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| **1.** A decision whether to borrow money or sell stock is an example ofa financing decisionan investing decisionan operating decisiona future decision |

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| **2.** After months of planning, Alana opened a Natural Foods store on April 1 by investing $15,000 of her own money. She spent $10,000 on furnishings and fixtures that had been delivered and set up the night before. A friend had loaned Alana $5,000, which she used to purchase inventory prior to opening. When Alana opened for business on April 1, her accounting system should have contained what balances for total assets and total liabilities.Total Assets Total Liabilities $20,000 $0>$20,000 $5,000$15,000 $5,000$15,000 $0 |

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| **3.** The following amounts of capital were obtained to start operations of Lightning Enterprises at the beginning of 2007:

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| Owners' contribution of cash  | $80,000  |
| Owners' contribution of machinery & equipment  | 18,000  |
| Loan from the bank  | 46,000  |
|  | $144,000  |

What is the amount of liabilities for this firm? $18,000$46,000$98,000$126,000$144,000 |

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| **4.** Which of the following is an operating activity?purchase of equipmentpayment of cash dividendssale of equipmentpurchase of inventory |

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| **5.** Net cash flow is generally NOT thought to be a valid measure of an organization's performance for a period because it (Points : 2) is usually smaller than the amount of net incomeincludes the results of activities not related to operationsfocuses only on the net change in owners' equityviolates the periodic measurement concept |

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| **6.** Orlando owns a supper club and needed to obtain funds for the business. A bank loaned the supper club $20,000. Concerning the supper club, which of the following increased because of this loan?owners' equityliabilitiesrevenuesexpenses |

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| **7.** A firm must depend on its \_\_\_\_ activities to generate profits. investingoperatingnonrecurringfinancing |

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| **9.** During May, the Family Resort had revenues of $20,000 and expenses of $8,000. The owner withdrew $7000 cash from the business during the month. If owners' equity on May 31 was $18,200, owners' equity on May 1 must have been$13,200$12,000$6,200$37,200 |



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| **10.** Assets are resources controlled by an organization and available for its use in the future.TrueFalse |



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| **11.** Investing decisions involve choices about when and where to obtain financial resources and the amount needed.(Points : 2) TrueFalse |



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| **12.** The purpose of financial reports is to provide information useful to current and potential investors and creditors in making decisions.TrueFalse |



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| **13.** The Fast Freight Company purchased a new delivery truck by making a cash down payment and signing a note payable for the balance. How will assets, liabilities, and owners' equity be affected by this transaction?

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| Assets  | Liabilities  | Equity  |
| decreased  | increased | no change  |

|  |  |  |
| --- | --- | --- |
| Assets  | Liabilities  | Equity  |
| increased  | increased | no change  |

|  |  |  |
| --- | --- | --- |
| Assets  | Liabilities  | Equity  |
| increased  | decreased  | increased  |

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| --- | --- | --- |
| Assets  | Liabilities  | Equity  |
| no change  | increased  | decreased  |

|  |  |  |
| --- | --- | --- |
| Assets  | Liabilities  | Equity  |
| no change  | decreased  | increased  |

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| **14.** Which of the following accounts is a liability?interest expenseinterest payableinterest revenueinterest receivable |



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| **15.** Which of the following accounts would be increased as a result of the sale of inventory to a customer?cost of goods soldowners' equityaccounts payableinventory |



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| **16.** Match the event below to the proper category of activity.Operating Activity Financing Activitypaying employee salaries paying off a bank loanobtaining a loan designing a new productbuying factory equipment refunding a customer's moneypaying off a bank loan buying new tools |



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| **17.** What effect do revenues and expenses eventually have on Retained Earnings?

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| **Revenues**  | **Expenses**  |
| decrease  | decrease |

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| --- | --- |
| **Revenues**  | **Expenses**  |
| decrease  | increase |

|  |  |
| --- | --- |
| **Revenues**  | **Expenses**  |
| increase  | increase |

|  |  |
| --- | --- |
| **Revenues**  | **Expenses**  |
| increase  | decrease |

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| **18.** Tyler & Company had the following account balances at the end of September:

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| Cash received from customers | $5,400 |
| Sales revenue (all on account)  | 7,000 |
| Purchase of land (all for cash) | 700 |
| Cash paid for equipment | 2,200 |
| Cost of goods sold | 3,000 |
| Other operating expenses | 900 |
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What amounts should be reported for each of the following?Net Income Cash Flow$8,500 $1,600$3,800 $3,200$6,300 $(500)$3,100 $2,500 |



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| **19.** Which of these is NOT an expense? cost of goods soldwages paid to employees for services consumedmerchandise inventory purchasedtaxes paid to government |



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| **20.** At the end of an accounting period, the amount of net income earned by a company is transferred to the balance sheet and reported under which one of the following categories? owners' equityliabilitiesassetsall of the above |

