What happened as a result of this event?

A) Assets increased.   
 B) Stockholders’ Equity increased.  
 C) Claims increased.  
 D) Assets, claims, and Stockholders’ Equity all increased.

**42)** Ballard Company reported assets of $500 and liabilities of $200. What amount will Ballard's report for stockholders' equity?

A) $300   
 B) $500  
 C) $700  
 D) Cannot be determined.

**43)** A company's total assets increased during the period while its liabilities and common stock were unchanged. No dividends were declared or paid during the period. Which of the following would explain this situation?

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

**44)** Li Company paid cash to purchase land.What happened as a result of this business event?

A) Total assets decreased.   
 B) Total assets were unaffected.  
 C) Total stockholders’ equity decreased.  
 D) Both total assets and total stockholders’ equity decreased.

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

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

**46)** As of December 31, Year 2, Bristol Company had $100,000 of assets, $40,000 of liabilities and $25,000 of retained earnings. What percentage of Bristol’s assets were obtained through investors?

A) 60%   
 B) 25%  
 C) 40%  
 D) 35%

**47)** On January 1, Year 2, Chavez Company had beginning balances as follows: total assets of $12,500, total liabilities of $4,500, and common stock of $3,000. During Year 2, Chavez paid dividends to its stockholders of $2,000. Given that retained earnings amounted to $6,000 at the end of Year 2, what was Chavez's net income for Year 2?

A) $3,000   
 B) $5,000  
 C) $7,000  
 D) $2,000

**48)** When a business provides services for cash, what is the effect on the accounting equation are affected?

A) Revenue and Expense   
 B) Cash and Retained Earnings  
 C) Cash and Expense  
 D) Cash and Dividends

**49)** During Year 2, Millstone Company provided $6,500 of services for cash, paid cash dividends of $1,000 to owners, and paid $4,000 cash for expenses. Liabilities were unchanged. Which of the following statements accurately describes the effect of these events on the elements of the company's financial statements?

A) Assets increased by $6,500.   
 B) Assets increased by $1,500.  
 C) Stockholders’ equity increased by $2,500.  
 D) Assets increased by $5,500.

**50)** At the end of Year 2, retained earnings for the Baker Company was $2,150. Revenue earned by the company in Year 2 was $2,400, expenses paid during the period were $1,300, and dividends paid during the period were $700. Based on this information alone, what was the amount of retained earnings at the beginning of Year 2?

A) $2,550   
 B) $1,750  
 C) $1,050  
 D) $4,800

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

A) $3,300   
 B) $3,700  
 C) $2,800  
 D) $3,800

**52)** Which of the following is **not** an example of an asset use transaction?

A) Paying cash dividends   
 B) Paying cash expenses  
 C) Paying off the principal of a loan  
 D) Paying cash to purchase land

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

A) Asset source   
 B) Claims exchange  
 C) Asset use  
 D) Asset exchange

**54)** Tandem Company borrowed $32,000 of cash from a local bank. Which of the following choices accurately reflects how this event affects the accounting equation?

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| **A.** | NA | = | 32,000 | + | NA | + | 32,000 |
| **B.** | 32,000 | = | NA | + | 32,000 | + | NA |
| **C.** | 32,000 | = | NA | + | NA | + | 32,000 |
| **D.** | 32,000 | = | 32,000 | + | NA | + | NA |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**55)** Which of the following could describe the effects of an asset exchange transaction on a company's total assets, total liabilities and total stockholders’ equity?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liabilities** | **+** | **Stockholders’ Equity** |
| **A.** | + − | = | NA | + | NA |
| **B.** | + | = | NA | + | + |
| **C.** | − | = | NA | + | − |
| **D.** | + − | = | NA | + | + − |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**56)** Which of the following describes the effects of an asset use transaction on the accounting equation?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liabilities** | **+** | **Stockholders’ Equity** |
| **A.** | + | = | + | + | NA |
| **B.** | − | = | NA | + | − |
| **C.** | + − | = | NA | + | NA |
| **D.** | NA | = | + | + | NA |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**57)** Which of the following cash transactions would **not** affect total assets?

A) Borrowing cash from a bank.   
 B) Issuing common stock for cash.  
 C) Purchasing land for cash.  
 D) Providing services for cash.

**58)** Kelly Company experienced the following events during its first accounting period.  
   
 (1) Issued common stock for $10,000 cash.  
 (2) Earned $8,000 of cash revenue.  
 (3) Paid $1,000 cash to purchase land.  
 (4) Paid cash dividends amounting to $500.  
 (5) Paid $4,400 of cash expenses.  
   
 Based on this information the amount of net income is

A) $2,100.   
 B) $2,600.  
 C) $3,600.  
 D) $5,600.

**59)** Which of the following shows the effects of paying a cash dividend on the accounting equation?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Accounting Equation** | | | | |
| **Assets** | **=** | **Liabilities** | **+** | **Stockholders’ Equity** |
| **A.** | − | = | + | + | NA |
| **B.** | +/− | = | NA | + | NA |
| **C.** | − | = | NA | + | + |
| **D.** | − | = | NA | + | − |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**60)** Which of the following shows the effects of providing services for cash on the accounting equation?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Accounting Equation** | | | | |
| **Assets** | **=** | **Liabilities** | **+** | **Stockholders’ Equity** |
| **A.** | + | = | NA | + | NA |
| **B.** | + | = | NA | + | + |
| **C.** | − | = | NA | + | + |
| **D.** | − | = | NA | + | − |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**61)** The statement of changes in stockholders’ equity shows changes in which of the following accounts?

A) Retained Earnings and Assets   
 B) Assets and Liabilities  
 C) Common Stock and Retained Earnings  
 D) Liabilities and Common Stock

**62)** Which of the following transactions would be reported on the statement of changes in stockholders’ equity?

A) Borrowed $5,000 cash from the bank.   
 B) Paid a $100 cash dividend to the owners.  
 C) Purchased land for $2,000 cash.  
 D) Paid $1,500 cash to pay off a portion of its note payable.

**63)** At the beginning of Year 2, Jones Company had a balance in common stock of $300,000 and a balance of retained earnings of $15,000. During Year 2, the following transactions occurred:  
 ● Issued common stock for $90,000  
 ● Earned net income of $50,000  
 ● Paid dividends of $8,000  
 ● Issued a note payable for $20,000  
   
 Based on the information provided, what is the total stockholders' equity on December 31, Year 2?

A) $147,000   
 B) $357,000  
 C) $427,000  
 D) $447,000

**64)** Which of the following appears in the investing activities section of the statement of cash flows?

A) Cash inflow from interest revenue.   
 B) Cash inflow from the issuance of common stock.  
 C) Cash outflow for the payment of dividends.  
 D) Cash outflow for the purchase of land.

**65)** Jackson Company had a net increase in cash from operating activities of $8,400 and a net decrease in cash from financing activities of $1,600. If the beginning and ending cash balances for the company were $3,400 and $11,800, what was the net cash change from investing activities?

A) An outflow or decrease of $1,600.   
 B) An inflow or increase of $1,800.  
 C) An inflow or increase of $1,600.  
 D) Zero.

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

A) An outflow or decrease of $1,000   
 B) An inflow or increase of $2,000  
 C) An inflow or increase of $1,000  
 D) Zero

**67)** The financial statements of Calloway Company prepared at the end of the current year contained the following elements and corresponding amounts: Assets = $37,000; Liabilities = ?; Common Stock = $6,700; Revenue = $14,400; Dividends = $1,600; Beginning Retained Earnings = $4,600; Ending Retained Earnings = $8,700.  
   
 Based on this information, what was the amount of expenses reported on Calloway's income statement for the current year?

A) $8,700   
 B) $17,400  
 C) $10,300  
 D) $4,100

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

A) $18,500   
 B) $13,000  
 C) $16,500  
 D) $10,000

**69)** The financial statements of Calloway Company prepared at the end of the current year contained the following elements and corresponding amounts: Assets = $50,000; Liabilities = ?; Common Stock = $15,000; Revenue = $22,000; Dividends = $1,500; Beginning Retained Earnings = $3,500; Ending Retained Earnings = $7,500.  
   
 What was the amount of total liabilities reported on the balance sheet as of the end of the current year?

A) $27,500   
 B) $31,500  
 C) $35,000  
 D) $42,500

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

A) Income statement   
 B) Balance sheet  
 C) Statement of cash flows  
 D) Statement of changes in stockholders' equity

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

A) Investing activities.   
 B) Operating activities.  
 C) Financing activities.  
 D) Dividends are not reported on the statement of cash flows.

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

A) Balance sheet   
 B) Statement of changes in equity  
 C) Income statement  
 D) Statement of cash flows

**73)** Chow Company earned $2,700 of cash revenue, paid $1,600 for cash expenses, and paid a $500 cash dividend to its owners. Which of the following statements is **true**?

A) The net cash inflow from operating activities was $1,100.   
 B) The net cash outflow for investing activities was $500.  
 C) The net cash inflow from operating activities was $600.  
 D) The net cash outflow for investing activities was $1,100.

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

A) The net cash inflow from operating activities was $100.   
 B) The net cash outflow for investing activities was $200.  
 C) The net cash inflow from operating activities was $300.  
 D) The net cash outflow for investing activities was $100.

**75)** Yi Company provided services to a customer for $5,500 cash. Based on this information alone, which of the following statements is **true**?

A) Total assets increased and total stockholders’ equity decreased.   
 B) Total assets were unchanged.  
 C) Liabilities decreased and net income increased.  
 D) Total assets increased and net income increased.

**76)** During Year 2, Chico Company earned $3,950 of cash revenue, paid $1,600 of cash expenses, and paid a $1,100 cash dividend to its owners. Based on this information alone, which of the following statements is **not** true?

A) Net income amounted to $2,350   
 B) Total assets increased by $1,250  
 C) Cash inflow from operating activities was $2,350  
 D) Cash outflow from financing activities was $1,250

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

A) Net income amounted to $350.   
 B) Total assets increased by $200.  
 C) Cash inflow from operating activities was $350.  
 D) Cash outflow from financing activities was $200.

**78)** Glavine Company repaid a bank loan with cash. The cash flow from this event should be reported as:

A) an outflow for investing activities on the Statement of Cash Flows.   
 B) an outflow for financing activities on the Statement of Cash Flows.  
 C) an inflow for investing activities on the Statement of Cash Flows.  
 D) an inflow for operating activities on the Statement of Cash Flows.

**79)** Retained earnings at the beginning and ending of the accounting period were $950 and $2,000, respectively. Revenues of $3,700 and dividends paid to stockholders of $850 were reported during the period. What was the amount of expenses reported for the period?

A) $1,050.   
 B) $1,800.  
 C) $2,650.  
 D) $2,850.

**80)** Retained earnings at the beginning and ending of the accounting period were $300 and $800, respectively. Revenues of $1,100 and dividends paid to stockholders of $200 were reported during the period. What was the amount of expenses reported for the period?

A) $500   
 B) $400  
 C) $900  
 D) $700

**81)** Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:  
   
 1.1) issued stock for $74,000  
 2.2) borrowed $59,000 from its bank  
 3.3) provided consulting services for $72,000  
 4.4) paid back $32,000 of the bank loan  
 5.5) paid rent expense for $17,500  
 6.6) purchased equipment costing $29,000  
 7.7) paid $4,700 dividends to stockholders  
 8.8) paid employees' salaries for work completed during the year, $38,000  
   
 What is Yowell's net cash flow from operating activities?

A) Inflow of $34,000   
 B) Inflow of $75,500  
 C) Inflow of $16,500  
 D) Inflow of $11,800

**82)** Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:  
   
 1.1) issued stock for $40,000  
 2.2) borrowed $25,000 from its bank  
 3.3) provided consulting services for $39,000  
 4.4) paid back $15,000 of the bank loan  
 5.5) paid rent expense for $9,000  
 6.6) purchased equipment costing $12,000  
 7.7) paid $3,000 dividends to stockholders  
 8.8) paid employees' salaries for work completed during the year, $21,000  
   
 What is Yowell's net cash flow from operating activities?

A) Inflow of $6,000   
 B) Inflow of $9,000  
 C) Inflow of $18,000  
 D) Inflow of $30,000

**83)** Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:  
   
 1.1) issued stock for $44,000  
 2.2) borrowed $29,000 from its bank  
 3.3) provided consulting services for $42,000  
 4.4) paid back $17,000 of the bank loan  
 5.5) paid rent expense for $10,000  
 6.6) purchased equipment costing $14,000  
 7.7) paid $3,200 dividends to stockholders  
 8.8) paid employees' salaries for work completed during the year, $23,000  
 What is Yowell's ending notes payable balance?

A) $12,000   
 B) $29,000  
 C) $17,000  
 D) $0

**84)** Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:  
   
 1.1) issued stock for $40,000  
 2.2) borrowed $25,000 from its bank  
 3.3) provided consulting services for $39,000  
 4.4) paid back $15,000 of the bank loan  
 5.5) paid rent expense for $9,000  
 6.6) purchased equipment costing $12,000  
 7.7) paid $3,000 dividends to stockholders  
 8.8) paid employees' salaries for work completed during the year, $21,000  
 What is Yowell's ending notes payable balance?

A) $0   
 B) $25,000  
 C) ($15,000)  
 D) $10,000

**85)** Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:  
   
 1.1) issued stock for $50,000  
 2.2) borrowed $35,000 from its bank  
 3.3) provided consulting services for $48,000  
 4.4) paid back $20,000 of the bank loan  
 5.5) paid rent expense for $11,500  
 6.6) purchased equipment costing $17,000  
 7.7) paid $3,500 dividends to stockholders  
 8.8) paid employees' salaries for work completed during the year, $26,000  
 What is Yowell's net income?

A) $23,500   
 B) $36,500  
 C) $8,000  
 D) $10,500

**86)** Yowell Company began operations on January 1, Year 1. During Year 1, the company engaged in the following cash transactions:  
   
 1.1) issued stock for $40,000  
 2.2) borrowed $25,000 from its bank  
 3.3) provided consulting services for $39,000  
 4.4) paid back $15,000 of the bank loan  
 5.5) paid rent expense for $9,000  
 6.6) purchased equipment costing $12,000  
 7.7) paid $3,000 dividends to stockholders  
 8.8) paid employees' salaries for work completed during the year, $21,000  
   
 What is Yowell's net income?

A) $9,000   
 B) $30,000  
 C) $18,000  
 D) $6,000

**87)** Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)  
   
 1.1) Acquired $1,450 cash from the issue of common stock.  
 2.2) Borrowed $920 from a bank.  
 3.3) Earned $1,150 of revenues.  
 4.4) Paid expenses of $350.  
 5.5) Paid a $150 dividend.  
   
 During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)  
   
 1.1) Issued an additional $825 of common stock.  
 2.2) Repaid $570 of its debt to the bank.  
 3.3) Earned revenues of $1,250.  
 4.4) Incurred expenses of $560.  
 5.5) Paid dividends of $200.  
   
 What is Packard Company's net cash flow from financing activities for Year 2?

A) $770 inflow   
 B) $55 inflow  
 C) $570 outflow  
 D) $625 outflow

**88)** Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)  
 1.1) Acquired $950 cash from the issue of common stock.  
 2.2) Borrowed $420 from a bank.  
 3.3) Earned $650 of revenues.  
 4.4) Paid expenses of $250.  
 5.5) Paid a $50 dividend.  
   
 During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)  
 1.1) Issued an additional $325 of common stock.  
 2.2) Repaid $220 of its debt to the bank.  
 3.3) Earned revenues of $750.  
 4.4) Incurred expenses of $360.  
 5.5) Paid dividends of $100.  
   
 What is Packard Company's net cash flow from financing activities for Year 2?

A) $220 outflow   
 B) $320 outflow  
 C) $5 inflow  
 D) $225 inflow

**89)** Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)  
   
 1.1) Acquired $1,400 cash from the issue of common stock.  
 2.2) Borrowed $870 from a bank.  
 3.3) Earned $1,100 of revenues.  
 4.4) Paid expenses of $340.  
 5.5) Paid a $140 dividend.  
   
 During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)  
   
 1.1) Issued an additional $775 of common stock.  
 2.2) Repaid $535 of its debt to the bank.  
 3.3) Earned revenues of $1,200.  
 4.4) Incurred expenses of $540.  
 5.5) Paid dividends of $190.  
   
 The amount of total liabilities on Packard’s Year 1 balance sheet is

A) $335   
 B) $610  
 C) $870  
 D) $1,210

**90)** Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)  
 1.1) Acquired $950 cash from the issue of common stock.  
 2.2) Borrowed $420 from a bank.  
 3.3) Earned $650 of revenues.  
 4.4) Paid expenses of $250.  
 5.5) Paid a $50 dividend.  
   
 During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)  
 1.1) Issued an additional $325 of common stock.  
 2.2) Repaid $220 of its debt to the bank.  
 3.3) Earned revenues of $750.  
 4.4) Incurred expenses of $360.  
 5.5) Paid dividends of $100.  
   
 The amount of total liabilities on Packard’s Year 1 balance sheet is

A) $200   
 B) $340  
 C) $420  
 D) $670

**91)** Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)  
   
 1.1) Acquired $1,000 cash from the issue of common stock.  
 2.2) Borrowed $470 from a bank.  
 3.3) Earned $700 of revenues.  
 4.4) Paid expenses of $260.  
 5.5) Paid a $60 dividend.  
   
 During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)  
   
 1.1) Issued an additional $375 of common stock.  
 2.2) Repaid $255 of its debt to the bank.  
 3.3) Earned revenues of $800.  
 4.4) Incurred expenses of $380.  
 5.5) Paid dividends of $110.  
   
 What is the amount of total stockholders’ equity that will be reported on Packard’s balance sheet at the end of Year 1?

A) $940   
 B) $1,380  
 C) $1,440  
 D) $270

**92)** Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)  
 1.1) Acquired $950 cash from the issue of common stock.  
 2.2) Borrowed $420 from a bank.  
 3.3) Earned $650 of revenues.  
 4.4) Paid expenses of $250.  
 5.5) Paid a $50 dividend.  
   
 During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)  
 1.1) Issued an additional $325 of common stock.  
 2.2) Repaid $220 of its debt to the bank.  
 3.3) Earned revenues of $750.  
 4.4) Incurred expenses of $360.  
 5.5) Paid dividends of $100.  
   
 What is the amount of total stockholders’ equity that will be reported on Packard’s balance sheet at the end of Year 1?

A) $1,350   
 B) $900  
 C) $250  
 D) $1,300

**93)** Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)  
   
 1.1) Acquired $1,600 cash from the issue of common stock.  
 2.2) Borrowed $1,070 from a bank.  
 3.3) Earned $1,300 of revenues.  
 4.4) Paid expenses of $380.  
 5.5) Paid a $180 dividend.  
   
 During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)  
   
 1.1) Issued an additional $975 of common stock.  
 2.2) Repaid $675 of its debt to the bank.  
 3.3) Earned revenues of $1,400.  
 4.4) Incurred expenses of $620.  
 5.5) Paid dividends of $230.  
   
 The amount of assets on Packard’s Year 2 balance sheet is

A) $980.   
 B) $4,490.  
 C) $960.  
 D) $4,260.

**94)** Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)  
 1.1) Acquired $950 cash from the issue of common stock.  
 2.2) Borrowed $420 from a bank.  
 3.3) Earned $650 of revenues.  
 4.4) Paid expenses of $250.  
 5.5) Paid a $50 dividend.  
   
 During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)  
 1.1) Issued an additional $325 of common stock.  
 2.2) Repaid $220 of its debt to the bank.  
 3.3) Earned revenues of $750.  
 4.4) Incurred expenses of $360.  
 5.5) Paid dividends of $100.  
   
 The amount of assets on Packard’s Year 2 balance sheet is

A) $2,115.   
 B) $440.  
 C) $2,215.  
 D) $395.

**95)** Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)  
   
 1.1) Acquired $1,300 cash from the issue of common stock.  
 2.2) Borrowed $770 from a bank.  
 3.3) Earned $1,000 of revenues.  
 4.4) Paid expenses of $320.  
 5.5) Paid a $120 dividend.  
   
 During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)  
   
 1.1) Issued an additional $675 of common stock.  
 2.2) Repaid $465 of its debt to the bank.  
 3.3) Earned revenues of $1,100.  
 4.4) Incurred expenses of $500.  
 5.5) Paid dividends of $170.  
   
 What is the net cash inflow from operating activities that will be reported on Packard’s statement of cash flows for Year 1?

A) $680   
 B) $1,345  
 C) $560  
 D) $1,000

**96)** Packard Company engaged in the following transactions during Year 1, its first year of operations: (Assume all transactions are cash transactions.)  
 1.1) Acquired $950 cash from the issue of common stock.  
 2.2) Borrowed $420 from a bank.  
 3.3) Earned $650 of revenues.  
 4.4) Paid expenses of $250.  
 5.5) Paid a $50 dividend.  
   
 During Year 2, Packard engaged in the following transactions: (Assume all transactions are cash transactions.)  
 1.1) Issued an additional $325 of common stock.  
 2.2) Repaid $220 of its debt to the bank.  
 3.3) Earned revenues of $750.  
 4.4) Incurred expenses of $360.  
 5.5) Paid dividends of $100.  
   
 What is the net cash inflow from operating activities that will be reported on Packard’s statement of cash flows for Year 1?

A) $400   
 B) $650  
 C) $350  
 D) $820

**97)** Which of the following would be reported in the cash flow from financing activities section of a statement of cash flows?

A) Paid cash for dividends.   
 B) Received cash for common stock.  
 C) Sold land for cash.  
 D) Paying cash for dividends and receiving cash from common stock.

**98)** Santa Fe Company was started on January 1, Year 1, when it acquired $8,300 cash by issuing common stock. During Year 1, the company earned cash revenues of $3,950, paid cash expenses of $2,900, and paid a cash dividend of $450. Which of the following is true based on this information?

A) The Year 1 income statement would show net income of $600.   
 B) The Year 1 statement of cash flows would show net cash inflow from operating activities of $3,950.  
 C) The December 31, Year 1 balance sheet would show total equity of $7,850.  
 D) The Year 1 statement of cash flows would show a net cash inflow from financing activities of $7,850.

**99)** Santa Fe Company was started on January 1, Year 1, when it acquired $9,000 cash by issuing common stock. During Year 1, the company earned cash revenues of $4,500, paid cash expenses of $3,750, and paid a cash dividend of $250. Which of the following is true based on this information?

A) The December 31, Year 1 balance sheet would show total equity of $8,750.   
 B) The Year 1 income statement would show net income of $500.  
 C) The Year 1 statement of cash flows would show net cash inflow from operating activities of $4,500.  
 D) The Year 1 statement of cash flows would show a net cash inflow from financing activities of $8,750.

**100)** Robertson Company paid $1,850 cash for rent expense. What happened as a result of this business event?

A) Total stockholders’ equity decreased.   
 B) Liabilities decreased.  
 C) The net cash flow from operating activities decreased.  
 D) Both total stockholders’ equity and net cash flow for operating activities decreased.

**101)** Mayberry Company paid $30,000 cash to purchase land. What happened as a result of this business event?

A) Total stockholders’ equity was not affected.   
 B) The net cash flow from investing activities decreased.  
 C) Total assets were not affected.  
 D) Total assets and total stockholders’ equity were not affected, and net cash flow from investing activities decreased.

**102)** Lexington Company engaged in the following transactions during Year 1, its first year in operation: (Assume all transactions are cash transactions.)  
   
 1.Acquired $3,700 cash from issuing common stock.  
 2.Borrowed $2,550 from a bank.  
 3.Earned $3,450 of revenues.  
 4.Incurred $2,470 in expenses.  
 5.Paid dividends of $470.  
   
 Lexington Company engaged in the following transactions during Year 2: (Assume all transactions are cash transactions.)  
   
 1.Acquired an additional $850 cash from the issue of common stock.  
 2.Repaid $1,545 of its debt to the bank.  
 3.Earned revenues, $4,850.  
 4.Incurred expenses of $2,890.  
 5.Paid dividends of $1,060.  
   
 What was the net cash flow from financing activities reported on Lexington's statement of cash flows for Year 2?

A) $1,755 outflow   
 B) $1,755 inflow  
 C) $850 inflow  
 D) $850 outflow

**103)** Lexington Company engaged in the following transactions during Year 1, its first year in operation: (Assume all transactions are cash transactions.)  
 1.Acquired $6,000 cash from issuing common stock.  
 2.Borrowed $4,400 from a bank.  
 3.Earned $6,200 of revenues.  
 4.Incurred $4,800 in expenses.  
 5.Paid dividends of $800.  
   
 Lexington Company engaged in the following transactions during Year 2: (Assume all transactions are cash transactions.)  
 1.Acquired an additional $1,000 cash from the issue of common stock.  
 2.Repaid $2,600 of its debt to the bank.  
 3.Earned revenues, $9,000.  
 4.Incurred expenses of $5,500.  
 5.Paid dividends of $1,280.  
   
 What was the net cash flow from financing activities reported on Lexington's statement of cash flows for Year 2?

A) $2,880 outflow   
 B) $2,880 inflow  
 C) $1,000 outflow  
 D) $1,000 inflow

**104)** Lexington Company engaged in the following transactions during Year 1, its first year in operation: (Assume all transactions are cash transactions.)  
   
 1.Acquired $3,600 cash from issuing common stock.  
 2.Borrowed $2,500 from a bank.  
 3.Earned $3,400 of revenues.  
 4.Incurred $2,460 in expenses.  
 5.Paid dividends of $460.  
   
 Lexington Company engaged in the following transactions during Year 2: (Assume all transactions are cash transactions.)  
   
 1.Acquired an additional $800 cash from the issue of common stock.  
 2.Repaid $1,510 of its debt to the bank.  
 3.Earned revenues, $4,800.  
 4.Incurred expenses of $2,870.  
 5.Paid dividends of $1,000.  
   
 What is the amount of total assets that will be reported on Lexington's balance sheet at the end of Year 1?

A) $6,580   
 B) $1,100  
 C) $3,860  
 D) $6,840

**105)** Lexington Company engaged in the following transactions during Year 1, its first year in operation: (Assume all transactions are cash transactions.)  
 1.Acquired $6,000 cash from issuing common stock.  
 2.Borrowed $4,400 from a bank.  
 3.Earned $6,200 of revenues.  
 4.Incurred $4,800 in expenses.  
 5.Paid dividends of $800.  
   
 Lexington Company engaged in the following transactions during Year 2: (Assume all transactions are cash transactions.)  
 1.Acquired an additional $1,000 cash from the issue of common stock.  
 2.Repaid $2,600 of its debt to the bank.  
 3.Earned revenues, $9,000.  
 4.Incurred expenses of $5,500.  
 5.Paid dividends of $1,280.  
   
 What is the amount of total assets that will be reported on Lexington's balance sheet at the end of Year 1?

A) $11,000   
 B) $12,000  
 C) $1,600  
 D) $7,600

**106)** Lexington Company engaged in the following transactions during Year 1, its first year in operation: (Assume all transactions are cash transactions.)  
   
 1.Acquired $3,900 cash from issuing common stock.  
 2.Borrowed $2,650 from a bank.  
 3.Earned $3,550 of revenues.  
 4.Incurred $2,490 in expenses.  
 5.Paid dividends of $490.  
   
 Lexington Company engaged in the following transactions during Year 2: (Assume all transactions are cash transactions.)  
   
 1.Acquired an additional $950 cash from the issue of common stock.  
 2.Repaid $1,615 of its debt to the bank.  
 3.Earned revenues, $4,950.  
 4.Incurred expenses of $2,930.  
 5.Paid dividends of $1,180.  
   
 What was the amount of retained earnings that will be reported on Lexington's balance sheet at the end of Year 1?

A) $570.   
 B) $3,550.  
 C) $1,060.  
 D) $3,060.

**107)** Lexington Company engaged in the following transactions during Year 1, its first year in operation: (Assume all transactions are cash transactions.)  
 1.Acquired $6,000 cash from issuing common stock.  
 2.Borrowed $4,400 from a bank.  
 3.Earned $6,200 of revenues.  
 4.Incurred $4,800 in expenses.  
 5.Paid dividends of $800.  
   
 Lexington Company engaged in the following transactions during Year 2: (Assume all transactions are cash transactions.)  
 1.Acquired an additional $1,000 cash from the issue of common stock.  
 2.Repaid $2,600 of its debt to the bank.  
 3.Earned revenues, $9,000.  
 4.Incurred expenses of $5,500.  
 5.Paid dividends of $1,280.  
   
 What was the amount of retained earnings that will be reported on Lexington's balance sheet at the end of Year 1?

A) $6,200   
 B) $5,400  
 C) $1,400  
 D) $600

**108)** Lexington Company engaged in the following transactions during Year 1, its first year in operation: (Assume all transactions are cash transactions.)  
   
 1.Acquired $4,900 cash from issuing common stock.  
 2.Borrowed $3,150 from a bank.  
 3.Earned $4,050 of revenues.  
 4.Incurred $2,590 in expenses.  
 5.Paid dividends of $590.  
   
 Lexington Company engaged in the following transactions during Year 2: (Assume all transactions are cash transactions.)  
   
 1.Acquired an additional $1,450 cash from the issue of common stock.  
 2.Repaid $1,965 of its debt to the bank.  
 3.Earned revenues, $5,450.  
 4.Incurred expenses of $3,130.  
 5.Paid dividends of $1,780.  
   
 What was the amount of liabilities on Lexington's balance sheet at the end of Year 2?

A) $1,190.   
 B) $1,450.  
 C) ($1,965).  
 D) $1,185.

**109)** Lexington Company engaged in the following transactions during Year 1, its first year in operation: (Assume all transactions are cash transactions.)  
 1.Acquired $6,000 cash from issuing common stock.  
 2.Borrowed $4,400 from a bank.  
 3.Earned $6,200 of revenues.  
 4.Incurred $4,800 in expenses.  
 5.Paid dividends of $800.  
   
 Lexington Company engaged in the following transactions during Year 2: (Assume all transactions are cash transactions.)  
 1.Acquired an additional $1,000 cash from the issue of common stock.  
 2.Repaid $2,600 of its debt to the bank.  
 3.Earned revenues, $9,000.  
 4.Incurred expenses of $5,500.  
 5.Paid dividends of $1,280.  
   
 What was the amount of liabilities on Lexington's balance sheet at the end of Year 2?

A) $1,000.   
 B) $1,800.  
 C) ($2,600).  
 D) $480.

**110)** As of December 31, Year 1, Mason Company had $500 cash. During Year 2, Mason earned $1,200 of cash revenue and paid $800 of cash expenses. What is the amount of cash that will be reported on the balance sheet at the end of Year 2?

A) $900   
 B) $400  
 C) $1,700  
 D) $2,500

**111)** Expenses are reported on which of the following financial statement(s)?

A) Income statement   
 B) Balance sheet  
 C) Statement of changes in stockholders' equity  
 D) Income statement and statement of changes in stockholders’ equity

**112)** Dividends paid by a company are reported on which of the following financial statement(s)?

A) Income statement   
 B) Statement of changes in stockholders' equity  
 C) Statement of cash flows  
 D) Statement of changes in stockholders’ equity and statement of cash flows

**113)** Liabilities are reported on which of thefollowing financial statement(s)?

A) Income statement   
 B) Balance sheet  
 C) Statement of cash flows  
 D) Statement of changes in stockholders' equity

**114)** Frank Company earned $15,000 of cash revenue. Which of the following accurately reflects how this event affects the company's accounting equation?

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| **A.** | 15,000 | = | NA | + | 15,000 | + | NA |
| **B.** | 15,000 | = | NA | + | 7,500 | + | 7,500 |
| **C.** | 15,000 | = | NA | + | NA | + | 15,000 |
| **D.** | 15,000 | = | 15,000 | + | NA | + | NA |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**115)** Jackson Company paid $500 cash for salary expenses. Which of the following accurately reflects how this event affects the company's accounting equation?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liabilities** | **+** | **Stockholders’ Equity** |
| **A.** | 500 | = | 500 | + | NA |
| **B.** | (500) | = | NA | + | (500) |
| **C.** | (500) | = | (500) | + | NA |
| **D.** | (500) | = | NA | + | 500 |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**116)** Perez Company paid a $300 cash dividend. Which of the following accurately reflects how this event affects the company's financial statements?

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| **A.** | 300 | = | 300 | + | NA | + | NA |
| **B.** | (300) | = | NA | + | (300) | + | NA |
| **C.** | (300) | = | NA | + | NA | + | (300) |
| **D.** | 300 | = | NA | + | NA | + | 300 |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**117)** Garrison Company acquired $23,000 by issuing common stock. Which of the following accurately reflects how this event affects the company's accounting equation?

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| **A.** | 23,000 | = | NA | + | 23,000 | + | NA |
| **B.** | NA | = | 23,000 | + | (23,000) | + | NA |
| **C.** | NA | = | NA | + | 23,000 | + | (23,000) |
| **D.** | 23,000 | = | NA | + | NA | + | 23,000 |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**118)** Which of the following could represent the effects of an asset source transaction on the accounting equation?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liabilities** | **+** | **Stockholders’ Equity** |
| **A.** | + | = | + | + | NA |
| **B.** | − | = | NA | + | − |
| **C.** | + − | = | NA | + | NA |
| **D.** | NA | = | + | + | − |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**119)** Reynolds Company experienced an accounting event that affected its financial statements as indicated below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Stockholders’ Equity** |
| + | = | NA | + | + |

Which of the following accounting events could have caused these effects on Reynolds' accounting equation?

A) Paid a cash dividend.   
 B) Earned cash revenue.  
 C) Borrowed money from a bank.  
 D) The information provided does not represent a completed event.

**120)** Chico Company experienced an accounting event that affected its accounting equation as indicated below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| + | = | NA | + | + | + | NA |

Which of the following accounting events could have caused these effects on Chico's accounting equation?

A) Issued common stock.   
 B) Paid cash expenses.  
 C) Borrowed money from a bank.  
 D) Paid a cash dividend.

**121)** Delta Company experienced an accounting event that affected its accounting equation as indicated below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| − | = | NA | + | NA | + | − |

Which of the following accounting events could have caused these effects on Delta's accounting equation?

A) Purchased land for cash.   
 B) Incurred a cash expense.  
 C) Borrowed money from a bank.  
 D) Earned cash revenue.

**122)** Which of the following would **not** describe the effects of an asset source transaction on the accounting equation?

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| **A.** | + | = | + | + | NA | + | NA |
| **B.** | + | = | NA | + | NA | + | + |
| **C.** | + | = | NA | + | + | + | NA |
| **D.** | + − | = | NA | + | NA | + | NA |

A) Option A   
 B) Option B  
 C) Option C  
 D) Option D

**123)** The statement of changes in stockholders’ equity presents

A) an explanation of the changes in the beginning and ending balances of stockholders’ equity.   
 B) a comparison of the benefits and the sacrifices a company experiences from its operations.  
 C) information in three categories including operating, investing, and financing activities.  
 D) a list of a company’s assets and the sources of those assets.

**124)** Which of the financial statements are required by the Generally Accepted Accounting Principles (GAAP)?

A) Income Statement   
 B) Statement of Changes in Stockholders’ Equity  
 C) Statement of Cash Flows  
 D) Balance Sheet  
 E) All of these financial statements are required by GAAP

**125)** Net income appears on which of the following financial statements?

A) Balance Sheet   
 B) Balance Sheet and Statement of Changes in Stockholders’ Equity  
 C) Income Statement  
 D) Income Statement and Statement of Changes in Stockholders’ Equity

**126)** Which of the following are shown on the balance sheet?   
 a.Total assets  
 b.Land  
 c.Common Stock  
 d.Net Change in Cash  
 e.Revenue  
 f.Notes Payable  
 g.Retained Earnings  
 h.Total Liabilities and Stockholders’ Equity  
 i.Expenses  
 j.Net Income  
 k.Beginning cash balance  
 l.Dividends

A) a, b, c, f, g, h   
 B) e, i, j  
 C) a, b, c, f, g, h, k, l  
 D) a, g, h

**127)** Which of the following are shown on the income statement?   
 a.Total assets  
 b.Land  
 c.Common Stock  
 d.Net Change in Cash  
 e.Revenue  
 f.Notes Payable  
 g.Stockholders' Equity  
 h.Total Liabilities and Stockholders’ Equity  
 i.Expenses  
 j.Net Income  
 k.Ending cash balance  
 l.Beginning cash balance  
 m.Dividends

A) a, b, c, f, g, h   
 B) e, i, j  
 C) d, e, i, j, m  
 D) e, i, j, m

**128)** A net loss occurs when

A) expenses are greater than revenues   
 B) liabilities are greater than assets  
 C) cash inflow is less than cash outflow  
 D) the ending cash balance is lower than the beginning cash balance

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.  
129)** Indicate how each event affects the elements of financial statements. Use the following letters to record your answer in the box shown below each element. You do not need to enter dollar amounts. If an event increases one account and decreases another account equally within the same element, record I/D. If an event has no impact on the element, record NA.  
 Increase = IDecrease = DNot Affected = NA  
 Walker Company issued common stock for $150,000 cash.

**130)** Indicate how each event affects the elements of financial statements. Use the following letters to record your answer in the box shown below each element. You do not need to enter dollar amounts. If an event increases one account and decreases another account equally within the same element, record I/D. If an event has no impact on the element, record NA.  
 Increase = IDecrease = DNot Affected = NA  
   
 Nguyen Company borrowed $50,000 cash from Metropolitan Bank.

**131)** Indicate how each event affects the elements of financial statements. Use the following letters to record your answer in the box shown below each element. You do not need to enter dollar amounts. If an event increases one account and decreases another account equally within the same element, record I/D. If an event has no impact on the element, record NA.  
 Increase = IDecrease = DNot Affected = NA  
 Bell Company provided consulting services for $20,000 cash.

**132)** Indicate how each event affects the elements of financial statements. Use the following letters to record your answer in the box shown below each element. You do not need to enter dollar amounts. If an event increases one account and decreases another account equally within the same element, record I/D. If an event has no impact on the element, record NA.  
   
 Increase = IDecrease = DNot Affected = NA  
   
 Pierce Company paid $40,000 cash to purchase land.

**133)** Indicate how each event affects the elements of financial statements. Use the following letters to record your answer in the box shown below each element. You do not need to enter dollar amounts. If an event increases one account and decreases another account equally within the same element, record I/D. If an event has no impact on the element, record NA.  
   
 Increase = IDecrease = DNot Affected = NA  
   
 Perez Company paid $220,000 cash for salaries expense.

**134)** Indicate how each event affects the elements of financial statements. Use the following letters to record your answer in the box shown below each element. You do not need to enter dollar amounts. If an event increases one account and decreases another account equally within the same element, record I/D. If an event has no impact on the element, record NA.  
   
 Increase = IDecrease = DNot Affected = NA  
   
 Jones Company paid $20,000 in cash dividends to its owners.

**135)** Indicate how each event affects the elements of financial statements. Use the following letters to record your answer in the box shown below each element. You do not need to enter dollar amounts. If an event increases one account and decreases another account equally within the same element, record I/D. If an event has no impact on the element, record NA.  
   
 Increase = IDecrease = DNot Affected = NA  
   
 North Company issued a note to purchase a building.

**136)** Name the group that has the primary authority for establishing U.S. GAAP.

**137)** Who are the three distinct types of participants in the market for business resources? Briefly describe the role of each group of participants.

**138)** What is meant by the term "stakeholders"?

**139)** What is meant by the term "global GAAP"? How does it impact U.S. companies? What body is responsible for setting global standards?

**140)** Briefly distinguish between financial accounting and managerial accounting.

**141)** Explain some of the similarities and differences between not-for-profit organizations and other types of businesses.

**142)** What financial statement elements are reported on a balance sheet?

**143)** From what three sources does a business obtain its assets?

**144)** How does providing services for cash affect the accounting equation? Is it considered an asset source, asset use, or asset exchange transaction?

**145)** How does the payment of cash dividends to stockholders affect the accounting equation? Is it considered an asset source, asset use, or asset exchange transaction?

**146)** If total stockholder's equity is $150,000 and liabilities are $75,000, what are total assets?

**147)** What is meant by the term stockholders' equity?

**148)** Give three examples of asset use transactions.

**149)** What does a company's statement of cash flows tell you about the company?

**150)** If a corporation issues common stock for $50,000 cash, in which section of the statement of cash flows will this transaction be reported?

**151)** Which financial statement reports revenue and expenses?

**152)** Name and briefly describe each of the four financial statements.

**153)** Define the term "accounting period." How does this term relate to the "matching concept" as it pertains to the income statement?

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.  
154)** Indicate whether each of the following statements about markets is true or false.  
   
 1.a) Financial resources can be provided to a business by consumers.  
 2.b) Resource owners are the businesses that transform resources into products that satisfy consumer desires.  
 3.c) Labor resources include both the physical and intellectual labor of a business's employees.  
 4.d) Businesses purchase their resources from resource owners.  
 5.e) Consumers are the main providers of resources in any market.

**155)** Indicate whether each of the following statements about accounting information is true or false.  
 1.a) Financial accounting is primarily intended to satisfy the information needs of internal stakeholders.  
 2.b) Managerial accounting information includes financial and nonfinancial information.  
 3.c) The accounting information intended to satisfy the needs of a company's employees is managerial accounting information.  
 4.d) GAAP requires that companies adhere to financial accounting standards.  
 5.e) Managerial accounting information is usually less detailed than financial accounting information.

**156)** Indicate whether each of the following statements about liabilities is true or false.  
 1.a) Liabilities are reported on the balance sheet.  
 2.b) The acquisition of a bank loan increases both assets and liabilities.  
 3.c) The accounting equation requires that liabilities be equal to stockholders’ equity.  
 4.d) The amount of a company's liabilities is equal to the difference between its assets and its stockholders’equity.  
 5.e) Liabilities are reported on the statement of cash flows of a business.

**157)** Indicate whether each of the following statements about retained earnings is true or false.  
 1.a) A dividend paid to stockholders decreases retained earnings.  
 2.b) Issuing common stock for cash increases retained earnings.  
 3.c) The amount of net income for a period must equal retained earnings.  
 4.d) The purchase of a truck decreases retained earnings.  
 5.e) Net income increases retained earnings.

**158)** Indicate whether each of the following statements about the types of transactions is true or false.  
 1.a) An asset source transaction increases total assets and increases claims to assets.  
 2.b) The issuance of stock to owners for cash would be an example of an asset exchange transaction.  
 3.c) Purchasing equipment for cash is an example of an asset use transaction.  
 4.d) Paying a dividend to stockholders is an example of an asset use transaction.  
 5.e) Making a payment on a bank loan is an example of an asset exchange transaction.

**159)** Indicate whether each of the following statements about financial statements is true or false.  
 1.a) A cash dividend paid to stockholders is reported in the investing activities section of the statement of cash flows.  
 2.b) A cash dividend paid to stockholders is reported on the statement of changes in stockholders' equity.  
 3.c) A cash dividend paid to stockholders is reported on the income statement.  
 4.d) The balance sheet reports the ending balances of permanent accounts as of the last day of the accounting period.  
 5.e) Changes in retained earnings during the accounting period are reported on the income statement.

**160)** Indicate whether each of the following statements about equity is true or false.  
 1.a) Expenses decrease retained earnings.  
 2.b) Stockholders' equity and liabilities can be viewed either as sources of assets or claims to assets of the business.  
 3.c) Retained earnings is increased by loans received from a bank.  
 4.d) Dividends paid to stockholders decrease common stock.  
 5.e) Generally, assets are reported at the actual price paid for them when purchased regardless of subsequent changes in market value.

**161)** Bates Company entered into the following transactions during its first year in business. Assume that all transactions involve the receipt or payment of cash.  
 1.1) Issued common stock to investors for $25,000 cash.  
 2.2) Borrowed $18,000 from the local bank.  
 3.3) Provided services to customers for $28,000.  
 4.4) Paid expenses amounting to $21,400.  
 5.5) Purchased a plot of land costing $22,000.  
 6.6) Paid a dividend of $15,000 to its stockholders.  
 7.7) Repaid $12,000 of the loan listed in item 2.  
   
 **Required:**  
 1.(a) Fill in the three column headings of the accounting equation in the first row of the table shown below.  
 2.(b) Show the effects of the above transactions on the accounting equation.  
 a. \_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_ + \_\_\_\_\_\_\_\_  
 b.  
   
 Event Number  
 1.1)  
 2.2)  
 3.3)  
 4.4)  
 5.5)  
 6.6)  
 7.7)

**162)** Each of the following requirements is independent of the others.  
   
 1.a) Valdez Corporation has liabilities of $95,000 and stockholders’ equity of $115,000. What is the amount of Valdez's assets? \_\_\_\_\_\_\_\_  
 2.b) Global Company has assets of $320,000 and liabilities of $95,000. What is the amount of Global's stockholders’ equity? \_\_\_\_\_\_\_\_  
 3.c) Brown Company has assets of $90,000 and liabilities of $25,000. What is the amount of Brown's claims? \_\_\_\_\_\_\_\_

**163)** The following business events occurred for Ringgold Company during Year 1, its first year in operation:  
   
 1.1. Issued stock to investors for $45,000 cash  
 2.2. Borrowed $25,000 cash from the local bank  
 3.3. Provided services to its customers and received $32,000 cash  
 4.4. Paid expenses of $28,000  
 5.5. Paid $22,000 cash for land  
 6.6. Paid dividend of $12,000 to stockholders  
 7.7. Repaid $10,000 of the loan listed in item 2  
   
 **Required:**  
 1.a) Show the effects of the above transactions on the accounting equation, below. Include dollar amounts of increases and decreases. Enter "NA" for elements of the accounting equation that are not affected by the transaction. If one element of the accounting equation is affected by an increase and also by a decrease, enter each part on a separate line (i.e. asset exchange transaction where one asset increases and another asset decreases). (The effects of the first transaction is shown below.)  
 2.b) After entering all the events, calculate the total amounts of assets, liabilities, and equity at the end of the year.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Event number** | **Assets** | **=** | **Liabilities** | **+** | **Equity** |
| 1. | 45,000 |  | NA |  | 45,000 |
| 2. |  |  |  |  |  |
| 3. |  |  |  |  |  |
| 4. |  |  |  |  |  |
| 5. |  |  |  |  |  |
| 6. |  |  |  |  |  |
| 7. |  |  |  |  |  |
| Total |  |  |  |  |  |

**164)** Ramirez Company experienced the following events during Year 1:  
   
 1.Acquired $50,000 cash by issuing common stock  
 2.Borrowed $25,000 cash from a creditor  
 3.Provided services to customers for $38,000 cash  
 4.Paid $32,000 cash for operating expenses  
 5.Paid a cash dividend of $2,500 to stockholders  
 6.Purchased land with cash, $20,000  
 **Required:**  
 1.a) Show how each of these events affects the accounting equation. Enter "NA" for elements of the accounting equation that are not affected by the transaction. If one element of the accounting equation is affected by an increase and also by a decrease, enter each part on a separate line (i.e. asset exchange transaction where one asset increases and another asset decreases). (The effects of the first event are shown below.)  
 2.b) Calculate the total amount of assets, liabilities, common stock, and retained earnings at the end of the period.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Event number** | **Assets** | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | |
| **Common Stock** | **+** | **Retained Earnings** |
| 1. | 50,000 |  | NA |  | 50,000 |  | NA |
| 2. |  |  |  |  |  |  |  |
| 3. |  |  |  |  |  |  |  |
| 4. |  |  |  |  |  |  |  |
| 5. |  |  |  |  |  |  |  |
| 6. |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |

**165)** At the beginning of Year 2, the accounting records of Grace Company included the accounts and balances shown on the first row of the table below. During Year 2, the following transactions occurred:  
 1.Received $95,000 cash for providing services to customers  
 2.Paid salaries expense, $50,000  
 3.Purchased land for $12,000 cash  
 4.Paid $4,000 on note payable  
 5.Paid operating expenses, $22,000  
 6.Paid cash dividend, $2,500  
 **Required:**  
 1.a) Record the transactions in the appropriate accounts. Record the amounts of revenue, expense, and dividends in the retained earnings column. Enter 0 for items not affected. Provide appropriate titles for these accounts in the last column of the table. (The effects of the first event are shown below.)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Event** | **Assets** | | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | | **Accounts Titles for RE** |
| **Cash** | **Land** | **Notes Payable** | **Common Stock** | **+** | **Retained Earnings** |
| Beginning | 29,000 | 32,000 |  | 18,000 |  | 33,000 |  | 10,000 |  |
| 1 |  |  |  |  |  |  |  |  |  |
| 2 |  |  |  |  |  |  |  |  |  |
| 3 |  |  |  |  |  |  |  |  |  |
| 4 |  |  |  |  |  |  |  |  |  |
| 5 |  |  |  |  |  |  |  |  |  |
| 6 |  |  |  |  |  |  |  |  |  |

1.b) What is the amount of total assets as of December 31, Year 2?  
 2.c) What is the amount of total stockholders' equity as of December 31, Year 2?

**166)** Montgomery Company experienced the following events during Year 1 (all were cash events):  
   
 1.Issued a note  
 2.Paid operating expenses  
 3.Issued common stock  
 4.Provided services to customers  
 5.Repaid part of the note in event 1  
 6.Paid dividends to stockholders  
   
 **Required:**  
 Indicate how each of these events affects the accounting equation by writing the letter "I" for increase, the letter "D" for decrease, and "NA" for no effect under each of the elements of the accounting equation. Use only one item of entry in each column. (The effects of the first event are shown below.)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Event number** | **Assets** | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | |
| **Common Stock** | **+** | **Retained Earnings** |
| 1. | I |  | I |  | NA |  | NA |
| 2. |  |  |  |  |  |  |  |
| 3. |  |  |  |  |  |  |  |
| 4. |  |  |  |  |  |  |  |
| 5. |  |  |  |  |  |  |  |
| 6. |  |  |  |  |  |  |  |

**167)** Indicate how each of the following transactions affects assets by entering "+" for increase, "−" for decrease, or "+/− " if an event increases one asset account and decreases another asset account. Enter only one item for each answer.  
   
 \_\_\_\_\_\_\_\_ 1) Issued stock to investors.  
 \_\_\_\_\_\_\_\_ 2) Borrowed cash from the bank.  
 \_\_\_\_\_\_\_\_ 3) Provided services for cash.  
 \_\_\_\_\_\_\_\_ 4) Paid operating expenses.  
 \_\_\_\_\_\_\_\_ 5) Purchased land for cash.  
 \_\_\_\_\_\_\_\_ 6) Paid cash dividend to the stockholders.  
 \_\_\_\_\_\_\_\_ 7) Repaid the bank loan.

**168)** Classify each of the following events as an asset source (designate as "AS"), asset use (designate as "AU"), asset exchange (designate as "AX"), or not an asset source (designate as "NA").  
   
 \_\_\_\_\_\_\_\_ 1) Borrowed cash from the bank  
 \_\_\_\_\_\_\_\_ 2) Issued stock for cash  
 \_\_\_\_\_\_\_\_ 3) Purchased land for cash  
 \_\_\_\_\_\_\_\_ 4) Performed services and collected cash  
 \_\_\_\_\_\_\_\_ 5) Paid cash for operating expense  
 \_\_\_\_\_\_\_\_ 6) Purchased equipment for cash  
 \_\_\_\_\_\_\_\_ 7) Paid dividends to stockholders  
 \_\_\_\_\_\_\_\_ 8) Repaid the bank loan with cash

**169)** Grimes Corporation reports the following cash transactions for the year ending December 31, Year 1, its first year of operation:  
 1.1) Issued common stock for $35,000  
 2.2) Borrowed $25,000 from a local bank  
 3.3) Purchased land for $40,000  
 4.4) Provided services to clients for $38,000  
 5.5) Paid operating expenses of $30,500  
 6.6) Paid $2,000 cash dividends to stockholders  
   
 **Required:**  
 1.a) What are the total assets for Grimes Corporation at December 31, Year 1?  
 2.b) Prepare an income statement for Year 1.

**170)** Young Company reported the following balance sheet for the end of Year 1:

|  |  |
| --- | --- |
| Young Company | |
| Balance Sheet | |
| For the Year Ended December 31, Year 2 | |
| **Assets** |  |
| **Cash** | $58,800 |
| **Land** | 25,500 |
| **Total assets** | $84,300 |
| **Liabilities:** |  |
| **Notes payable** | $18,000 |
| **Stockholders' equity** |  |
| **Common stock** | 50,000 |
| **Retained earnings** | 16,300 |
| **Total stockholders' equity** | 66,300 |
| **Total liabilities and stockholders' equity** | $84,300 |

During Year 2, Young reported the following transactions:  
   
 ● Repaid $9,000 to a local bank on a note payable  
 ● Provided services to clients for $27,400 cash  
 ● Paid operating expenses of $20,200  
 ● Paid $4,500 cash dividends to stockholders  
   
 **Required:**  
 Prepare Young Company's balance sheet as of December 31, Year 2.

**171)** Use the following information to prepare an income statement for Penelope Company for the period ending December 31, Year 1. All transactions were for cash.  
 1.A) Received revenue from services provided to customers, $30,500.  
 2.B) Paid $19,000 cash for land.  
 3.C) Issued $16,000 of common stock.  
 4.D) Paid dividends to stockholders, $3,000.  
 5.E) Paid operating expenses, $25,400.

**172)** The following events are for Holiday Travel Services for Year 1, the first year of operations. Assume that all transactions involve the receipt or payment of cash.  
   
 1.1) The business acquired $50,000 from stock issued to owners.  
 2.2) Creditors loaned the company $27,500.  
 3.3) The company provided services to its customers and received $75,400.  
 4.4) The company paid expenses amounting to $63,250.  
 5.5) The company purchased land for $25,000.  
 6.6) The company paid a dividend of $5,500 to its owners.  
   
 **Required:**  
 1.a) Show the effects of the above transactions on the accounting equation. (Start by using appropriate element and account headings). For those events that affect retained earnings, provide the appropriate account titles in a separate column. Enter a "0" if a transaction does not affect a given account.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Event Number** |  | | | = |  | + |  | | | **Accounts Titles for RE** |
|  | **+** |  | **=** |  | **+** |  | **+** |  |
| 1 |  |  |  |  |  |  |  |  |  |  |
| 2 |  |  |  |  |  |  |  |  |  |  |
| 3 |  |  |  |  |  |  |  |  |  |  |
| 4 |  |  |  |  |  |  |  |  |  |  |
| 5 |  |  |  |  |  |  |  |  |  |  |
| 6 |  |  |  |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |  |  |  |

1.b) Prepare an income statement and balance sheet for and as of the end of Year 1.

**173)** The following transactions apply to Wilson Fitness Center for Year 1.  
   
 1.1) Started the business by issuing $48,000 of common stock for cash.  
 2.2) Provided services to clients and received $65,500 cash.  
 3.3) Borrowed $10,500 from the bank.  
 4.4) Paid $8,500 for rent of equipment.  
 5.5) Purchased land for $15,000.  
 6.6) Paid $46,600 of salary expense.  
 7.7) Cash dividends of $4,000 were paid to the stockholders.  
   
 **Required:**  
 1.a) What are the total assets of the business at the end of Year 1?  
 2.b) Prepare a statement of cash flows for Year 1.

**174)** The following is a partial set of financial statements prepared for the company's first year of operations. All transactions were for cash.  
   
 **Required:**  
 Fill in the missing information by determining the amounts represented by letters a through d.

|  |  |
| --- | --- |
| Income Statement | |
| **Revenue** | $ a |
| **Expense** | 6,200 |
| **Net income** | $ b |

|  |  |
| --- | --- |
| Statement of Changes in Stockholders' Equity | |
| **Beginning common stock** | $ 0 |
| **Plus: Issuance of common stock** | 11,000 |
| **Ending common stock** | 11,000 |
| **Beginning retained earnings** | $ 0 |
| **Add: Net income** | 3,500 |
| **Ending retained earnings** | $ c |
| **Total stockholders' equity** | $ d |

**175)** The following is a partial set of financial statements prepared for the company's first year of operations. All transactions were for cash.  
   
 **Required:**  
 Fill in the blanks indicated by the alphabetic letters in the following financial statements.

|  |  |
| --- | --- |
| Income Statement | |
| **Service revenue** | $ 44,000 |
| **Operating expenses** | a |
| **Net income** | $ b |

|  |  |
| --- | --- |
| Statement of Changes in Stockholders' Equity | |
| **Beginning common stock** | $ 80,000 |
| **Add: Common stock issued** | 0 |
| **Ending common stock** | $ 80,000 |
| **Beginning retained earnings** | $ 0 |
| **Add: Net income** | c |
| **Less: Dividends** | d |
| **Ending retained earnings** | 16,000 |
| **Total stockholders' equity** | $ e |

|  |  |
| --- | --- |
| Balance Sheet | |
| **Assets** |  |
| **Cash** | $ f |
| **Land** | 20,000 |
| **Total assets** | $ 120,000 |
| **Liabilities** | g |
| **Stockholders' equity** |  |
| **Common stock** | 80,000 |
| **Retained earnings** | h |
| **Total stockholders' equity** | i |
| **Total liabilities and stockholders' equity** | $ 120,000 |

|  |  |
| --- | --- |
| Statement of Cash Flows | |
| **Cash flows from operating activities** |  |
| **Cash receipt from revenue** | $ 44,000 |
| **Cash payment for expense** | j |
| **Net cash flow from operating activities** | k |
| **Cash flows for investing activities** |  |
| **Cash payment for land** | (20,000) |
| **Cash flows from financing activities** |  |
| **Cash receipt from loan** | l |
| **Cash receipt from stock issue** | 80,000 |
| **Cash dividend paid to owners** | (12,000) |
| **Net cash flow from financing activities** | 92,000 |
| **Net increase in cash** | $ 100,000 |

**176)** The following transactions apply to the Garber Corporation for Year 1, its first year in business.  
   
 1.1) Issued stock to investors, $48,000.  
 2.2) The company borrowed $42,000 cash from the bank.  
 3.3) Services were provided to customers and $50,000 cash was received.  
 4.4) The company acquired land for $44,000.  
 5.5) The company paid $34,000 rent for the building where it does its business.  
 6.6) The company paid $3,200 for supplies that were used during the period.  
 7.7) The company sold the land acquired in item 5 for $44,000.  
 8.8) A dividend of $1,000 was paid to the owners.  
 9.9) Repaid $20,000 of the loan described in item 2.  
   
 **Required:**  
 1.a) Prepare an income statement, statement of changes in equity, and balance sheet for Year 1.  
 2.b) Prepare a statement of cash flows for Year 1.

**177)** Rosemont Company began operations on January 1, Year 1, and on that date issued stock for $60,000 cash. In addition, Rosemont borrowed $50,000 cash from the local bank. The company provided services to its customers during Year 1 and received $35,000. It purchased land for $70,000. During the year, it paid $10,000 cash for salaries. Stockholders were paid cash dividends of $8,000 during the year.  
   
 **Required:**  
 1.a) List the transactions from the information above (for example, issued common stock for $60,000) and indicate in which section of the statement of cash flows each transaction would be reported.  
 2.b) What would the amount be for net cash flows from operating activities?  
 3.c) What would be the end-of-year balance for the cash account?  
 4.d) What would be the amount of the total assets for the Rosemont Company at the end of Year 1?  
 5.e) What would be the end-of-year balance for the Retained Earnings account?

**178)** The Campbell Company began operations on January 1, Year 1 and on that date issued $60,000 of common stock for cash. In addition, the company borrowed $40,000 from the bank. It provided services to its customers during Year 1 and received $72,000 cash. During the year, it paid $80,000 cash for land, $50,000 for salaries, and $10,000 in cash dividends to the owners.  
   
 **Required:**  
 1.1) Show the effects of the above transactions on the accounting equation. (Start by using appropriate element and account headings). Enter a "0" if a transaction does not affect a given account.  
 2.2) Prepare an income statement for the Year 1 accounting period.

**179)** Pinehurst Company was formed in Year 1 and experienced the following accounting events during the year:  
 1.Issued common stock for $15,000 cash  
 2.Earned cash revenue of $28,000  
 3.Paid cash expenses of $20,500.  
 These were the only events that affected the company during the year.  
   
 **Required:**  
 1.a) Show the effects of the above transactions on the accounting equation. (Start by using appropriate element and account headings). Leave the cell blank if a transaction does not affect a given account.  
 2.b) Prepare an income statement for Year 1 and a balance sheet as of December 31, Year 1.

**180)** Fieldstone Company was founded on January 1, Year 1. During Year 1, the company experienced the following events:  
 1.Received cash revenue of $25,500  
 2.Paid cash expenses of $20,000  
 3.Issued common stock for $30,000 cash  
 4.Paid cash dividend of $2,000 to owners.  
   
 **Required:**  
 1.a) Show the effects of the above transactions on the accounting equation. (Start by using appropriate element and account headings). Leave the cell blank if a transaction does not affect a given account.  
 2.b) Prepare the Year 1 income statement and balance sheet for Fieldstone Company.

**181)** Kent Corporation is trying to prepare their annual financial statements. From the list below, indicate whether the item should appear on the Income Statement, Balance Sheet, Statement of Changes in Stockholders' Equity or Statement of Cash Flows. Use IS for Income Statement, BS for Balance Sheet, SE for Statement of Changes in Stockholders' Equity and CF for Statement of Cash Flows. Note that some items may appear on more than one financial statement.  
   
 a.Total Assets  
 b.Land  
 c.Common Stock  
 d.Net Change in Cash  
 e.Revenue  
 f.Notes Payable  
 g.Stockholders' Equity  
 h.Total Liabilities  
 i.Expenses  
 j.Net Income  
 k.Ending Cash Balance  
 l.Beginning Cash Balance  
 m.Dividends

**182)** Lace Corporation is trying to prepare the balance sheet for year-end. Indicate whether each of the following financial statement components should be reported within Assets, Liabilities, or Stockholders’ equity.  
   
 a.Common Stock  
 b.Land  
 c.Note Payable  
 d.Cash  
 e.Retained Earnings

**183)** Using the information provided in Garber Corporation's balance sheet. Calculate the following financial statement elements as a percentage of assets:  
 1.a) the total liabilities  
 2.b) common stock  
 3.c) retained earnings  
 4.d) total stockholder's equity  
 5.e) total liabilities and stockholders' equity

|  |  |
| --- | --- |
| Garber Corporation | |
| Balance Sheet | |
| As of December 31, Year 1 | |
| **Assets** |  |
| **Cash** | $ 81,800 |
| **Land** | 0 |
| **Total assets** | $ 81,800 |
| **Liabilities** |  |
| **Notes payable** | $ 22,000 |
| **Stockholders' equity** |  |
| **Common stock** | 48,000 |
| **Retained earnings** | 11,800 |
| **Total stockholders' equity** | 59,800 |
| **Total liabilities and stockholders' equity** | $ 81,800 |

**184)** Car Company recorded this month's transactions in the accounting equation shown below. Based on the accounting equation, what is the maximum dividend the company could pay to shareholders?

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Event** | **Assets** | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | |
| **Cash** |  | **Common Stock** | **+** | **Retained Earnings** |
| 1. | 25,500 |  |  |  |  |  | 25,500 |
| 2. | (20,000) |  |  |  |  |  | (20,000) |
| 3. | 30,000 |  |  |  | 30,000 |  |  |
| 4. | (2,000) |  |  |  |  |  | (2,000) |
| Totals | 33,500 |  |  |  | 30,000 |  | 3,500 |

**Answer Key**Test name: chapter 1

1) TRUE

This is true. Resource providers include creditors and investors.

2) TRUE

This is true. Businesses transform resources into goods and services, such as cars, that are desirable to consumers.

3) FALSE

This is false. A business creates value by earning income, so earnings or income describe that value, not assets.

4) TRUE

This is true. The types of resources needed by a business are financial, physical, and labor resources.

5) TRUE

This is true. Financial accounting information is usually less detailed than managerial accounting information.

6) TRUE

This is true. The Financial Accounting Standards Board is charged with establishing accounting standards for US businesses. It is not an agency of the US government, but rather a privately funded organization.

7) TRUE

This is true. A business must report its income, assets, liabilities and equity separate from the owner of that business.

8) FALSE

This is false. Land is an account within the element assets. The elements of the financial statements include assets, liabilities, stockholders’ equity. Stockholders’ equity can be further broken down into two additional elements: common stock, and retained earnings.

9) TRUE

This is true. Liabilities represent the future obligations of a business entity.

10) FALSE

This is false. There are three sources of assets. First, a business can borrow assets from creditors. The second source of assets is investors. The third source of assets is operations.

11) FALSE

This is false. If a business retains the assets, it commits to use those assets for the benefit of the stockholders. This increase in the business’s commitments to its stockholders is normally called retained earnings.

12) TRUE

This is true. Once an asset is recorded, it is not adjusted for increases in market value.

13) TRUE

This is true. An asset source transaction increases a business's assets and either liabilities or equity, which make up claims to assets.

14) TRUE

This is true. Borrowing money from the bank is an example of an asset source transaction because the asset cash increases as well as the liability notes payable.

15) FALSE

This is false. Because asset use transactions result in a decrease in total assets, total claims must decrease as well.

16) FALSE

This is false. All four financial statements are interconnected.

17) FALSE

This is false. Dividends are not expenses. Therefore, they are not reported on the income statement. Dividends are reported on the statement of changes in stockholders’ equity and the statement of cash flows.

18) D

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

19) A

Businesses serve as conversion agents in the marketplace, transforming basic resources provided by resource owners into goods and services that consumers demand. Regulatory agencies set policies that affect the way that businesses operate.

20) B

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

21) D

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

22) A

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

23) A

Generally Accepted Accounting Principles are established by the Financial Accounting Standards Board.

24) B

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

25) C

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

26) A

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

27) D

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

28) C

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

29) D

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

30) B

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

31) D

Businesses obtain assets from three sources. Specifically, businesses can borrow assets from creditors, acquire them from investors (owners), or generate them through operations.

32) C

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

33) D

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

34) D

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

35) A

The accounting equation shows the equality between a company’s assets and the sources of those assets. The sources include liabilities, common stock and retained earnings. Therefore, Assets = Liabilities + Common Stock + Retained Earnings.

36) B

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

37) A

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

38) C

Assets = Liabilities + Stockholders’ Equity; Stockholders’ Equity includes common stock and retained earnings. $50,000 = $22,000 + $15,000 + Retained earnings; Retained earnings = $13,000

39) B

If assets on December 31, Year 1 totaled $112,000, total claims (including liabilities, common stock, and retained earnings) on that date must have also been $112,000. If liabilities were $29,000 and common stock was $26,000, retained earnings on December 31, Year 1 must have been $57,000. At the end of Year 2, the company reported $74,000 in retained earnings, a $17,000 increase. During Year 2, Stosch paid a $28,000 cash dividend, which reduced retained earnings. Therefore, Year 2 net income must have been $17,000 greater than the dividend paid. $28,000 + $17,000 = $45,000.

40) B

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

41) D

Issuing common stock increases both assets (Cash) and stockholders’ equity (Common Stock). Stockholders’ equity and liabilities collectively make up claims in the accounting equation.

42) A

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

43) A

Assets = Liabilities + Stockholders’ Equity  
 Assets = Liabilities + Common stock + Retained earnings  
 If a company’s total assets increased while liabilities and common stock were unchanged, retained earnings must have increased. In order for retained earnings to increase, the company must have reported net income. In other words, its revenues must have been greater than its expenses.

44) B

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

45) D

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

46) D

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

47) A

On January 1, Year 2:  
 Assets = Liabilities + Common Stock + Retained Earnings  
 $12,500 = $4,500 + $3,000 + Retained Earnings  
 Retained Earnings = $5,000  
   
 During Year 2:  
 Beginning retained earnings + Net income − Dividends = Ending retained earnings  
 $5,000 + Net Income − $2,000 = $6,000  
 Net Income = $3,000

48) B

Providing services for cash increases a company's assets (Cash) and stockholders’ equity (Retained Earnings).

49) B

Cash, an asset, increased by $1,500 (calculated as receipts of $6,500 − payment of $1,000 − payment of $4,000). Stockholders’ equity also increased by $1,500 (calculated as revenue of $6,500 − dividends of $1,000 − expenses of $4,000).

50) B

Beginning Retained Earnings + Revenue − Expenses − Dividends = Ending Retained Earnings  
 Beginning Retained Earnings + $2,400 − $1,300 − $700 = $2,150  
 Beginning Retained Earnings = $1,750

51) A

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

52) D

Paying cash to purchase land is an asset exchange transaction. The asset account, Cash, decreases and the asset account, Land, increases. Total assets are not affected.

53) A

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

54) D

Borrowing cash increases assets (Cash) and increases liabilities (Notes Payable).

55) A

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

56) B

An asset use transaction is one that decreases a business's assets and decreases either liabilities or stockholders’ equity. In this asset use transaction, assets and stockholders’ equity decreased. An example of an asset use transaction with this effect would be paying cash for salary expense.

57) C

Purchasing land for cash is an asset exchange transaction that does not affect total assets. Issuing stock to owners is an asset source transaction that increases assets. Borrowing cash from a bank is an asset source transaction that increases assets. Providing services for cash is an asset source transaction that increases assets.

58) C

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

59) D

A cash dividend decreases the asset account Cash and decreases the stockholders’ equity account Retained Earnings.

60) B

Providing services for cash increases assets (Cash) and increases stockholders’ equity (Retained Earnings).

61) C

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

62) B

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

63) D

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

64) D

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

65) C

Beginning cash balance + Increase from operating activities − Decrease from financing activities +/− Increase or decrease from investing activities = Ending cash balance  
 $3,400 + $8,400 − $1,600 +/− Increase or decrease from investing activities = $11,800  
 $1,600 = Increase in investing activities

66) A

Beginning cash balance + Increase from operating activities − Decrease from financing activities +/− Increase or decrease from investing activities = Ending cash balance  
 $4,000 + $10,000 − $2,000 +/− Increase or decrease from investing activities = $11,000  
 $1,000 = Decrease from investing activities

67) A

Beginning retained earnings + Revenue − Expenses − Dividends = Ending retained earnings  
 $4,600 + $14,400 − Expenses − $1,600 = $8,700  
 Expenses = $8,700

68) C

Beginning retained earnings + Revenue − Expenses − Dividends = Ending retained earnings  
 $3,500 + $22,000 − Expenses − $1,500 = $7,500  
 Expenses = $16,500

69) A

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

70) B

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

71) C

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

72) C

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

73) A

Cash revenue and cash expenses are operating activities. Paying dividends is a financing activity. $2,700 revenue − $1,600 expense = $1,100 cash inflow from operating activities.

74) C

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

75) D

Providing services to a customer for cash increases assets and stockholders’ equity on the balance sheet. It also increases revenue, and therefore, net income on the income statement.

76) D

Revenue minus expenses equal net income of $2,350 (calculated as $3,950 − $1,600). Total assets increased by $1,250 (calculated as $3,950 − $1,600 − $1,100). Cash from operating activities increased by $2,350 (calculated as $3,950 − $1,600).

77) D

Revenue minus expenses equal net income of $350 (calculated as $1,950 − $1,600). Total assets increased by $200 (calculated as $1,950 − $1,600 − $150). Cash from operating activities increased by $350 (calculated as $1,950 − $1,600).

78) B

Repaying a bank loan is a cash outflow for financing activities that decreases assets (Cash) and decreases liabilities (Notes Payable).

79) B

Beginning retained earnings + Revenues − Expenses − Dividends = Ending retained earnings  
 $950 + $3,700 − Expenses −$850 = $2,000  
 Expenses = $1,800

80) B

Beginning retained earnings + Revenues − Expenses − Dividends = Ending retained earnings  
 $300 + $1,100 − Expenses − $200 = $800  
 Expenses = $400

81) C

$72,000 inflow from consulting services − $17,500 outflow for rent expense − $38,000 outflow for salaries expense = $16,500 inflow

82) B

$39,000 inflow from consulting services − $9,000 outflow for rent expense − $21,000 outflow for salaries expense = $9,000 inflow

83) A

Beginning notes payable balance $0 + $29,000 loan − $17,000 repayment = $12,000 ending balance

84) D

Beginning notes payable balance $0 + $25,000 loan − $15,000 repayment = $10,000 ending balance

85) D

$48,000 revenue − $11,500 rent expense − $26,000 salaries expense = $10,500 net income

86) A

$39,000 revenue − $9,000 rent expense − $21,000 salaries expense = $9,000 net income

87) B

Net cash flow from financing activities = $825 inflow from stock − $570 outflow for loan repayment − $200 outflow for dividends = $55.

88) C

Net cash flow from financing activities = $325 inflow from stock − $220 outflow for loan repayment − $100 outflow for dividends = $5

89) C

$0 beginning balance + $870 borrowed from the bank = $870 total liabilities

90) C

$0 beginning balance + $420 borrowed from the bank = $420 total liabilities

91) B

Stockholders’ equity = Common stock + Retained earnings  
   
 At end of Year 1:  
   
 Stockholders’ equity = $1,000 common stock issued + ($0 beginning balance + $700 revenue − $260 expenses − $60 dividend) = $1,380

92) D

Stockholders’ equity = Common stock + Retained earnings  
 At end of Year 1:  
 Stockholders’ equity = $950 common stock issued + ($0 beginning balance + $650 revenue − $250 expenses − $50 dividend) = $1,300

93) D

Total assets at end of Year 1 = $1,600+ $1,070 + $1,300 − $380 − $180 = $3,410  
 Total assets at end of Year 1 becomes the beginning balance of total assets for Year 2.  
 $3,410 beginning balance + $975 − $675 + $1,400 − $620 − $230 = $4,260

94) A

Total assets at end of Year 1 = $950 + $420 + $650 − $250 − $50 = $1,720  
 Total assets at end of Year 1 becomes the beginning balance of total assets for Year 2.  
 $1,720 beginning balance + $325 − $220 + $750 − $360 − $100 = $2,115

95) A

$1,000 inflow from revenue − $320 outflow for expenses = $680 inflow

96) A

$650 inflow from revenue − $250 outflow for expenses = $400 inflow

97) D

Paying cash for dividends and receiving cash for common stock are financing activities. Selling land for cash is an investing activity.

98) D

$8,300 cash inflow from issuing stock − $450 cash outflow for dividends = $7,850 net cash inflow from financing activities

99) D

$9,000 cash inflow from issuing stock − $250 cash outflow for dividends = $8,750 net cash inflow from financing activities.

100) D

Paying cash for rent expense decreases assets (Cash) and decreases stockholders’ equity (Retained Earnings). Liabilities are not affected. It is reported as a cash outflow for operating activities on the statement of cash flows.

101) D

Paying cash to purchase land is an asset exchange transaction that decreases one asset (Cash) and increases another asset (Land); therefore, there is no overall effect on total assets, total liabilities, or total stockholders’ equity. It is reported as a cash outflow from investing activities on the statement of cash flows.

102) A

$850 cash inflow from issuing stock − $1,545 cash outflow for loan repayment − $1,060 cash outflow for dividends = $1,755 cash outflow for financing activities

103) A

$1,000 cash inflow from issuing stock − $2,600 cash outflow for loan repayment − $1,280 cash outflow for dividends = $2,880 cash outflow for financing activities

104) A

$0 beginning balance + $3,600 (cash) + $2,500 (cash) + $3,400 (cash) − $2,460 (cash) − $460 (cash) = $6,580

105) A

$0 beginning balance + $6,000 (cash) + $4,400 (cash) + $6,200 (cash) − $4,800 (cash) − $800 (cash) = $11,000

106) A

$0 beginning balance + $3,550 revenue − $2,490 expense − $490 dividends = $570

107) D

$0 beginning balance + $6,200 revenue − $4,800 expense − $800 dividends = $600

108) D

$3,150 beginning balance − $1,965 loan repayment = $1,185

109) B

$4,400 beginning balance − $2,600 loan repayment = $1,800

110) A

$500 beginning balance + $1,200 revenue − $800 expenses = $900

111) A

Expenses and revenues are reported on the income statement. Net income is reported on the statement of stockholders’ equity, but expenses are not.

112) D

Dividends are not included on the income statement. They are, however, reported as a deduction from retained earnings on the statement of changes in stockholders’ equity and as a cash outflow from financing activities on the statement of cash flows.

113) B

Liabilities are an element on the balance sheet. As such, liabilities do not appear on the income statement, statement of cash flows, or the statement of changes in stockholders’ equity.

114) C

Earning cash revenue increases assets (Cash) and stockholders’ equity (Retained Earnings).

115) B

Paying cash for expenses decreases assets (Cash) and decreases stockholders’ equity (Retained Earnings).

116) C

Paying cash dividends decreases assets (Cash) and decreases stockholders’ equity (Retained Earnings).

117) A

Issuing common stock increases assets (Cash) and stockholders’ equity (Common Stock).

118) A

An asset source transaction increases assets and can either increase liabilities (in the case of borrowing cash) or stockholders’ equity (in the case of issuing stock or earning revenue).

119) B

Earning cash revenue must have been the event that affected the financial statements as indicated because earning cash revenue increases assets (Cash) and increases stockholders’ equity (Retained Earnings).

120) A

Issuing common stock would increase assets (Cash) and increase stockholders’ equity (Common Stock).

121) B

Incurring a cash expense would decrease assets (Cash) and decrease stockholders’ equity (Retained Earnings).

122) D

An asset source transaction is any transaction that results in a net increase in assets. It could be accompanied by an increase in liabilities (as in the case of borrowing cash), an increase in common stock (as in the case of issuing common stock), or an increase in retained earnings (as in the case of earning revenue).

123) A

The income statement compares the benefits and sacrifices the company experiences from its operations. The statement of cash flows shows the cash inflows and outflows in categories such as operating, investing, and financing activities. The balance sheet shows the company’s assets and the sources of those assets.

124) E

GAAP requires all four financial statements.

125) D

Net income is shown on the Income Statement. It is also shown as an addition to Retained Earnings on the Statement of Changes in Stockholders’ Equity.

126) A

The balance sheet lists a company’s assets, liabilities and stockholders’ equity. From the information given, total assets, land, common stock, notes payable, retained earnings, and total liabilities and stockholders’ equity would be listed on the balance sheet.

127) B

The Income Statement lists a company’s Revenue, Expenses and Net Income for the period.

128) A

When expenses are greater than revenues there is a net loss. When revenues are greater than expenses there is net income.

129)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| I |  | NA |  | I |  | NA |

Issuing common stock is an asset source transaction that increases the business's assets (Cash) and its stockholders' equity (Common Stock).

130)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| I |  | I |  | NA |  | NA |

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

131)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| I |  | NA |  | NA |  | I |

This is an asset source transaction that increases the business's assets (Cash) and stockholders' equity (Retained Earnings).

132)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| I/D |  | NA |  | NA |  | NA |

Purchasing land for cash is an asset exchange transaction that increases one asset (Land) and decreases another asset (Cash).

133)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| D |  | NA |  | NA |  | D |

Paying expenses is an asset use transaction that decreases the business's assets (Cash) and decreases its stockholders' equity (Retained earnings).

134)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| D |  | NA |  | NA |  | D |

Paying a cash dividend is an asset use transaction that decreases a business's assets (Cash) and its stockholders' equity (Retained earnings).

135)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **=** | **Liabilities** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| I |  | I |  | NA |  | NA |

Issuing a note to purchase a building is an asset source transaction that increases a business's assets (Building) and increases its liabilities (Notes Payable).

136) The Financial Accounting Standards Board (FASB)  
 The Financial Accounting Standards Board (FASB) is a privately funded organization with the primary authority for establishing accounting standards in the United States.

137) Markets include consumers, businesses, and resource owners. Consumers use resources. Business convert resources to the form that consumers want. Resource owners control the distribution of resources to conversion agents.

138) Stakeholders are the parties that are interested in operations of an organization. Stakeholders often are users or potential users of accounting information. Stakeholders include resource providers, financial analysts, brokers, attorneys, government regulators and news reporters.

139) International Financial Reporting Standards (IFRS) have been adopted by most countries outside of the United States, and are becoming "global GAAP." Many believe that U.S. companies will be allowed to use either IFRS or U.S. GAAP in the future, and there is an ongoing process to reduce the differences between IFRS and GAAP. The International Accounting Standards Board (IASB), headquartered in London, is responsible for forming these standards.

140) Financial accounting is designed to satisfy the needs of external resource providers (external users) and must adhere to Generally Accepted Accounting Principles. Managerial accounting, however, provides information that is useful to managers within a business (internal users), and does not have to follow GAAP.

141) Similarities: Both types of organizations commonly use specific resources to satisfy consumer demand. These resources are financial resources, physical resources, and labor resources. Accounting systems are used by both types of organizations to measure the cost of the goods and services that are provided, the efficiency and effectiveness of the organizations' operations, and the ability of the organizations to continue to provide goods and services.  
 Differences: Not-for-profit organizations are established primarily for motives other than making a profit, while most other businesses are motivated by profit. As a result, factors other than profitability influence the resource allocation priorities of not-for-profit organizations.

142) A business's balance sheet shows the elements: assets, liabilities, and stockholders' equity.

143) A business obtains its assets from creditors, from investors, and from operations.

144) Providing services for cash increases assets and increases stockholders’ equity. It is considered an asset source transaction.

145) Paying dividends decreases assets (Cash) and decreases stockholders' equity (Retained Earnings). It is considered an asset use transaction.

146) $225,000 Assets = Liabilities $75,000 + Stockholders’ Equity $150,000; Assets = $225,000

147) When a business acquires assets from investors, it commits to keep the assets safe and to use the assets in a manner that benefits the investors. The business also grants the investor an ownership interest in the business, thereby allowing the investor (owner) to share in the profits generated by the business. In accounting terms investors are called *stockholders*. A business's commitment to its stockholders is called stockholders' equity.

148) Paid loan, paid expense, and paid dividends to stockholders.  
 Asset use transactions involve a decrease in assets (for example, Cash) and will also result in a decrease in either liabilities (Notes Payable) or stockholders' equity (Retained Earnings).

149) The statement of cash flows tells how a company obtained and used cash during the accounting period.  
 The statement of cash flows explains the change in cash from the beginning to the end of the period.

150) Issuing stock is reported in the financing activities section.  
 All cash exchanged between a company and its stockholders is considered a financing activity.

151) The Income Statement  
 The income statement reports on how a business performed during a specific accounting period. Business performance is defined as the benefits earned from customers (revenue) minus the sacrifices that were incurred (expenses) to earn those benefits (revenues).

152) The balance sheet lists the assets of a business and corresponding claims (liabilities and stockholders' equity) on those assets. It draws its name from the accounting equation.  
 The income statement matches revenue (benefits) with the expenses (sacrifices) that were incurred to generate the revenue.  
 The statement of changes in stockholders' equity is used to explain the effects of transactions on stockholders' equity during an accounting period.  
 The statement of cash flows explains how a company obtained and used cash during the accounting period. The statement of cash flows classifies cash receipts (inflows) and payments (outflows) into three categories: financing activities, investing activities, and operating activities.

153) An accounting period is the span of time covered by the financial statements, normally one year; the span of time for which income is measured. The practice of pairing together on the income statement revenues and expenses that were incurred in the same accounting period is known as the matching concept.

154) a) F b) F c) T d) T e) F  
   
 Financial resources are provided to a business by investors and creditors. Businesses, not resource owners, transform resources into products. Resource owners are the main providers of resources in any market.

155) a) F b) T c) T d) T e) F  
   
 Financial accounting is primarily intended for external, not internal, stakeholders. Managerial accounting information is usually more detailed than financial accounting information.

156) a) T b) T c) F d) T e) F  
 Liabilities are reported on the balance sheet. The accounting equation requires that assets be equal to liabilities plus stockholders’ equity. Liabilities are reported on the balance sheet, not on the statement of cash flows.

157) a) T b) F c) F d) F e) T  
   
 Issuing common stock for cash increases the common stock account, not retained earnings. Net income increases retained earnings, but does not necessarily equal its total. The purchase of a truck increases one asset (Truck) and decreases another asset (Cash) or increases a liability (Note Payable). Retained earnings includes all net income that a company has earned in its existence that has not been paid out in dividends.

158) a) T b) F c) F d) T e) F  
   
 The issuance of stock to owners for cash is an example of an asset source, not asset exchange, transaction. Purchasing equipment for cash is an example of an asset exchange transaction in which one asset (Cash) decreases and another asset (Equipment) increases. Making a payment on a bank loan is an example of an asset use, not asset exchange, transaction.

159) a) F b) T c) F d) T e) F  
   
 A cash dividend paid to stockholders is reported in the financing activities section of the statement of cash flows. A cash dividend paid to stockholders is reported on the statement of changes in stockholders’ equity, not on the income statement. Changes in retained earnings for the accounting period are reported on the statement of changes in stockholders’ equity, not on the income statement.

160) a) T b) T c) F d) F e) T  
   
 Loans received from a bank increase assets and liabilities, but do not affect retained earnings. Dividends paid to stockholders decrease retained earnings, not common stock.

161) Accounting Equation  
 (a) and (b)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Assets** | **=** | **Liabilities** | **+** | **Equity** |
| **1.** | 25,000 |  |  |  | 25,000 |
| **2.** | 18,000 |  | 18,000 |  |  |
| **3.** | 28,000 |  |  |  | 28,000 |
| **4.** | (21,400) |  |  |  | (21,400) |
| **5.** | 22,000 |  |  |  |  |
| (22,000) |  |  |  |  |
| **6.** | (15,000) |  |  |  | (15,000) |
| **7.** | (12,000) |  | (12,000) |  |  |
| **Totals** | 22,600 |  | 6,000 |  | 16,600 |

162) 1.a) $210,000  
 2.b) $225,000  
 3.c) $90,000  
 a) Assets = liabilities +stockholders’ equity = $95,000 + 115,000 = $210,000  
 b) Assets − liabilities = stockholders’ equity. Stockholders’ equity = $320,000 − 95,000 = $225,000  
 c) Assets = claims. Total amount of claims = $90,000

163)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Event number** | **Assets** | **=** | **Liabilities** | **+** | **Equity** |
| 1. | 45,000 |  | NA |  | 45,000 |
| 2. | 25,000 |  | 25,000 |  | NA |
| 3. | 32,000 |  | NA |  | 32,000 |
| 4. | (28,000) |  | NA |  | (28,000) |
| 5. | 22,000 |  | NA |  | NA |
| (22,000) |  | NA |  | NA |
| 6. | (12,000) |  | NA |  | (12,000) |
| 7. | (10,000) |  | (10,000) |  | NA |
| Total | 52,000 |  | 15,000 |  | 37,000 |

164)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Event number** | **Assets** | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | |
| **Common Stock** | **+** | **Retained Earnings** |
| 1. | 50,000 |  | NA |  | 50,000 |  | NA |
| 2. | 25,000 |  | 25,000 |  | NA |  | NA |
| 3. | 38,000 |  | NA |  | NA |  | 38,000 |
| 4. | (32,000) |  | NA |  | NA |  | (32,000) |
| 5. | (2,500) |  | NA |  | NA |  | (2,500) |
| 6. | 20,000 |  |  |  |  |  |  |
| (20,000) |  | NA |  | NA |  | NA |
| Total | 78,500 |  | 25,000 |  | 50,000 |  | 3,500 |

165) a)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Event** | **Assets** | | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | | **Accounts Titles for RE** |
| **Cash** | **Land** | **Notes Payable** | **Common Stock** | **+** | **Retained Earnings** |
| Beginning | 29,000 | 32,000 |  | 18,000 |  | 33,000 |  | 10,000 |  |
| 1 | 95,000 | 0 |  | 0 |  | 0 |  | 95,000 | Service Revenue |
| 2 | (50,000) | 0 |  | 0 |  | 0 |  | (50,000) | Salaries Expense |
| 3 | (12,000) | 12,000 |  | 0 |  | 0 |  | 0 |  |
| 4 | (4,000) | 0 |  | (4,000) |  | 0 |  | 0 |  |
| 5 | (22,000) | 0 |  | 0 |  | 0 |  | (22,000) | Operating Expense |
| 6 | 2,500 | 0 |  | 0 |  | 0 |  | (2,500) | Dividend |

b) What is the amount of total assets as of December 31, Year 2?  
 c) What is the amount of total stockholders' equity as of December 31, Year 2?

166)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Event number** | **Assets** | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | |
| **Common Stock** | **+** | **Retained Earnings** |
| 1. | I |  | I |  | NA |  | NA |
| 2. | D |  | NA |  | NA |  | D |
| 3. | I |  | NA |  | I |  | NA |
| 4. | I |  | NA |  | NA |  | I |
| 5. | D |  | D |  | NA |  | NA |
| 6. | D |  | NA |  | NA |  | D |

167) 1) +, 2) +, 3) +, 4) −, 5) +/−, 6) −, 7) −

168) 1) AS 2) AS 3) AX 4) AS 5) AU 6) AX 7) AU 8) AU

169) a) Total assets = $35,000 + $25,000 + $38,000 − $30,500 − $2,000 = $65,500x   
 b)

|  |  |
| --- | --- |
| Grimes Corporation | |
| Income Statement | |
| For the Year Ended December 31, Year 1 | |
| **Revenue** | $38,000 |
| **Operating expenses** | (30,500) |
| **Net income** | $ 7,500 |

170)

|  |  |
| --- | --- |
| Young Company | |
| Balance Sheet | |
| For the Year Ended December 31, Year 2 | |
| **Assets** |  |
| **Cash** | $52,500 |
| **Land** | 25,500 |
| **Total assets** | $78,000 |
| **Liabilities:** |  |
| **Notes payable** | $ 9,000 |
| **Stockholders' equity** |  |
| **Common stock** | 50,000 |
| **Retained earnings** | 19,000 |
| **Total stockholders' equity** | 69,000 |
| **Total liabilities and stockholders' equity** | $78,000 |

Ending balances: Cash ($58,800−$9,000+$27,400−$20,200−$4,500); Land − No change; Notes payable ($18,000 − $9,000); Common stock − No change; Retained earnings ($16,300+$27,400−$20,200−$4,500)

171)

|  |  |
| --- | --- |
| Penelope Company | |
| Income Statement | |
| For the Year Ended December 31, Year 1 | |
| **Revenue** | $ 30,500 |
| **Operating expenses** | (25,400) |
| **Net income** | $ 5,100 |

Only revenue and expenses are reported on the income statement. Purchasing land, paying dividends, and issuing common stock do not affect the income statement.

172) a)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Event Number** | **Assets** | | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | | **Other Account Titles** |
| **Cash** | **Land** | **=** | **Notes Payable** | **+** | **Common Stock** | **+** | **Retained Earnings** |
| 1 | 50,000 | 0 |  | 0 |  | 50,000 |  | 0 |  |
| 2 | 27,500 | 0 |  | 27,500 |  | 0 |  | 0 |  |
| 3 | 75,400 | 0 |  | 0 |  | 0 |  | 75,400 | Service Revenue |
| 4 | (63,250) | 0 |  | 0 |  | 0 |  | (63,250) | Operating Expense |
| 5 | (25,000) | 25,000 |  | 0 |  | 0 |  | 0 |  |
| 6 | (5,500) | 0 |  | 0 |  | 0 |  | 5,500 | Dividends |
| Total | 59,150 | 25,000 |  | 27,500 |  | 50,000 |  | 6,650 |  |

b)

|  |  |
| --- | --- |
| Holiday Travel Services | |
| Income Statement | |
| For the Year Ended December 31, Year 1 | |
| **Service revenue** | $75,400 |
| **Operating expenses** | (63,250) |
| **Net income** | $12,150 |

|  |  |
| --- | --- |
| Holiday Travel Services | |
| Balance Sheet | |
| As of December 31, Year 1 | |
| **Assets** |  |
| **Cash** | $59,150 |
| **Land** | 25,000 |
| **Total assets** | $84,150 |
| **Liabilities** |  |
| **Notes payable** | $27,500 |
| **Stockholders' equity** |  |
| **Common stock** | 50,000 |
| **Retained earnings** | 6,650 |
| **Total stockholders' equity** | 56,650 |
| **Total liabilities and stockholders' equity** | $84,150 |

173) a) Total assets = $48,000 + $65,500 + $10,500 − $8,500 + $15,000 − $15,000 − $46,600 − $4,000 = $64,900   
   
 b)

|  |  |
| --- | --- |
| Wilson Fitness Center | |
| Statement of Cash Flows | |
| For the Year Ended December 31, Year 2 | |
| **Cash flows from operating activities** |  |
| **Cash receipt from revenue** | $ 65,500 |
| **Cash payment for expense** | (55,100) |
| **Net cash flow from operating activities** | $ 10,400 |
| **Cash flows for investing activities** |  |
| **Cash payment for land** | $ (15,000) |
| **Cash flows from financing activities** |  |
| **Cash receipt from loan** | 10,500 |
| **Cash receipt from stock issue** | 48,000 |
| **Cash dividend paid to owners** | (4,000) |
| **Net cash flow from financing activities** | $ 54,500 |
| **Net increase in cash** | 49,900 |
| **Plus: Beginning cash balance** | 0 |
| **Ending cash balance** | $ 49,900 |

174) a) $9,700, b) $3,500, c) $3,500, d) $14,500

175) a = 16,000  
 b = 28,000  
 c = 28,000  
 d = 12,000  
 e = 96,000  
 f = 100,000  
 g = 24,000  
 h = 16,000  
 i = 96,000  
 j = (16,000)  
 k = 28,000  
 l = 24,000  
 Solve for "l" first: l + 80,000 − 12,000 = 92,000; l = 24,000  
 Next, solve for "k": k − 20,000 + 92,000 = 100,000; k = 28,000  
 Next, solve for "j": 44,000 − j = 28,000; j = 16,000  
 Next, solve for "a": a = j; a = 16,000  
 Next, solve for "b": 44,000 − 16,000 = b; b = 28,000  
 Next, solve for "c": c = b; c = 28,000  
 Next, solve for "d": 0 + 28,000 − d = 8,000; d = 12,000 (can also be taken from statement of cash flows)  
 Next, solve for "e": 80,000 + 16,000 = 96,000  
 Next, solve for "f": f + 20,000 = 120,000; f = 100,000  
 Next, solve for "h": h = 16,000 (taken from statement of changes in stockholders’ equity)  
 Next, solve for "i": 80,000 + 16,000 = i; i = 96,000  
 Last, solve for "g": g + 96,000 = 120,000; g = 24,000

176) a)

|  |  |
| --- | --- |
| Garber Corporation | |
| Income Statement | |
| For the Year Ended December 31, Year 1 | |
| **Service revenue** | $ 50,000 |
| **Operating expenses** | (37,200) |
| **Net income** | $ 12,800 |

|  |  |
| --- | --- |
| Garber Corporation | |
| Statement of Changes in Stockholders' Equity | |
| For the Year Ended December 31, Year 1 | |
| **Beginning common stock** | $ 0 |
| **Add: Common stock issued** | 48,000 |
| **Ending common stock** | 48,000 |
| **Beginning retained earnings** | 0 |
| **Add: Net income** | 12,800 |
| **Less: Dividends** | (1,000) |
| **Ending retained earnings** | 11,800 |
| **Total stockholders' equity** | $ 59,800 |

|  |  |
| --- | --- |
| Garber Corporation | |
| Balance Sheet | |
| As of December 31, Year 1 | |
| **Assets** |  |
| **Cash** | $ 81,800 |
| **Land** | 0 |
| **Total assets** | $ 81,800 |
| **Liabilities** |  |
| **Notes payable** | $ 22,000 |
| **Stockholders' equity** |  |
| **Common stock** | 48,000 |
| **Retained earnings** | 11,800 |
| **Total stockholders' equity** | 59,800 |
| **Total liabilities and stockholders' equity** | $ 81,800 |

b)

|  |  |
| --- | --- |
| Garber Corporation | |
| Statement of Cash Flows | |
| For the Year Ended December 31, Year 1 | |
| **Cash flows from operating activities** |  |
| **Cash receipt from revenue** | $ 50,000 |
| **Cash payment for expense** | (37,200) |
| **Net cash flow from operating activities** | 12,800 |
| **Cash flows for investing activities** |  |
| **Cash receipt from sale of land** | 44,000 |
| **Cash payment for land** | (44,000) |
| **Net cash flow for investing activities** | 0 |
| **Cash flows from financing activities** |  |
| **Cash receipt from loan** | 42,000 |
| **Cash receipt from stock issue** | 48,000 |
| **Cash repayment of loan** | (20,000) |
| **Cash dividend paid to owners** | (1,000) |
| **Net cash flow from financing activities** | 69,000 |
| **Net increase in cash** | 81,800 |
| **Plus: Beginning cash balance** | 0 |
| **Ending cash balance** | $ 81,800 |

177) 1.a)

|  |  |  |
| --- | --- | --- |
| **Transaction** | **Description** | **Section of Statement of Cash Flows** |
| 1 | Issued stock for $60,000 cash | Financing activities |
| 2 | Borrowed $50,000 cash from bank | Financing activities |
| 3 | Provided services to customers, $35,000 | Operating activities |
| 4 | Purchased land for $70,000 | Investing activities |
| 5 | Paid cash for salaries, $10,000 | Operating activities |
| 6 | Paid cash dividends, $8,000 | Financing activities |

2.b) Net cash flows from operating activities = $25,000 ($35,000 − 10,000)  
 3.c) Cash account balance: $57,000 ($60,000 + $50,000 + $35,000 − $70,000 − $10,000 − $8,000)  
 4.d) Total Assets = $127,000 (Cash = $57,000; Land = $70,000)  
 5.e) Retained earnings balance: $17,000 ($35,000 − 10,000 − 8,000)

178) 1.1)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Event** | **Assets** | | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | |
| **Cash** | **Land** |  | **Notes Payable** |  | **Common Stock** | **+** | **Retained Earnings** |
| Issued stock | 60,000 | 0 |  | 0 |  | 60,000 |  | 0 |
| Borrowed cash | 40,000 | 0 |  | 40,000 |  | 0 |  | 0 |
| Revenue | 72,000 | 0 |  | 0 |  | 0 |  | 72,000 |
| Land purchase | (80,000) | 80,000 |  | 0 |  | 0 |  | 0 |
| Salaries | (50,000) | 0 |  | 0 |  | 0 |  | (50,000) |
| Dividends | (10,000) | 0 |  | 0 |  | 0 |  | (10,000) |
| Ending balances | 32,000 | 80,000 |  | 40,000 |  | 60,000 |  | 12,000 |

2.2)

|  |  |
| --- | --- |
| Campbell Company | |
| Income Statement | |
| For the Year Ended December 31, Year 1 | |
| **Service revenue** | $ 72,000 |
| **Operating expenses** | (50,000) |
| **Net income** | $ 22,000 |

179) 1.a)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Event** | **Assets** | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | |
| **Cash** |  | **Common Stock** | **+** | **Retained Earnings** |
| 1. | 15,000 |  |  |  | 15,000 |  |  |
| 2. | 28,000 |  |  |  |  |  | 28,000 |
| 3. | (20,500) |  |  |  |  |  | (20,500) |

|  |  |
| --- | --- |
| Pinehurst Company | |
| Balance Sheet | |
| As of December 31, Year 1 | |
| **Assets** |  |
| **Cash** | $ 22,500 |
| **Liabilities** | $ 0 |
| **Stockholders' equity** |  |
| **Common stock** | 15,000 |
| **Retained earnings** | 7,500 |
| **Total stockholders' equity** | 22,500 |
| **Total liabilities and stockholders' equity** | $ 22,500 |

2.b)

|  |  |
| --- | --- |
| Pinehurst Company | |
| Income Statement | |
| For the Year Ended December 31, Year 1 | |
| **Service revenue** | $ 28,000 |
| **Operating expenses** | (20,500) |
| **Net income** | $ 7,500 |

180) a)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Event** | **Assets** | **=** | **Liabilities** | **+** | **Stockholder's Equity** | | |
| **Cash** |  | **Common Stock** | **+** | **Retained Earnings** |
| 1. | 25,500 |  |  |  |  |  | 25,500 |
| 2. | (20,000) |  |  |  |  |  | (20,000) |
| 3. | 30,000 |  |  |  | 30,000 |  |  |
| 4. | (2,000) |  |  |  |  |  | (2,000) |
| Totals | 33,500 |  |  |  | 30,000 |  | 3,500 |

b)

|  |  |
| --- | --- |
| Fieldstone Company | |
| Income Statement | |
| For the Year Ended December 31, Year 1 | |
| **Service revenue** | $ 25,500 |
| **Operating expenses** | (20,000) |
| **Net income** | $ 5,500 |

|  |  |
| --- | --- |
| Fieldstone Company | |
| Balance Sheet | |
| As of December 31, Year 1 | |
| **Assets** |  |
| **Cash** | $ 33,500 |
| **Total Assets** | $ 33,500 |
| **Liabilities** | $ 0 |
| **Stockholders' equity** |  |
| **Common stock** | 30,000 |
| **Retained earnings** | 3,500 |
| **Total stockholders' equity** | 33,500 |
| **Total liabilities and stockholders' equity** | $ 33,500 |

181) a.BS  
 b.BS  
 c.BS and SE  
 d.CF  
 e.IS  
 f.BS  
 g.BS and SE  
 h.BS  
 i.IS  
 j.IS and SE  
 k.BS and CF  
 l.CF  
 m.SE and CF

182) a.Stockholders’ equity  
 b.Assets  
 c.Liabilities  
 d.Assets  
 e.Stockholders’ equity

183) a.$22,000/ $81,800 = 26.89%  
 b.$48,000/ $81,800 = 58.68%  
 c.$11,800/ $81,800 = 14.43%  
 d.$59,800/ $81,800 = 73.11%  
 e.$81,800/ $81,800 = 100%

184) The maximum dividend a company can pay depends on two factors: the amount of cash and the amount of retained earnings. In this case, Car Company is limited by the amount of retained earnings and can only pay a $3,500 dividend to its owners.