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|   | 1. If during the current accounting period the company's assets increased by $24,000 and equity increased by $5,000, then how did liabilities change?
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| Question 1 answers

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| --- | --- |
|  | 1. Increased by $29,000
 |
|  |  B. Increased by $24,000  |
|  |  C. Decreased by $5,000  |
|  |  E. Decreased by $19,000  |
|   |  F.Increased by $19,000  |

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|   | 2. Purchasing equipment on account (payment to be made in the future) will have what effect on the components of the accounting equation?  |  |  |  |  |
| Question 2 answers

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| --- | --- |
| A. | Increase in equipment (assets) and a decrease in equity  |
| B | Increase in equipment (assets) and an increase in equity  |
| C | Increase in equipment (assets) and an increase in liabilities  |
| D | Increase in equipment (assets) and a decrease in liabilities  |
| E. | None of the above  |

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|   | 3.Which of the following financial statements refers to a specific date (point in time)?  |  |  |  |  |
| Question 3 answers

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| --- | --- |
| A. | Income statement  |
| B. | Statement of owner's equity  |
| C. | Statement of cash flows  |
| D. | Balance Sheet  |
| E. | Answers A, B & C are all correct  |

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|   | 4. The basic accounting equation is Assets = Liabilities + Equity. The Equity term of the equation can be further broken down into several other terms. Assume that the entity is a sole proprietorship. Which of the following statements is correct?  |  |  |  |  |
| Question 4 answers

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| --- | --- |
| A. | Additional investments by the business owner will increase equity; and revenues will decrease equity.  |
| B. | Additional investments by the business owner will decrease equity; and revenues will increase equity.  |
| C. | Increases in expenses will decrease equity; and owner withdrawals will decrease equity.  |
| D. | Revenues will increase equity; and owner withdrawals will increase equity.  |
| E. | Revenues will decrease equity; and owner withdrawals will increase equity.  |

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|   | 5. Assume that a company's beginning owner's capital was $20,000. During the period, withdrawals were $24,000, and the owner made additional investments during the period of $50,000. The ending capital balance was $90,000. What was the net income or net loss for the period?  |  |  |  |  |
| Question 5 answers

|  |  |
| --- | --- |
| A. | Net income, $56,000  |
| B. | Net loss, $44,000  |
| C. | Net income, $44,000  |
| D. | Net income, $30,000  |
| E. | None of the above  |

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|   | 6. If during the accounting period the company's assets decreased by $15,000, and equity increased by $4,000, then by how much did liabilities change?  |  |  |  |  |
| Question 6 answers

|  |  |
| --- | --- |
| A. | Increased by $12,000  |
| B. | Increased by $8,000  |
| C. | Decreased by $12,000  |
| D. | Decreased by $19,000  |
| E. | Decreased by $6,000  |

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|   | 7. Company assets total $150,000 and its liabilities total $30,000. What is the equity of this company?  |  |  |  |  |
| Question 7 answers

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| --- | --- |
| A. | $120,000  |
| B. | $100,000  |
| C. | $150,000  |
| E. | $180,000  |
| F. | None of the above  |

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|   | 8.The three basic business entities discussed in this chapter include sole proprietorship, partnership, and corporation. Which of these entities is considered a legal entity and is also subject to federal income taxation at the entity level?  |  |  |  |  |
| Question 8 answers

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| --- | --- |
| A. | Sole proprietorship.  |
| B. | Partnership.  |
| C. | Corporation.  |
| D. | All three entities satisfy both requirements.  |
| E. | None of these entities satisfy both requirements.  |

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|   | 9.If at the end of the accounting period the company's liabilities total $19,000 and its equity totals $40,000, then what must be the total of assets?  |  |  |  |  |
| Question 9 answers

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| --- | --- |
| A. | $14,000  |
| B. | $40,000  |
| C. | $21,000  |
| D. | $59,000  |
| E. | None of the above  |

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|   | 10.When cash is received from a customer in payment of an account receivable, how are the elements of the accounting equation affected?  |  |  |  |  |
| Question 10 answers

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| --- | --- |
| A. | Decrease assets (cash) and increase assets (accounts receivable)  |
| B. | Increase assets (cash) and decrease assets (accounts receivable)  |
| C. | Increase assets and increase liabilities  |
| D. | Increase assets and increase equity  |
| E. | None of the above  |

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