

Test Bank for Accounting Tools for Business Decision Making 5th Edition Kimmel Weygandt Kieso 1118128168 9781118128169

Full link download:

Test Bank:

<https://testbankpack.com/p/test-bank-for-accounting-tools-for-business-decision-making-5th-edition-kimmel-weygandt-kieso-1118128168-9781118128169/>

Solution Manual:

<https://testbankpack.com/p/solution-manual-for-accounting-tools-for-business-decision-making-5th-edition-kimmel-weygandt-kieso-1118128168-9781118128169/>

Chapter 1

INTRODUCTION TO FINANCIAL STATEMENTS

SUMMARY OF QUESTIONS BY LEARNING OBJECTIVE AND BLOOM'S TAXONOMY

Item	LO	BT	Item	LO	BT	Item	LO	BT	Item	LO	BT	Item	LO	BT
True-False Statements														
1.	1	K	9.	2	K	17.	3	K	25.	4	K	33.	5	K
2.	1	K	10.	2	K	18.	3	C	26.	4	K	34.	5	K
3.	1	K	11.	2	K	19.	3	K	27.	5	K	35.	6	K
4.	1	K	12.	3	K	20.	4	K	28.	5	C	36.	6	K
5.	1	K	13.	3	K	21.	4	K	29.	5	C	37.	6	K
6.	2	K	14.	3	K	22.	4	K	30.	5	C	38.	6	K
7.	2	K	15.	3	K	23.	4	K	31.	5	C	39.	6	K
8.	2	K	16.	3	K	24.	4	K	32.	5	C	40.	6	C
Multiple Choice Questions														
41.	1	K	68.	2	K	95.	4	AP	122.	4	AP	149.	5	K
42.	1	K	69.	2	K	96.	4	K	123.	4	AN	150.	5	C
43.	1	K	70.	2	K	97.	3	C	124.	4	AN	151.	5	C
44.	1	K	71.	2	K	98.	3	C	125.	5	K	152.	5	C
45.	1	K	72.	2	C	99.	4	K	126.	5	K	153.	5	AP
46.	1	K	73.	2	K	100.	4	K	127.	5	K	154.	5	AP
47.	1	K	74.	2	K	101.	4	K	128.	5	AP	155.	5	AP
48.	1	K	75.	2	C	102.	4	C	129.	5	AP	156.	5	AP
49.	1	K	76.	3	C	103.	4	K	130.	5	AP	157.	5	AP
50.	1	K	77.	3	C	104.	4	C	131.	5	AP	158.	5	AP
51.	1	C	78.	3	K	105.	4	K	132.	5	AN	159.	4	K
52.	1	C	79.	3	K	106.	4	K	133.	5	AN	160.	5	K
53.	1	K	80.	3	K	107.	4	K	134.	5	AN	161.	5	AN
54.	1	K	81.	3	K	108.	4	K	135.	5	AN	162.	5	AN
55.	2	C	82.	3	K	109.	4	C	136.	5	AN	163.	5	AN
56.	2	K	83.	3	K	110.	5	K	137.	5	K	164.	5	AN
57.	2	K	84.	3	K	111.	4	K	138.	4	K	165.	5	AN
58.	2	K	85.	3	K	112.	4	K	139.	5	K	166.	6	K
59.	2	K	86.	3	K	113.	4	C	140.	5	K	167.	6	K
60.	2	K	87.	3	K	114.	4	K	141.	5	K	168.	6	K
61.	2	K	88.	3	K	115.	4	C	142.	3	K	169.	6	K
62.	2	K	89.	3	K	116.	4	K	143.	5	K	170.	6	K
63.	2	K	90.	3	K	117.	4	K	144.	5	K	171.	6	K
64.	2	K	91.	3	K	118.	4	C	145.	5	K	172.	6	K

Completion Statements											
202.	1	K	204.	3	K	206.	5	K	208.	5	K
203.	2	K	205.	5	K	207.	5	K	209.	6	K
Matching											
210.	1-6	K									
Short Answer Essay											
211.	1	K	214.	2	K	217.	5	AN	220.	6	C
212.	1	C	215.	5	C	218.	5	K	221.	6	E
213.	2	C	216.	5	C	219.	5	C	222.	4	C

*This topic is dealt with in an Appendix to the chapter.

SUMMARY OF LEARNING OBJECTIVES BY QUESTION TYPE

Learning Objective 1											
Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
1.	TF	5.	TF	44.	MC	48.	MC	52.	MC	202.	CS
2.	TF	41.	MC	45.	MC	49.	MC	53.	MC	210.	Ma
3.	TF	42.	MC	46.	MC	50.	MC	54.	MC	211.	SA
4.	TF	43.	MC	47.	MC	51.	MC	175.	BE	212.	SA
Learning Objective 2											
Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
6.	TF	55.	MC	61.	MC	67.	MC	73.	MC	214.	SA
7.	TF	56.	MC	62.	MC	68.	MC	74.	MC		
8.	TF	57.	MC	63.	MC	69.	MC	75.	MC		
9.	TF	58.	MC	64.	MC	70.	MC	203.	CS		
10.	TF	59.	MC	65.	MC	71.	MC	210.	Ma		
11.	TF	60.	MC	66.	MC	72.	MC	213.	SA		
Learning Objective 3											
Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
12.	TF	18.	TF	80.	MC	86.	MC	92.	MC	204.	CS
13.	TF	19.	TF	81.	MC	87.	MC	93.	MC	210.	Ma
14.	TF	76.	MC	82.	MC	88.	MC	97.	MC		
15.	TF	77.	MC	83.	MC	89.	MC	98.	MC		
16.	TF	78.	MC	84.	MC	90.	MC	142.	MC		
17.	TF	79.	MC	85.	MC	91.	MC	176.	BE		

Learning Objective 4

Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
20.	TF	96.	MC	107.	MC	117.	MC	146.	MC	193.	Ex
21.	TF	99.	MC	108.	MC	118.	MC	147.	MC	194.	Ex
22.	TF	100.	MC	109.	MC	119.	MC	148.	MC	195.	Ex
23.	TF	101.	MC	111.	MC	120.	MC	159.	MC	196.	Ex
24.	TF	102.	MC	112.	MC	121.	MC	177.	BE	197.	Ex
25.	TF	103.	MC	113.	MC	122.	MC	178.	BE	210.	Ma
26.	TF	104.	MC	114.	MC	123.	MC	180.	BE	222.	SA
94.	MC	105.	MC	115.	MC	124.	MC	181.	BE		
95.	MC	106.	MC	116.	MC	138.	MC	192.	Ex		

Learning Objective 5

Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
27.	TF	130.	MC	144.	MC	161.	MC	187.	BE	215.	SA
28.	TF	131.	MC	145.	MC	162.	MC	188.	BE	216.	SA
29.	TF	132.	MC	146.	MC	163.	MC	189.	BE	217.	SA
30.	TF	133.	MC	149.	MC	164.	MC	190.	BE	218.	SA
31.	TF	134.	MC	150.	MC	165.	MC	191.	BE	219.	SA
32.	TF	135.	MC	151.	MC	177.	BE	196.	Ex	210.	Ma
33.	TF	136.	MC	152.	MC	178.	BE	198.	Ex		
34.	TF	137.	MC	153.	MC	179.	BE	199.	Ex		
110.	MC	138.	MC	154.	MC	180.	BE	200.	Ex		
125.	MC	139.	MC	155.	MC	182.	BE	201.	Ex		
126.	MC	140.	MC	156.	MC	183.	BE	205.	CS		
127.	MC	141.	MC	157.	MC	184.	BE	206.	CS		
128.	MC	142.	MC	158.	MC	185.	BE	207.	CS		
129.	MC	143.	MC	160.	MC	186.	BE	208.	CS		

Learning Objective 6

Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
35.	TF	39.	TF	168.	MC	172.	MC	210.	Ma		
36.	TF	40.	TF	169.	MC	173.	MC	220.	SA		
37.	TF	166.	MC	170.	MC	174.	MC	221.	SA		
38.	TF	167.	MC	171.	MC	209.	CS				

Note: TF = True-False
 MC = Multiple Choice
 Ma = Matching

C = Completion
 Ex = Exercise
 SA = Short Answer Essay

CHAPTER LEARNING OBJECTIVES

1. **Describe the primary forms of business organization.** A sole proprietorship is a business owned by one person. A partnership is a business owned by two or more people associated as partners. A corporation is a separate legal entity for which evidence of ownership is provided by shares of stock.
2. **Identify the users and uses of accounting information.** Internal users are managers who need accounting information to plan, organize, and run business operations. The primary external users are investors and creditors. Investors (stockholders) use accounting information to help them decide whether to buy, hold, or sell shares of a company's stock. Creditors (suppliers and bankers) use accounting information to assess the risk of granting credit or loaning money to a business. Other groups who have an indirect interest in a business are taxing authorities, customers, labor unions, and regulatory agencies.
3. **Explain the three principal types of business activity.** Financing activities involve collecting the necessary funds to support the business. Investing activities involve acquiring the resources necessary to run the business. Operating activities involve putting the resources of the business into action to generate a profit.
4. **Describe the content and purpose of each of the financial statements.** An income statement presents the revenues and expenses of a company for a specific period of time. A retained earnings statement summarizes the changes in retained earnings that have occurred for a specific period of time. A balance sheet reports the assets, liabilities, and stockholders' equity of a business at a specific date. A statement of cash flows summarizes information concerning the cash inflows (receipts) and outflows (payments) for a specific period of time.
5. **Explain the meaning of assets, liabilities, and stockholders' equity, and state the basic accounting equation.** Assets are resources owned by a business. Liabilities are the debts and obligations of the business. Liabilities represent claims of creditors on the assets of the business. Stockholders' equity represents the claims of owners on the assets of the business. Stockholders' equity is subdivided into two parts: common stock and retained earnings. The basic accounting equation is:
$$\text{Assets} = \text{Liabilities} + \text{Stockholders' Equity}$$
6. **Describe the components that supplement the financial statements in an annual report.** The management discussion and analysis provides management's interpretation of the company's results and financial position as well as a discussion of plans for the future. Notes to the financial statements provide additional explanation or detail to make the financial statements more informative. The auditor's report expresses an opinion as to whether the

TRUE-FALSE STATEMENTS

1. A business organized as a separate legal entity owned by stockholders is a partnership.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

2. Corporate stockholders generally pay higher taxes but have no personal liability.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

3. The liability of corporate stockholders is limited to the amount of their investment.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

4. The majority of U.S. business is transacted by proprietorships.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

5. Proprietorships in the United States generate more revenue than the other two forms of business enterprise.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

6. Owners of business firms are the only people who need accounting information.

Ans: F, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

7. Management of a business enterprise is the major external user of information.

Ans: F, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

8. External users of accounting information are managers who plan, organize, and run a business.

Ans: F, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

9. The information needs and questions of external users vary considerably.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

10. Accounting communicates financial information about a business to both internal and external users.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

11. Two primary external users of accounting information are investors and creditors.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

12. Financing activities for corporations include borrowing money and selling shares of their own stock.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

14. The purchase of equipment is an example of a financing activity.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

15. Assets are resources owned by a business and provide future services or benefits to the business.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

16. Payments to owners are operating activities.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

17. The economic resources that are owned by a business are called stockholders' equity.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

18. Operating activities involve putting the resources of the business into action to generate a profit.

Ans: T, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

19. A business is usually involved in two types of activity—financing and investing.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

20. Net income for the period is determined by subtracting total expenses and dividends from revenues.

Ans: F, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

21. A different set of financial statements usually is prepared for each user.

Ans: F, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

22. The heading for the income statement might include the line "As of December 31, 20xx."

Ans: F, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

23. Net income is another term for revenue.

Ans: F, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

24. Cash is another term for stockholders' equity.

Ans: F, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

25. The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments of a company for a specific period of time.

Ans: T, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

26. The balance sheet reports assets and claims to those assets at a specific point in time.

Ans: T, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

27. The basic accounting equation states that $\text{Assets} = \text{Liabilities}$.

Ans: F, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

28. One way of stating the accounting equation is: $\text{Assets} + \text{Liabilities} = \text{Stockholders' Equity}$.

Ans: F, LO: 5, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

29. The accounting equation can be expressed as $\text{Assets} - \text{Stockholders' Equity} = \text{Liabilities}$.

Ans: T, LO: 5, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

30. The accounting equation can be expressed as $\text{Assets} - \text{Liabilities} = \text{Stockholders' Equity}$.

Ans: T, LO: 5, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

31. If the assets owned by a business total \$150,000 and liabilities total \$105,000, stockholders' equity totals \$45,000.

Ans: T, LO: 5, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Business Economics

32. If the assets owned by a business total \$100,000 and liabilities total \$65,000, stockholders' equity totals \$25,000.

Ans: F, LO: 5, Bloom: C, Difficulty: Easy, Min: 1, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Business Economics

33. Claims of creditors and owners on the assets of a business are called liabilities.

Ans: F, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

34. Creditors' rights to assets supersede owners' rights to the assets.

Ans: T, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

35. All publicly traded U.S. companies must provide their stockholders with an annual report each year.

Ans: T, LO: 6, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

36. Information in the notes to the financial statements has to be quantifiable (numeric).

Ans: F, LO: 6, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

37. An auditor is an accounting professional who conducts an independent examination of the accounting data presented by a company.

Ans: T, LO: 6, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Professional Demeanor, IMA: Reporting

38. The management discussion and analysis (MD & A) section of an annual report covers various financial aspects of a company.

Ans: T, LO: 6, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Communications, IMA: Reporting

39. Explanatory notes and supporting schedules are an optional part of an annual report.

Ans: F, LO: 6, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Communications, IMA: Reporting

40. Examples of notes are descriptions of the significant accounting policies and methods used in preparing the statements, explanations of contingencies, and various statistics.

Ans: T, LO: 6, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Communications, IMA: Reporting

Answers to True-False Statements

1. F	9. T	17. F	25. T	33. F
2. T	10. T	18. T	26. T	34. T
3. T	11. T	19. F	27. F	35. T
4. F	12. T	20. F	28. F	36. F
5. F	13. F	21. F	29. T	37. T
6. F	14. F	22. F	30. T	38. T
7. F	15. T	23. F	31. T	39. F
8. F	16. F	24. F	32. F	40. T

MULTIPLE CHOICE QUESTIONS

41. The proprietorship form of business organization
- must have at least two owners in most states.
 - generally receives favorable tax treatment relative to a corporation.
 - combines the records of the business with the personal records of the owner.
 - is classified as a separate legal entity.

Ans: B, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

42. A business organized as a corporation
- is not a separate legal entity in most states.
 - requires that stockholders be personally liable for the debts of the business.
 - is owned by its stockholders.
 - has tax advantages over a proprietorship or partnership.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

43. The partnership form of business organization
- is a separate legal entity.
 - is a common form of organization for service-type businesses.
 - enjoys an unlimited life.
 - has limited liability.

Ans: B, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

44. Which of the following is **not** one of the three forms of business organization?
- Corporations
 - Partnerships
 - Proprietorships
 - Investors

Ans: D, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

45. Most business enterprises in the United States are
- proprietorships and partnerships.
 - partnerships.
 - corporations.
 - government units.

Ans: A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

46. A business organized as a separate legal entity is a
- corporation.
 - proprietor.
 - government unit.
 - partnership.

Ans: A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

47. Which of the following is **not** an advantage of the corporate form of business organization?
- No personal liability
 - Easy to transfer ownership
 - Favorable tax treatment
 - Easy to raise funds

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

48. An advantage of the corporate form of business is that
- it has limited life.
 - its owner's personal resources are at stake.
 - its ownership is easily transferable via the sale of shares of stock.
 - it is simple to establish.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

49. Which of the following is an advantage of corporations relative to partnerships and sole proprietorships?
- Reduced legal liability for investors
 - Harder to transfer ownership
 - Lower taxes
 - Most common form of organization

Ans: A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

50. A corporation has which of the following set of characteristics?
- Shared control, tax advantages, increased skills and resources
 - Simple to set up and maintains control with founder
 - Easier to transfer ownership and raise funds, no personal liability
 - Harder to raise funds and gives owner control

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

51. A small neighborhood barber shop that is operated by its owner would likely be organized as a
- joint venture.
 - partnership.
 - corporation.
 - proprietorship.

Ans: D, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

52. A local retail shop has been operating as a sole proprietorship. The business is growing and now the owner wants to incorporate. Which of the following is **not** a reason for this owner to incorporate?
- Ability to raise capital for expansion
 - Desire to limit the owner's personal liability
 - The prestige of operating as a corporation
 - The ease in transferring shares of the corporation's stock

Ans: C, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

53. All of the following are advantages for choosing a proprietorship for a business **except**
- a proprietorship is a simple form of business to set up.
 - a proprietorship gives the owner control of the business.
 - proprietorship receive more favorable tax treatment.
 - transfer of ownership is easily achieved through stock sales.

Ans: D, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

54. Jack and Jill form a partnership. Jack runs the business in New York, while Jill vacations in Hawaii. During the time Jill is away from the business, Jack increases the debts of the business by \$20,000. Which of the following statements is **true** regarding this debt?
- Only Jack is personally liable for the debt, since he has been the managing partner during that time.
 - Only Jill is personally liable for the debt of the business, since Jack has been working and she has not.
 - Both Jack and Jill are personally liable for the business debt.
 - Neither Jack nor Jill is personally liable for the business debt, since the partnership is a separate legal entity.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

55. Which one of the following questions is **most** likely asked by an internal human resources director for the company?
- Which product line is most profitable?
 - What price for our product will maximize the company income?
 - What average pay raise is affordable for employees this year?
 - Should any product lines be eliminated?

Ans: C, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

56. Which of the following are internal reports that accounting provides to internal users?
- Forecasts of cash needs for next year.
 - Financial comparisons of operating activity alternatives.
 - Both forecasts of cash needs and financial comparisons are internal reports.
 - Neither forecasts of cash needs or financial comparisons is an internal report.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

57. Which of the following is the **best** definition of an internal user of accounting information?
- Investors who use accounting information to decide whether to buy or sell stock.
 - Creditors like banks that use accounting information to evaluate the risk of lending money.
 - Labor unions who use accounting information to examine the ability of the company to pay increased wages and benefits.
 - Managers who use accounting information to plan, organize, and run a business.

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

58. External users of accounting information, like the Internal Revenue Service, are most commonly known as
- taxing authorities.
 - labor unions.
 - customers.
 - regulatory agencies.

Ans: A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

59. Which of the following statements is **not** true regarding the Sarbanes-Oxley Act (SOX)?
- The Act calls for increased oversight responsibilities for boards of directors.
 - The Act has resulted in increased penalties for financial fraud by top management.
 - The Act calls for decreased independence of outside auditors reviewing corporate financial statements.
 - The Act is meant to decrease the likelihood of unethical corporate behavior.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Ethics, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

60. Which of the following is **not** a step for solving an ethical dilemma?
- Identifying the alternatives and weighing the impact of each alternative on various stakeholders.
 - Certifying the ethical accuracy of the financial information.
 - Identifying and analyzing the principal elements in the situation.
 - Recognizing the ethical situation and issues involved.

Ans: B, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Ethics, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Professional Demeanor, IMA: Reporting

61. Which of the following is the most appropriate and modern definition of accounting?
- The information system that identifies, records, and communicates the economic events of an organization to interested users.
 - A means of collecting information.
 - The interconnected network of subsystems necessary to operate a business.
 - Electronic collection, organization, and communication of vast amounts of information.

Ans: A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

62. Which of the following would **not** be considered an internal user of accounting data for the Xanadu Company?
- President of the company
 - Production manager
 - Merchandise inventory clerk
 - President of the employees' labor union

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

63. Which of the following groups uses accounting information primarily to insure the entity is operating within prescribed rules?
- Taxing authorities
 - Regulatory agencies
 - Labor Unions
 - Management

Ans: B, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Professional Demeanor, IMA: Reporting

64. The group of users of accounting information charged with achieving the goals of the business is its
- auditors.
 - investors.
 - managers.
 - creditors.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Economics

65. Which of the following groups uses accounting information to determine whether the company can pay its obligations?
- Investors in common stock
 - Marketing managers
 - Creditors
 - Chief Financial Officer

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

66. Which of the following groups uses accounting information to determine whether the company's net income will result in a stock price increase?
- Investors in common stock
 - Marketing managers
 - Creditors
 - Chief Financial Officer

Ans: A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

67. Which of the following groups uses accounting information to determine whether a marketing proposal will be cost effective?
- Investors in common stock
 - Marketing managers
 - Creditors
 - Chief Financial Officer

Ans: B, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Project Management, IMA: Business Economics

68. Which of the following would **not** be considered an external user of accounting data for the Julian Company?
- a. Internal Revenue Service agent
 - b. Management
 - c. Creditors
 - d. Customers

Ans: B, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

69. Which of the following would **not** be considered an internal user of accounting data for a company?
- a. The president of a company
 - b. The controller of a company
 - c. Creditor of a company
 - d. Salesperson of a company

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

70. Which of the following is a primary user of accounting information with a direct financial interest in the business?
- a. Taxing authority
 - b. Creditor
 - c. Regulatory agency
 - d. Labor union

Ans: B, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

71. Which of the following is a user of accounting information with an indirect financial interest in a business?
- a. A financial adviser
 - b. Management
 - c. Investor
 - d. Creditor

Ans: A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

72. Which type of corporate information is readily available to investors?
- a. Financial comparison of operating alternatives
 - b. Marketing strategies for a product that will be introduced in eighteen months
 - c. Forecasts of cash needs for the upcoming year
 - d. Amount of net income retained in the business

Ans: D, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

73. Which of the following statements concerning users of accounting information is **incorrect**?
- a. Management is considered an internal user.
 - b. Present creditors are considered external users.
 - c. Regulatory authorities are considered internal users.
 - d. Taxing authorities are considered external users.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

74. External users want answers to all of the following questions **except**
- Is the company earning satisfactory income?
 - Will the company be able to pay its debts as they come due?
 - Will the company be able to afford employee pay raises this year?
 - How does the company compare in profitability with competitors?

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

75. Which type of corporate information is not available to investors?
- Dividend history
 - Forecast of cash needs for the upcoming year
 - Cash provided by investing activities
 - Beginning cash balance

Ans: B, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

76. The liability created by a business when it purchases coffee beans and coffee cups on credit from suppliers is termed a(n)
- account payable.
 - account receivable.
 - revenue.
 - expense.

Ans: A, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

77. The right to receive money in the future is called a(n)
- account payable.
 - account receivable.
 - liability.
 - revenue.

Ans: B, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

78. Which of the following is **not** a principal type of business activity?
- Operating
 - Investing
 - Financing
 - Delivering

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

79. Borrowing money is an example of a(n)
- delivering activity.
 - financing activity.
 - investing activity.
 - operating activity.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

80. Issuing shares of stock in exchange for cash is an example of a(n)
- delivering activity.
 - investing activity.
 - financing activity.
 - operating activity.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

81. Debt securities sold to investors that must be repaid at a particular date some years in the future are called
- accounts payable.
 - notes receivable.
 - taxes payable.
 - bonds payable.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

82. Which of the following activities involves collecting the necessary funds to support the business?
- Operating
 - Investing
 - Financing
 - Delivering

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

83. Buying assets needed to operate a business is an example of a(n)
- delivering activity.
 - financing activity.
 - investing activity.
 - operating activity.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

84. Which activities involve acquiring the resources to run the business?
- Delivering
 - Financing
 - Investing
 - Operating

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

85. Which activities involve putting the resources of the business into action to generate a profit?
- Delivering
 - Financing
 - Investing
 - Operating

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

86. The statement of cash flows would disclose the payment of a dividend
- nowhere on the statement.
 - in the operating activities section.
 - in the investing activities section.
 - in the financing activities section.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

87. Buying and selling products are examples of
- operating activities.
 - investing activities.
 - financing activities.
 - delivering activities.

Ans: A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

88. The common characteristic possessed by all assets is
- long life.
 - great monetary value.
 - tangible nature.
 - future economic benefit.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

89. Expenses are incurred
- only on rare occasions.
 - to produce assets.
 - to produce liabilities.
 - to generate revenues.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

90. The cost of assets consumed or services used is also known as
- a revenue.
 - an expense.
 - a liability.
 - an asset.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

91. Resources owned by a business are referred to as
- stockholders' equity.
 - liabilities.
 - assets.
 - revenues.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

93. Debts and obligations of a business are referred to as
- assets.
 - equities.
 - liabilities.
 - expenses.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

94. Jackson Company recorded the following cash transactions for the year: Paid \$135,000 for salaries. Paid \$60,000 to purchase office equipment. Paid \$15,000 for utilities. Paid \$6,000 in dividends. Collected \$245,000 from customers. What was Jackson's net cash provided by operating activities?
- \$95,000
 - \$35,000
 - \$110,000
 - \$89,000

Ans: A, LO: 4, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution: \$245,000 \$135,000 \$15,000 \$95,000

95. Gibson Company recorded the following cash transactions for the year: Paid \$180,000 for salaries. Paid \$80,000 to purchase office equipment. Paid \$20,000 for utilities. Paid \$8,000 in dividends. Collected \$310,000 from customers. What was Gibson's net cash provided by operating activities?
- \$110,000
 - \$30,000
 - \$130,000
 - \$102,000

Ans: A, LO: 4, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution: \$310,000 \$180,000 \$20,000 \$110,000

96. When expenses exceed revenues, which of the following is **true**?
- a net loss results
 - a net income results
 - assets equal liabilities
 - assets are increased

Ans: A, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

98. Which of the following is **not** a liability?
- Unearned Service Revenue
 - Accounts Payable
 - Accounts Receivable
 - Interest Payable

Ans: C, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

99. Which of the following financial statements is divided into major categories of operating, investing, and financing activities?
- The income statement.
 - The balance sheet.
 - The retained earnings statement.
 - The statement of cash flows.

Ans: D, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

100. The retained earnings statement shows all of the following **except**
- the amounts of changes in retained earnings during the period.
 - the causes of changes in retained earnings during the period.
 - the time period following the one shown for the income statement.
 - beginning retained earnings on the first line of the statement.

Ans: C, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

101. Ending retained earnings for a period is equal to beginning
- Retained earnings + Net income + Dividends
 - Retained earnings – Net income – Dividends
 - Retained earnings + Net income – Dividends
 - Retained earnings – Net income + Dividends

Ans: C, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

102. Which of the following statements is **true**?
- Amounts received from issuing stock are revenues.
 - Amounts paid out as dividends are not expenses.
 - Amounts paid out as dividends are reported on the income statement.
 - Amounts received from issued stock are reported on the income statement.

Ans: B, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

103. Dividends are reported on the
- income statement.
 - retained earnings statement.
 - balance sheet.
 - income statement and balance sheet.

Ans: B, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

104. Dividends paid
- a. increase assets.
 - b. increase expenses.
 - c. decrease revenues.
 - d. decrease retained earnings.

Ans: D, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

105. The financial statement that summarizes the changes in retained earnings for a specific period of time is the
- a. balance sheet.
 - b. income statement.
 - c. statement of cash flows.
 - d. retained earnings statement.

Ans: D, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

106. To show how successfully your business performed during a period of time, you would report its revenues and expenses in the
- a. balance sheet.
 - b. income statement.
 - c. statement of cash flows.
 - d. retained earnings statement.

Ans: B, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

107. Net income results when
- a. Assets > Liabilities.
 - b. Revenues = Expenses.
 - c. Revenues > Expenses.
 - d. Revenues < Expenses.

Ans: C, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

108. Net income will result during a time period when
- a. assets exceed liabilities.
 - b. assets exceed revenues.
 - c. expenses exceed revenues.
 - d. revenues exceed expenses.

Ans: D, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

109. Retained earnings at the end of the period is equal to
- a. retained earnings at the beginning of the period plus net income minus liabilities.
 - b. retained earnings at the beginning of the period plus net income minus dividends.
 - c. net income.
 - d. assets plus liabilities.

Ans: B, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

110. Which of the following financial statements is concerned with the company at a point in time?
- Balance sheet
 - Income statement
 - Retained earnings statement
 - Statement of cash flows

Ans: A, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

111. The company's policy toward dividends and growth could best be determined by examining the
- balance sheet.
 - income statement.
 - retained earnings statement.
 - statement of cash flows.

Ans: C, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

112. An income statement
- summarizes the changes in retained earnings for a specific period of time.
 - reports the changes in assets, liabilities, and stockholders' equity over a period of time.
 - reports the assets, liabilities, and stockholders' equity at a specific date.
 - presents the revenues and expenses for a specific period of time.

Ans: D, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

113. If the retained earnings account increases from the beginning of the year to the end of the year, then
- net income is less than dividends.
 - a net loss is less than dividends.
 - additional investments are less than net losses.
 - net income is greater than dividends.

Ans: D, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

114. The retained earnings statement would **not** show
- the retained earnings beginning balance.
 - revenues and expenses.
 - dividends.
 - the ending retained earning balance.

Ans: B, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

115. If the retained earnings account decreases from the beginning of the year to the end of the year, then
- net income is less than dividends.
 - there was a net income and no dividends.
 - additional investments are less than net losses.
 - net income is greater than dividends.

Ans: A, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

116. Which financial statement is prepared first?
- Balance sheet
 - Income statement
 - Retained earnings statement
 - Statement of cash flows

Ans: B, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

117. An income statement shows
- revenues, liabilities, and stockholders' equity.
 - expenses, dividends, and stockholders' equity.
 - revenues, expenses, and net income.
 - assets, liabilities, and stockholders' equity.

Ans: C, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

118. In a study session, a classmate makes this statement "Dividends are listed as expenses on the income statement." What is your **best** response to this statement?
- I've been struggling with that concept and I feel that dividends should be shown on the balance sheet as assets.
 - You are right. Revenues and expenses are shown on the income statement. Dividends are a cost of generating revenues and that makes them an expense. Why else would a corporation pay dividends?
 - Dividends represent a portion of corporate profits that are paid to the shareholders. They belong on the retained earnings statement.
 - Dividends are deducted from retained earnings on the balance sheet.

Ans: C, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

119. Henson Company began the year with retained earnings of \$330,000. During the year, the company recorded revenues of \$500,000, expenses of \$380,000, and paid dividends of \$40,000. What was Henson's retained earnings at the end of the year?
- \$490,000
 - \$410,000
 - \$790,000
 - \$450,000

Ans: B, LO: 4, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution: $\$330,000 + (\$500,000 - \$380,000) - \$40,000 = \$410,000$

120. Pinson Company began the year with retained earnings of \$570,000. During the year, the company recorded revenues of \$600,000, expenses of \$380,000, and paid dividends of \$140,000. What was Pinson's retained earnings at the end of the year?
- \$930,000
 - \$650,000
 - \$1,030,000
 - \$500,000

Ans: B, LO: 4, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution: $\$570,000 + (\$600,000 - \$380,000) - \$140,000 = \$650,000$

121. Finney Company began the year by issuing \$40,000 of common stock for cash. The company recorded revenues of \$370,000, expenses of \$320,000, and paid dividends of \$20,000. What was Finney's net income for the year?
- \$30,000
 - \$70,000
 - \$50,000
 - \$90,000

Ans: C, LO: 4, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution: $\$370,000 - \$320,000 - \$50,000$

122. Lankston Company began the year by issuing \$90,000 of common stock for cash. The company recorded revenues of \$825,000, expenses of \$720,000, and paid dividends of \$45,000. What was Lankston's net income for the year?
- \$60,000
 - \$150,000
 - \$105,000
 - \$195,000

Ans: C, LO: 4, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution: $\$825,000 - \$720,000 - \$105,000$

123. Gilkey Corporation began the year with retained earnings of \$465,000. During the year, the company issued \$630,000 of common stock, recorded expenses of \$1,800,000, and paid dividends of \$120,000. If Gilkey's ending retained earnings was \$495,000, what was the company's revenue for the year?
- \$1,830,000
 - \$1,950,000
 - \$2,460,000
 - \$2,580,000

Ans: B, LO: 4, Bloom: AN, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution: $\$495,000 + \$120,000 + \$1,800,000 - \$465,000 = \$1,950,000$

124. Kilmer Corporation began the year with retained earnings of \$620,000. During the year, the company issued \$840,000 of common stock, recorded expenses of \$2,400,000, and paid dividends of \$160,000. If Kilmer's ending retained earnings was \$660,000, what was the company's revenue for the year?
- \$2,440,000
 - \$2,600,000
 - \$3,280,000
 - \$33,440,000

Ans: B, LO: 4, Bloom: AN, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution: $\$660,000 + \$160,000 + \$2,400,000 - \$620,000 = \$2,600,000$

125. A balance sheet shows
- revenues, liabilities, and stockholders' equity.
 - expenses, dividends, and stockholders' equity.
 - revenues, expenses, and dividends.
 - assets, liabilities, and stockholders' equity.

Ans: D, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

126. The accounting equation may be expressed as
- Assets = Stockholders' Equity – Liabilities.
 - Assets = Liabilities + Stockholders' Equity.
 - Assets + Liabilities = Stockholders' Equity.
 - Assets + Stockholders' Equity = Liabilities.

Ans: B, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

127. Which of the following is **not** a satisfactory statement of the accounting equation?
- Assets = Stockholders' Equity – Liabilities
 - Assets = Liabilities + Stockholders' Equity
 - Assets - Liabilities = Stockholders' Equity
 - Assets - Stockholders' Equity = Liabilities

Ans: A, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

128. Jimmy's Repair Shop started the year with total assets of \$200,000 and total liabilities of \$160,000. During the year the business recorded \$420,000 in revenues, \$220,000 in expenses, and dividends of \$40,000. Stockholders' equity at the end of the year was
- \$240,000.
 - \$200,000.
 - \$160,000.
 - \$180,000.

Ans: B, LO: 5, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution: (\$200,000 - \$160,000) + (\$420,000 - \$220,000) - \$40,000 = \$200,000

129. Jimmy's Repair Shop started the year with total assets of \$200,000 and total liabilities of \$160,000. During the year the business recorded \$420,000 in revenues, \$220,000 in expenses, and dividends of \$40,000. The net income reported by Jimmy's Repair Shop for the year was
- \$160,000.
 - \$200,000.
 - \$120,000.
 - \$380,000.

Ans: B, LO: 5, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution: \$420,000 - \$220,000 - \$40,000 = \$160,000

130. Ashley's Accessory Shop started the year with total assets of \$140,000 and total liabilities of \$80,000. During the year the business recorded \$220,000 in revenues, \$110,000 in expenses, and dividends of \$40,000. Stockholders' equity at the end of the year was
- \$120,000.
 - \$110,000.
 - \$130,000.
 - \$70,000.

Ans: C, LO: 5, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory Perspective, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting