|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. The objective of most businesses is to maximize profits.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. A limited liability company combines attributes of a partnership and a corporation.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. A partnership is owned by two or more individuals.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. Manufacturing businesses change basic inputs into products that are sold to individual customers.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. Merchandising businesses produce products rather than provide services to customers.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. A corporation is a business that is legally separate and distinct from its owners.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. The popularity of the sole proprietorship is due to the ease and low cost of organizing.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. A primary disadvantage of corporations is that the financial resources available to them are limited.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. The ownership of a proprietorship is divided into shares of stock owned by its stockholders.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. All merchandising businesses are organized as corporations.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. Stockholders of a corporation are its internal stakeholders.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. John Deere is a leading manufacturer of agricultural machinery in the world, producing products that serve unique market needs. Therefore, John Deere is an example of a company that uses a *premium-price* emphasis to attract customers.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. A business stakeholder has an interest in the economic performance of a business.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. Companies using a *low-cost* emphasis provide products and services that compete on features other than price.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. The basic type of stock issued to owners is called common stock.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. Assets are acquired through investing activities when resources are purchased.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. Creditors have preference to assets behind stockholders if a business fails.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. A liability is a legal obligation to repay the amount borrowed according to the terms of the borrowing agreement.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. Accounting is thought to be the "language of business" because business information is communicated to stakeholders.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. The branch of accounting related to the management's financial decisions is known as financial accounting.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. The stockholders' equity of a company should equal the sum of its total assets and total liabilities.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. The balance sheet represents the accounting equation.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. What is the primary objective of most businesses?   |  |  |  | | --- | --- | --- | |  | a. | To maximize profits | |  | b. | To pay dividends to stockholders | |  | c. | To provide a benefit to society | |  | d. | To manufacture a quality product |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. Which of the following businesses buys products from other businesses wholesale to sell them to customers at a retail price?   |  |  |  | | --- | --- | --- | |  | a. | A merchandising business | |  | b. | A manufacturing business | |  | c. | A service business | |  | d. | An investment business |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. Which of the items below is *not* a business organization form?   |  |  |  | | --- | --- | --- | |  | a. | Multi-venture | |  | b. | Proprietorship | |  | c. | Partnership | |  | d. | Corporation |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. Which of the following types of organizational forms is popular for its ease of formation and low cost of organizing?   |  |  |  | | --- | --- | --- | |  | a. | Not-for-profit | |  | b. | Corporation | |  | c. | Partnership | |  | d. | Proprietorship |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. Which of the following statements is true about a limited liability company?   |  |  |  | | --- | --- | --- | |  | a. | It is organized under state or federal statutes as a separate legal entity. | |  | b. | Many professional practices such as lawyers, doctors, and accountants are organized as limited liability companies. | |  | c. | Its financial resources are limited to the individual owner's resources. | |  | d. | The frequency of this form is due to the ease and low cost of organizing. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. Under a \_\_\_\_\_, a business design's products that possess unique attributes or characteristics for which customers are willing to pay more.   |  |  |  | | --- | --- | --- | |  | a. | premium-price emphasis | |  | b. | outreach emphasis | |  | c. | low-cost emphasis | |  | d. | customer emphasis |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. Which of the following is *not* a characteristic of a corporation?   |  |  |  | | --- | --- | --- | |  | a. | Corporations are organized as a separate legal taxable entity. | |  | b. | Ownership is divided into shares of stock. | |  | c. | Corporations experience an ease in obtaining large amounts of resources by issuing stock. | |  | d. | A corporation can elect to be taxed as a partnership. |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. A corporation is an entity \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | that is organized according to state or federal statutes and in which ownership is divided into shares of stock | |  | b. | that is known for its ease of formation | |  | c. | that terminates its existence with the death of the owner | |  | d. | that pays tax on the owner's tax returns |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. A *low-cost* emphasis strives to provide \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | no-frills, standardized products and services | |  | b. | products and services that provide unique market needs | |  | c. | products and services that provide prestige and image for customers | |  | d. | products and services that compete on features other than price |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. Which of the following businesses use a *premium-price* emphasis?   |  |  |  | | --- | --- | --- | |  | a. | Value City Furniture selling furniture at affordable prices | |  | b. | Tommy Hilfiger selling products that have a unique image | |  | c. | Wal-Mart reselling standardized products | |  | d. | Southwest Airlines providing standardized services |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. Motel 6, a company that helps customers find budget motels across the nation, is an example of a business using which of the following?   |  |  |  | | --- | --- | --- | |  | a. | Low-cost emphasis | |  | b. | Outreach emphasis | |  | c. | Customer emphasis | |  | d. | Premium-price emphasis |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. Which of the following is considered a business stakeholder?   |  |  |  | | --- | --- | --- | |  | a. | A bank | |  | b. | An employee | |  | c. | A federal government | |  | d. | All of these |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 35. \_\_\_\_\_ are an example of internal stakeholders.   |  |  |  | | --- | --- | --- | |  | a. | Managers | |  | b. | Creditors | |  | c. | Stockholders | |  | d. | Suppliers |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 36. Which of the following are *not* an example of a capital market stakeholder?   |  |  |  | | --- | --- | --- | |  | a. | Banks | |  | b. | Owners | |  | c. | Suppliers | |  | d. | Stockholders |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. Capital market stakeholders have an interest in a company because \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | they collect taxes from the company | |  | b. | they depend upon the continued success of the company for keeping their jobs | |  | c. | they purchase the company's products or services or sell their products or services to the company | |  | d. | they provide major financing for the business |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. In the case of a failing company, the right to the first claim of the company's assets belongs to \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | the state governments | |  | b. | the creditors of the company | |  | c. | the owners of the company | |  | d. | the managers of the company |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. The economic performance of a business is of importance to the government because \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | of potential tax collections | |  | b. | the government sells its products to the business | |  | c. | of the amount owed by the government to the business | |  | d. | all of these |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. The performance evaluation of the managers of a company is dependent on the company's \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | common stock | |  | b. | volatility | |  | c. | economic performance | |  | d. | nonrecurring activities |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 41. When a business borrows money, which of the following is incurred?   |  |  |  | | --- | --- | --- | |  | a. | An accumulated depletion | |  | b. | A liability | |  | c. | A loss | |  | d. | An accrued expenditure |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. Revenues received from providing services are referred to as \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | fees earned | |  | b. | net income | |  | c. | gross income | |  | d. | retained earnings |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 43. A note payable requires payment of the amount borrowed plus \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | interest | |  | b. | tax | |  | c. | overhead | |  | d. | dividend |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 44. Shares of ownership are evidenced by issuing \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | shares payable | |  | b. | commercial paper | |  | c. | shares of stock | |  | d. | notes payable |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. The resources a business owns are called \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | assets | |  | b. | liabilities | |  | c. | earnings | |  | d. | stockholders' equity |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 46. The purchase of factory equipment would be an example of which type of business activity?   |  |  |  | | --- | --- | --- | |  | a. | Financing | |  | b. | Investing | |  | c. | Operating | |  | d. | All of these |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 47. Which of the following is an intangible asset?   |  |  |  | | --- | --- | --- | |  | a. | Patent | |  | b. | Cash | |  | c. | Land | |  | d. | Equipment |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 48. Rights to payments from customers are \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | liabilities | |  | b. | prepaid expenses | |  | c. | accounts receivable | |  | d. | accounts payable |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 49. Which of the following is considered an asset until consumed?   |  |  |  | | --- | --- | --- | |  | a. | Accounts payable | |  | b. | Prepaid expense | |  | c. | Accounts receivable | |  | d. | Stockholders' equity |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50. \_\_\_\_\_ is the increase in assets from selling products or providing services.   |  |  |  | | --- | --- | --- | |  | a. | Revenue | |  | b. | Interest income | |  | c. | Equity | |  | d. | Cost of goods sold |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 51. Cash collected from sales during the normal course of business would be an example of which type of business activity?   |  |  |  | | --- | --- | --- | |  | a. | Operating | |  | b. | Investing | |  | c. | Financing | |  | d. | None of these |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 52. Costs incurred to earn revenue are referred to as \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | common stock | |  | b. | expenses | |  | c. | liabilities | |  | d. | retained earnings |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 53. Debts owed by a business are referred to as \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | accounts receivable | |  | b. | equities | |  | c. | stockholders' equity | |  | d. | liabilities |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 54. Cash investments made by the stockholders of the business are reported on the statement of cash flows in the \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | financing activities section | |  | b. | investing activities section | |  | c. | operating activities section | |  | d. | supplemental statement |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 55. Financing activities\_\_\_\_\_ .   |  |  |  | | --- | --- | --- | |  | a. | involve obtaining funds to operate a business | |  | b. | involve obtaining assets such as buildings and equipment | |  | c. | help to earn revenues and profits | |  | d. | help to make wise investments in other companies |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 56. Reporting the financial condition of a business at a point in time and reporting the changes in the financial condition of a business over a period of time are the two major objectives of \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | fund accounting | |  | b. | forensic accounting | |  | c. | not-for-profit accounting | |  | d. | financial accounting |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 57. The role of accounting in business is best defined as \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | an information system that provides reports to stakeholders about the economic activities and financial condition of a business | |  | b. | a method of forecasting the future profitability of a company | |  | c. | the policies, procedures, and strategies used in a business | |  | d. | the process of transaction analysis |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 58. A list of assets, liabilities, and owners' equity as of a specific date is a(n) \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | income statement | |  | b. | balance sheet | |  | c. | statement of cash flows | |  | d. | retained earnings statement |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 59. Given the following list of accounts, calculate Total Assets.   |  |  | | --- | --- | | Accounts Receivable | $ 10,000 | | Capital Stock | 20,000 | | Cash | 25,300 | | Equipment | 16,800 | | Fees Earned | 44,400 | | Miscellaneous Expense | 17,800 | | Rent Expense | 3,250 | | Retained Earnings | 7,850 | | Salaries Expense | 15,400 | | Wages Expense | 15,000 | |  |  |  |  |  |  | | --- | --- | --- | |  | a. | $52,100 | |  | b. | $55,300 | |  | c. | $54,600 | |  | d. | $40,050 |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 60. Which of the following is an appropriate representation of the accounting equation?   |  |  |  | | --- | --- | --- | |  | a. | Assets + Liabilities = Stockholders' equity | |  | b. | Assets = Liabilities + Stockholders' equity | |  | c. | Assets = Liabilities + Capital stock | |  | d. | Assets = Liabilities + Retained earnings |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 61. Use the following information to determine Total Stockholders' Equity.   |  |  | | --- | --- | | Total Assets | $ 85,000 | | Total Liabilities | 21,000 | | Total Stockholders' Equity | *x* | | Total Retained Earnings | 9,000 | |  |  |  |  |  |  | | --- | --- | --- | |  | a. | $58,000 | |  | b. | $64,000 | |  | c. | $55,000 | |  | d. | $40,000 |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 62. A summary of the cash receipts and cash payments for a specific period of time is a(n) \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | income statement | |  | b. | balance sheet | |  | c. | statement of cash flows | |  | d. | retained earnings statement |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 63. The portion of a corporation's net income reserved for future decisions in the business is called \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | interest earnings | |  | b. | dividends | |  | c. | tax expense | |  | d. | retained earnings |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 64. The debt created by a business when it borrows against credit from a vendor or supplier is called a(n) \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | account payable | |  | b. | contingent liability | |  | c. | intangible asset | |  | d. | account receivable |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 65. If there are no beginning retained earnings, net income of $30,300, and ending retained earnings of $8,000, how much are dividends?   |  |  |  | | --- | --- | --- | |  | a. | $38,300 | |  | b. | $22,300 | |  | c. | $6,000 | |  | d. | $8,000 |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 66. During the most recent year, Banigo Corporation experienced an increase in total assets of $72,600 and an increase in total liabilities of $40,900. Assuming that capital stock increased by $5,000 and no dividends were paid, calculate Banigo's net income or net loss for the end of the year.   |  |  |  | | --- | --- | --- | |  | a. | Net income of $26,700 | |  | b. | Net loss of $31,700 | |  | c. | Net income of $67,600 | |  | d. | Net loss of $45,900 |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 67. The financial statement that presents a summary of the revenues and expenses of a business for a specific period of time, such as a month or a year, is called a(n) \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | prior period statement | |  | b. | statement of retained earnings | |  | c. | income statement | |  | d. | balance sheet |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 68. Which of the following is the correct order for preparing financial statements?   |  |  |  | | --- | --- | --- | |  | a. | Income statement, Statement of cash flows, Retained earnings statement, Balance sheet | |  | b. | Retained earnings statement, Income statement, Statement of cash flows, Balance sheet | |  | c. | Statement of cash flows, Retained earnings statement, Balance sheet, Income statement | |  | d. | Income statement, Retained earnings statement, Balance sheet, Statement of cash flows |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 69. A financial statement that summarizes the cash receipts and cash payments of a company for a specific period of time is \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | the cash analysis statement. | |  | b. | the bank reconciliation statement. | |  | c. | the statement of cash flows. | |  | d. | the statement of retained and nonretained cash earnings. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 70. Hofnim, Inc., had the following account balances on September 30, 20Y8. What is Hofnim's net income for the month of September?   |  |  | | --- | --- | | Accounts Payable | $ 9,900 | | Capital Stock | 15,000 | | Cash | 19,600 | | Equipment | 19,100 | | Fees Earned | 64,000 | | Miscellaneous Expense | 19,700 | | Rent Expense | 5,100 | | Retained Earnings | 5,000 | | Wages Expense | 16,450 | |  |  |  |  |  |  | | --- | --- | --- | |  | a. | $8,800 | |  | b. | $22,750 | |  | c. | $13,260 | |  | d. | $17,750 |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 71. Pelican, Inc., had revenues of $395,000, expenses of $155,000, and dividends of $54,000 during the current year. Based on the given information**,** which of the following statements is true?   |  |  |  | | --- | --- | --- | |  | a. | Net income for the current year totaled $240,000. | |  | b. | Net income for the current year totaled $186,000. | |  | c. | Total retained earnings increased by $240,000 during the current year. | |  | d. | Total retained earnings decreased by $186,000 during the current year. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 72. The portion of a corporation's net income that is paid out to the stockholders, instead of being retained in the business, is referred to as \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | gross income | |  | b. | earnings before interest and taxes | |  | c. | interest expense | |  | d. | dividends |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 73. Which of the following accounting concepts requires that the financial statements, including related notes, contain all relevant data a stakeholder would need to understand the financial condition and performance of the company?   |  |  |  | | --- | --- | --- | |  | a. | The adequate disclosure concept | |  | b. | The cost concept | |  | c. | The objectivity concept | |  | d. | The matching concept |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 74. Heedy Company had the following account balances in 20Y7 and 20Y8, respectively. Assuming dividends of $20,000 were paid in 20Y8, how much was net income?   |  |  |  | | --- | --- | --- | |  | **20Y8** | **20Y7** | | Capital Stock | $ 42,000 | $ 40,000 | | Retained Earnings | *x* | 210,000 | | Total Stockholders' Equity | $ 314,000 | $ 250,000 |  |  |  |  | | --- | --- | --- | |  | a. | $62,000 | |  | b. | $82,000 | |  | c. | $272,000 | |  | d. | $252,000 |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 75. The "rules" of accounting are referred to as \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | income tax regulations | |  | b. | SEC regulations | |  | c. | Internet rules | |  | d. | Generally Accepted Accounting Principles |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 76. Which of the following is true about the cost principle?   |  |  |  | | --- | --- | --- | |  | a. | It limits the economic data recorded in an accounting system to data related to the activities of that company. | |  | b. | It initially records assets in the accounting records at their purchase price. | |  | c. | It assumes that a company will continue in business indefinitely. | |  | d. | It reports the revenues earned by a company for a period with the expenses incurred in generating the revenues. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 77. According to which of the following concepts should the expenses incurred when generating revenue be reported in the same period as the related revenue?   |  |  |  | | --- | --- | --- | |  | a. | The cost concept | |  | b. | The periodicity concept | |  | c. | The matching concept | |  | d. | The adequate disclosure concept |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 78. Expressing financial data as if a business will continue operating for an indefinite period time refers to which concept?   |  |  |  | | --- | --- | --- | |  | a. | Business entity concept | |  | b. | Going concern concept | |  | c. | Objectivity concept | |  | d. | Adequate disclosure concept |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 79. Due to various fraudulent business practices and accounting scandals in the early 2000s, Congress enacted the Sarbanes-Oxley Act of 2002. The act was responsible for establishing a new oversight board for public accountants called the \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | Generally Accepted Accounting Practices for Public Accountants Board | |  | b. | Public Company Accounting Oversight Board | |  | c. | Congressional Accounting Oversight Board | |  | d. | Financial Accounting Standards Board |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 80. Which of the following is true of rate of return on assets?   |  |  |  | | --- | --- | --- | |  | a. | It is a measure of a company's profitability. | |  | b. | It is used to evaluate a company's ability to pay off its short-term debts. | |  | c. | It is used to determine the financial leverage of a company. | |  | d. | It is a measure of the optimum capital structure. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 81. The return on assets is calculated by \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | dividing interest expense by average total asset and average current assets | |  | b. | dividing net income before taxes and interest expense by average total asset | |  | c. | dividing average total asset and interest expense by net income taxes | |  | d. | dividing net income before taxes and interest expense by average current assets |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 82. A return on assets of 5.15% means that a company is earning \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | a $5.15 return on every $100 of total assets. | |  | b. | a $5.15 return on every $100 of assets minus liabilities. | |  | c. | a $5.15 return on every $100 of current assets. | |  | d. | a $5.15 return on every $100 invested in long-term assets. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 83. Profitability ratios such as \_\_\_\_\_ can be used to analyze and assess a company's financial performance.   |  |  |  | | --- | --- | --- | |  | a. | fixed assets turnover | |  | b. | current ratios | |  | c. | dividend payout ratios | |  | d. | return on assets |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 84. Name the three different types of businesses that operate for profit and their respective characteristics.   |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | |  |  | | --- | --- | | (1) | **Manufacturing**: These businesses change basic inputs into products to sell to individual customers. | | (2) | **Merchandising**: These businesses sell products to individual customers but do not make the products. The products are purchased from other businesses and resold to customers. | | (3) | **Service**: These businesses do not make or sell products. They provide services for fees. | | |

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| 85. Name and describe the three forms of businesses and their advantages and disadvantages (if any).   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | |  |  | | --- | --- | | (1) | **Proprietorship**: These businesses are owned by one individual. | |  | Advantages: There is ease and low cost of organizing proprietoships. | |  | Disadvantages: the financial resources available to this type of business are limited to the owners' resources and to borrowing | | (2) | **Corporation**: These businesses are organized under state or federal statutes as a separate legal entity. Ownership is divided into shares of stock. | |  | Advantages: Corporations have the ability to obtain large amounts of resources by issuing stock. | |  | Disadvantages: Dividend distributions from corporations are taxed twice. | | (3) | **Partnership**: These businesses are owned by two or more individuals. | |  | Advantages: Partnerships provide for pooling of talent. | |  | Disadvantages: A partnership may outgrow its ability to finance operations. | | |

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| 86. For each of the following companies, identify whether it is a service, merchandising, or manufacturing business.   |  |  | | --- | --- | | **A.** | **Dillards** | | ***B.*** | **Time Warner Cable** | | ***C.*** | **Kohl's** | | ***D.*** | **Ford Motor Co.** | | ***E.*** | **Applebee's** | | ***F.*** | **Sylvania** | | ***G.*** | **Best Buy** | | ***H.*** | **GAP** | | ***I.*** | **H & R Block** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | ​   |  |  | | --- | --- | | ***A.*** | **Merchandising** | | ***B.*** | **Service** | | ***C.*** | **Merchandising** | | ***D.*** | **Manufacturing** | | ***E.*** | **Service** | | ***F.*** | **Manufacturing** | | ***G.*** | **Merchandising** | | ***H.*** | **Merchandising** | | ***I.*** | **Service** | | |

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| 87. How do businesses make money? What strategies can they use to gain a competitive advantage?   |  |  | | --- | --- | | *ANSWER:* | Businesses have the objective of making money by generating more revenues than costs. Businesses can seek competitive advantage by using a *premium-price* strategy or by using a *low-cost* strategy. A *premium-price* strategy tries to meet a unique market need based on quality, reliability, image, or design, allowing it to charge a higher price. A *low-cost* strategy focuses on efficiency in product design and production to offer a lower price due to lower costs. | |

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| 88. Describe business stakeholders. State the classification of business stakeholders.   |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | Business stakeholders are persons or entities that have an interest in the economic performance of a company.   |  |  | | --- | --- | | (1) | Capital market stakeholder | | (2) | Product or service market stakeholder | | (3) | Government stakeholder | | (4) | Internal stakeholder | | |

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| 89. Indicate whether each of the following activities would be reported on the statement of cash flows as an operating activity, an investing activity, a financing activity, or does not appear on the statement of cash flows.   |  |  | | --- | --- | | (a) | Cash paid for building | | (b) | Cash paid to suppliers | | (c) | Cash paid for dividends | | (d) | Cash received from customers | | (e) | Cash received from the sale of capital stock | | (f) | Cash received from the sale of a building | | (g) | Borrowed cash from a bank |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | |  |  | | --- | --- | | (a) | Investing activity | | (b) | Operating activity | | (c) | Financing activity | | (d) | Operating activity | | (e) | Financing activity | | (f) | Investing activity | | (g) | Financing activity | | |

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| 90. Define accounting and its role in business.   |  |  | | --- | --- | | *ANSWER:* | Accounting provides information for managers that can be used in operations of a business. Accounting provides information to external stakeholders to use in assessing the economic performance and condition of the business. | |

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| 91. What is the basic accounting equation, and which financial statement is prepared from this equation?   |  |  | | --- | --- | | *ANSWER:* | Assets = Liabilities + Stockholders' Equity; the balance sheet is prepared from this equation. | |

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| 92. The following are the financial statement data for Degen Temporary Services at December 31, 20Y8. Prepare Degen's income statement.   |  |  | | --- | --- | | Accounts Payable | $  850 | | Accounts Receivable | 780 | | Cash | 425 | | Common Stock | 600 | | Dividends | 200 | | Insurance Expense | 75 | | Office Equipment | 1,500 | | Retained Earnings, January 1, 20Y8 | 370 | | Salaries Expense | 525 | | Notes Payable | 40 | | Service Revenue | 1,750 | | Inventory | 35 | | Supplies Expense | 50 |   ​   |  |  |  | | --- | --- | --- | | **Degen Temporary Services Income Statement** **For the Year Ended December 31, 20Y8** | | | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | ​   |  |  |  | | --- | --- | --- | | **Degen Temporary Services Income Statement** **For the Year Ended December 31, 20Y8** | | | | Revenues: |  |  | | Service Revenue |  | $1,750 | | Expenses: |  |  | | Salaries Expense | $525 |  | | Insurance Expense | 75 |  | | Supplies Expense | 50 |  | | Total Expenses |  | 650 | | Net income |  | $1,100 | | |

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| 93. Three different companies—A, B, and C—have the same balance sheet at the beginning and the end of a year. These are summarized as follows:   |  |  |  | | --- | --- | --- | |  | **Total Assets** | **Total Liabilities** | | Beginning of the year | $500,000 | $250,000 | | End of the year | $1,200,000 | $350,000 |     Given the data above and the additional information for each of the following companies, determine the net income (loss) for each company.   |  |  | | --- | --- | | Company A | No additional investment was made by stockholders, and no dividends were paid. | | Company B | Stockholders invested an additional $200,000, and no dividends were paid. | | Company C | Stockholders invested $450,000, and dividends of $50,000 were paid. |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | |  |  | | --- | --- | | Company A | Net income $600,000 | | Company B | Net income $400,000 | | Company C | Net income $200,000 | | |

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| 94. Fill in the missing amounts of the following balance sheet.   |  |  |  | | --- | --- | --- | | **Prova Company Balance Sheet December 31, 20Y8** | | | | Assets |  |  | | Cash |  | $ 3,300 | | Accounts Receivable |  | 2,400 | | Supplies |  | **(a)** | | Inventory |  | 5,700 | | Equipment |  | 7,400 | | Land |  | 9,250 | | Total Assets |  | $32,550 | | Liabilities |  |  | | Accounts Payable | $     850 |  | | Notes Payable | **(b)** |  | | Total Liabilities |  | $      **(c)** | | Stockholders' Equity |  |  | | Common Stock | $18,500 |  | | Retained Earnings | 4,200 |  | | Total Stockholders' Equity |  | 22,700 | | Total Liabilities and Stockholders' Equity |  | **$      (d)** |  |  |  | | --- | --- | | *ANSWER:* | (a) $4,500  (b) $9,000  (c) $9,850  (d) $32,550 | |

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| 95. Classify the following as an asset, liability, revenue, or expense.   |  |  | | --- | --- | | (1) | Unearned revenue | | (2) | Office equipment | | (3) | Wages payable | | (4) | Salary expense | | (5) | Dividends payable | | (6) | Art fees earned | | (7) | Prepaid rent | | (8) | Accounts receivable | | (9) | Income tax expense | | (10) | Office supplies |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | |  |  | | --- | --- | | (1) | Liability | | (2) | Asset | | (3) | Liability | | (4) | Expense | | (5) | Liability | | (6) | Revenue | | (7) | Asset | | (8) | Asset | | (9) | Expense | | (10) | Asset | | |

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| 96. Match the following items with the appropriate financial statement.   |  |  | | --- | --- | | a. | Income statement | | b. | Balance sheet | | c. | Retained earnings statement | | d. | Statement of cash flows |   ​   |  |  | | --- | --- | | (1) | Cash | | (2) | Salary expense | | (3) | Unearned revenue | | (4) | Depreciation expense | | (5) | Capital stock | | (6) | Cash flows from operating activities | | (7) | Accounts receivable | | (8) | Beginning balance of retained earnings | | (9) | Notes payable | | (10) | Accounts payable | | (11) | Changes in current assets and current liabilities | | (12) | Total expenses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | |  |  | | --- | --- | | (1) | Balance sheet | | (2) | Income statement | | (3) | Balance sheet | | (4) | Income statement | | (5) | Balance sheet | | (6) | Statement of cash flows | | (7) | Balance sheet | | (8) | Retained earnings statement | | (9) | Balance sheet | | (10) | Balance sheet | | (11) | Statement of cash flows | | (12) | Income statement | | |

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| 97. Review Coca-Cola's financial statements and answer the following questions:   |  |  | | --- | --- | | (1) | How are Coke's numbers reported (in what denomination)? | | (2) | What is Coke's net operating revenue for 2018? | | (3) | What is Coke's cost of goods sold for 2018? | | (4) | What is Coke's net income for 2018? | | (5) | What is Coke's percent of interest expense to net operating revenue on its 2018 income statement? | | (6) | What is Coke's percent of increase in net operating revenue from 2017 to 2018? |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | |  |  | | --- | --- | | (1) | In millions of dollars | | (2) | $31,856 | | (3) | $11,770 | | (4) | $6,727 | | (5) | 919/31,856 = 2.88% | | (6) | (31,856 - 35,410)/35,410 = -10.0% | | |

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| 98. Review Coca-Cola's financial statements and answer the following questions:   |  |  | | --- | --- | | (1) | What is Coke's percent of current assets to total assets on its December 31, 2018 balance sheet? | | (2) | What is Coke's percentage of current liabilities to total stockholders' equity on its December 31, 2018, balance sheet? | | (3) | What is the percentage increase in cash and cash equivalents from 2017 to 2018? | | (4) | What percentage did total assets decrease from 2017 to 2018? |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | |  |  | | --- | --- | | (1) | 30,634/83,216 = 36.81% | | (2) | 29,233/19,058 = 153.39% | | (3) | (8,926 – 6,006)/6,006 = 48.62% | | (4) | (83,216 – 87,896)/87,896 = (5.32%) | | |

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| 99. On May 31, 20X8, Deana's Services Company had account balances as follows:   |  |  | | --- | --- | | Accounts payable | $  9,900 | | Accounts receivable | 26,950 | | Cash | 11,390 | | Fees earned | 70,800 | | Insurance expense | 1,475 | | Land | 74,400 | | Miscellaneous expense | 1,510 | | Prepaid insurance | 2,000 | | Rent expense | 8,000 | | Salary expense | 35,300 | | Dividends | 15,100 | | Supplies | 950 | | Supplies expense | 825 | | Utilities expense | 3,800 | | Capital stock | 81,000 | | Retained earnings (beginning balance on May 1, 20Y8) | 20,000 |   Present, in good form, (a) an income statement for May, (b) a statement of shareholders' equity for May, and (c) a balance sheet as of May 31.   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | |  |  | | --- | --- | | (a) | | | Deana's Services Company Income Statement  For the Month Ended May 31, 20Y8 | | | Fees earned | $70,800 | | Operating expenses: |  | | Salary expense | $35,300 | | Rent expense | 8,000 | | Utilities expense | 3,800 | | Supplies expense | 825 | | Insurance expense | 1,475 | | Miscellaneous expense | 1,510 | | Total operating expenses | 50,910 | | Net income | $19,890 |   ​   |  |  | | --- | --- | | (b) | | | Deana's Services Company Statement of Retained Earnings For the Month Ended May 31, 20Y8 | | | Retained earnings, May 1, 20Y8 | $20,000 | | Net income for the month | 19,890 | | Subtotal | 39,890 | | Less dividends | 15,100 | | Retained earnings, May 31, 20Y8 | $24,790 |  |  | | --- | |  | | (c) |  |  |  |  |  |  | | --- | --- | --- | --- | --- | | Deana's Services Company Balance Sheet May 31, 20Y8 | | | | | | Assets |  |  | Liabilities |  | | Cash | $  11,390 |  | Accounts payable | $    9,900 | | Accounts receivable | 26,950 |  |  |  | | Prepaid insurance | 2,000 |  | Stockholders' Equity |  | | Supplies | 950 |  | Capital stock       $81,000 |  | | Land | 74,400 |  | Retained earnings 24,790 |  | |  |  |  | Total stockholders' equity | 105,790 | |  |  |  | Total liabilities and |  | | Total assets | $115,690 |  | stockholders' equity | $115,690 | | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| 100. Match each statement with the appropriate accounting concept. (Some items may not be used. Others may be used more than once.)   |  |  | | --- | --- | | a. | Accounting period concept | | b. | Adequate disclosure concept | | c. | Business entity concept | | d. | Cost concept | | e. | Going concern concept | | f. | Matching concept | | g. | Objectivity concept | | h. | Unit of measure concept |   ​   |  |  | | --- | --- | | (1) | Owners' transactions are separate from business transactions. | | (2) | Financial statements are prepared at the end of each year. | | (3) | Land purchased for $50,000, 10 years ago, is reported on the Balance Sheet at $50,000. | | (4) | December rent expense paid in January is reported with the December revenues. | | (5) | All transactions are recorded and reported in dollars. | | (6) | This provides a summary of significant accounting policies. | | (7) | This assumes that IBM will continue as a corporation forever. | | (8) | The length of time left on debt obligations is shown. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *ANSWER:* | |  |  | | --- | --- | | (1) | c | | (2) | a | | (3) | d | | (4) | f | | (5) | h | | (6) | b | | (7) | e | | (8) | b | | |

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| 101. From the following information for BlueInks Corporation, compute the rate on return of assets.   |  |  | | --- | --- | | Net income after tax | $30,548 | | Taxes | $6,785 | | Interest expense | $3,545 | | Total assets at beginning of year | $150,500 | | Total assets at end of year | $175,684 |  |  |  |  | | --- | --- | --- | |  | a. | 20.90% | |  | b. | 25.06% | |  | c. | 22.89% | |  | d. | 18.73% |  |  |  | | --- | --- | | *ANSWER:* | b | |