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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? |  |  |  |  |
| Question 1 answers   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | | 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   |  |  | | --- | --- | | 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   |  |  | | --- | --- | | 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   |  |  | | --- | --- | | 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   |  |  | | --- | --- | | 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   |  |  | | --- | --- | | 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   |  |  | | --- | --- | | 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 | |  |  |  |  |