Student name:\_\_\_\_\_\_\_\_\_\_

**1)** The Balance Sheet heading includes each of the following except:

A) firm's address.   
 B) firm's name.  
 C) date of the report.  
 D) title of the report.

**2)** If the income statement covered a six-month period ending on November 30, 2019, the third line of the income statement heading would read:

A) Month Ended November 30, 2019.   
 B) Month of November, 2019.  
 C) November 30, 2019.  
 D) Six-month Period Ended November 30, 2019.

**3)** At the end of its first year of operations, Shapiro’s Consulting Services reported net income of $27,000. They also had account balances of: Cash, $16,000; Office Supplies, $3,200, Equipment, $24,000 and Accounts Receivable, $8,000. The owner’s total investment for this first year was $15,000 and the owner withdrew $2,000 for personal use.  
   
 Calculate the **ending** balance to be reported on the Statement of Owner’s Equity in the Owner’s Capital account.

A) $58,000   
 B) $40,000  
 C) $42,200  
 D) $27,000

**4)** If the owner takes cash out of the business for personal use, the withdrawal should be recorded as an expense of the business.

⊚ true  
 ⊚ false

**5)** Revenue by definition is:

A) the collection of amounts owed by customers.   
 B) amounts earned from the sale of goods or services.  
 C) an amount a business must pay in the future.  
 D) the payment of amounts owed to creditors.

**6)** The statement of owner's equity is prepared before the balance sheet so that the ending capital balance is available.

⊚ true  
 ⊚ false

**7)** Assets always equal debts of the business plus the financial interest of the owner.

⊚ true  
 ⊚ false

**8)** If assets are $17,000 and owner's equity is $10,000, liabilities are \_\_\_\_\_\_\_\_\_\_.

A) $17,000   
 B) $7,000  
 C) $27,000  
 D) $10,000

**9)** What is the correct order in which to prepare the three financial statements?

A) Income Statement; Balance Sheet; Statement of Owner’s Equity   
 B) Income Statement; Statement of Owner’s Equity; Balance Sheet  
 C) Balance Sheet; Income Statement; Statement of Owner’s Equity  
 D) Statement of Owner’s Equity; Balance Sheet; Income Statement

**10)** Owner's equity is:

A) the financial interest of the owner of a business.   
 B) the amount the owner owes the business.  
 C) the amount taken out of a business by the owner for personal use.  
 D) the revenues less the expenses.

**11)** The entire process of analyzing, recording, and reporting business transactions is based on the fundamental accounting equation.

⊚ true  
 ⊚ false

**12)** The three-line heading of a financial statement shows who, what, and \_\_\_\_\_\_\_\_\_\_.

A) when   
 B) why  
 C) where  
 D) how

**13)** Identify the account below that is classified as an asset account and would therefore appear on the left side of the accounting equation.

A) Accounts Payable.   
 B) Owner's Capital.  
 C) Fees Income.  
 D) Accounts Receivable.

**14)** Which of the following is a liability account?

A) fees income   
 B) salary expense  
 C) accounts payable  
 D) equipment

**15)** Owner's equity is alternatively referred to as which of the following?

A) net worth   
 B) withdrawals  
 C) assets  
 D) accounts payable

**16)** A withdrawal of funds by the owner for personal use decreases owner’s equity.

⊚ true  
 ⊚ false

**17)** Which of the following equations is the Fundamental Accounting Equation?

A) Assets = Liabilities − Owner’s Equity   
 B) Assets = Liabilities + Owner’s Equity  
 C) Assets + Liabilities = Owner’s Equity  
 D) Assets + Owner’s Equity = Liabilities

**18)** Which of these accounts would appear on a firm’s income statement?

A) revenues and expenses   
 B) assets and revenues  
 C) assets and liabilities  
 D) liabilities and expenses

**19)** Which of the following statements regarding the fundamental accounting equation is accurate?

A) It is in balance after only certain transactions.   
 B) It is in balance after every transaction.  
 C) It is out of balance when a company has a net loss.  
 D) It is out of balance when a company has net income.

**20)** The financial statement that is prepared first is:

A) up to the accountant.   
 B) the income statement.  
 C) the balance sheet.  
 D) the statement of owner's equity.

**21)** The Daniel Insurance Agency reported revenues of $30,000 and expenses of $32,460 for the current period. What was the final figure reported on the company’s income statement?

A) $2,460 net income   
 B) $30,000 net income  
 C) $2,460 net loss  
 D) $32,460 net loss

**22)** At the end of the first month of operations for SloMo Delivery Service, the business had the following accounts: Accounts Receivable, $11,350; Prepaid Insurance, $400; Equipment, $26,200 and Cash, $21,650. On the same date, SloMo owed the following creditors: Simpson Supply Company, $17,000; Allen Office Equipment, $14,500.  
  
The total assets for the SloMo Delivery Service are:

A) $33,400   
 B) $59,600  
 C) $33,000  
 D) $21,650

**23)** When the owner invests equipment in a business,

A) assets and owner's equity increase.   
 B) assets and revenue increase.  
 C) liabilities decrease and owner's equity increases.  
 D) assets increase and owner's equity decreases.

**24)** The \_\_\_\_\_\_\_\_\_\_ reports the changes that have occurred in the owner's financial interest during the reporting period.

A) statement of owner's equity   
 B) balance sheet  
 C) income statement  
 D) profit and loss statement

**25)** On the income statement, revenues minus expenses equals \_\_\_\_\_\_\_\_\_\_ for a period of time.

A) accounts receivable   
 B) working capital  
 C) net income or net loss  
 D) current assets

**26)** When revenue and expenses are equal, the firm is said to \_\_\_\_\_\_\_\_\_\_.

A) be profitable   
 B) experience a loss  
 C) break even  
 D) experience a gain

**27)** A company has assets of $57,820 and liabilities of $29,500. The owner's equity is $88,220.

⊚ true  
 ⊚ false

**28)** When a business sells services for cash, assets increase and revenue \_\_\_\_\_\_\_\_\_\_.

A) increases   
 B) may either increase or decrease  
 C) is unchanged  
 D) decreases

**29)** The \_\_\_\_\_\_\_\_\_\_ is the financial report that shows the assets, liabilities, and owner's equity of a business on a specific date.

A) income statement   
 B) statement of owner’s equity  
 C) balance sheet  
 D) profit and loss statement

**30)** Which of the following is an example of an expense?

A) the receipt of cash from a credit customer   
 B) the payment of the monthly utility bill  
 C) the payment of a creditor on account  
 D) an owner withdrawal for personal use

**31)** The Income Statement shows:

A) the financial position of a business at a given time.   
 B) assets and liabilities.  
 C) the change in owner's equity for a period of time.  
 D) the amount of net income or net loss.

**32)** If the following are the only accounts of Jones Supply Company, what is the missing Supplies balance?  
   
 Cash: $8,000  
 Supplies: ?????  
 Accounts Payable: $4,000  
 John Smith, Capital: $9,000

A) $5,000   
 B) $13,000  
 C) $21,000  
 D) $3,000

**33)** The Daniel Insurance Agency reported revenues of $29,000 and expenses of $31,000 for the current period. What was the final figure reported on the company’s income statement?

A) $2,000 net income   
 B) $31,000 net loss  
 C) $29,000 net income  
 D) $2,000 net loss

**34)** The balance sheet shows each of the following except the:

A) amount owed creditors.   
 B) amount and types of property the business owns.  
 C) net income of the business.  
 D) owner's interest.

**35)** Which financial statement is reported as of a specific date?

A) Income Statement   
 B) Statement of Changes in Financial Position  
 C) Statement of Owner's Equity  
 D) Balance Sheet

**36)** Which financial statement is a representation of the accounting equation?

A) Income Statement   
 B) Profit and Loss Statement  
 C) Balance Sheet  
 D) Statement of Owner's Equity

**37)** If assets are $8,000 and liabilities are $2,000, owner's equity is $6,000.

⊚ true  
 ⊚ false

**38)** Funds taken from the business by the owner for personal use are called \_\_\_\_\_\_\_\_\_\_.

A) liabilities   
 B) expenses  
 C) assets  
 D) withdrawals

**39)** At the end of the first month of operations for SloMo Delivery Service, the business had the following accounts: Accounts Receivable, $11,950; Prepaid Insurance, $490; Equipment, $27,400 and Cash, $22,250. On the same date, SloMo owed the following creditors: Simpson Supply Company, $18,200; Allen Office Equipment, $15,700.  
  
The total amount of Liabilities is:

A) $22,250   
 B) $33,900  
 C) $15,700  
 D) $27,400

**40)** A company has assets of $56,320 and liabilities of $29,500. The owner's equity is $85,820.

⊚ true  
 ⊚ false

**41)** If during the year total assets increase by $76,000 and total liabilities decrease by $16,500, by how much did owner's equity increase/decrease?

A) $76,000 increase   
 B) $92,500 increase  
 C) $92,500 decrease  
 D) $59,500 decrease

**42)** If during the year total assets increase by $75,000 and total liabilities decrease by $16,000, by how much did owner's equity increase/decrease?

A) $91,000 decrease   
 B) $75,000 increase  
 C) $91,000 increase  
 D) $59,000 decrease

**43)** At the end of its first year of operations, Shapiro’s Consulting Services reported net income of $31,300. They also had account balances of: Cash, $18,900; Office Supplies, $3,200, Equipment, $25,800 and Accounts Receivable, $8,000. The owner’s total investment for this first year was $20,400 and the owner withdrew $2,740 for personal use.  
   
 Calculate the **ending** balance to be reported on the Statement of Owner’s Equity in the Owner’s Capital account.

A) $70,600   
 B) $31,300  
 C) $50,500  
 D) $48,960

**44)** Ginger Yale Ice Company receives money from a customer on account. Recording this transaction will:

A) decrease Accounts Payable.   
 B) increase Cash.  
 C) increase Accounts Receivable.  
 D) decrease G. Yale, Capital.

**45)** Withdrawals are reported on which of the following financial statements?

A) balance sheet   
 B) income statement  
 C) profit and loss statement  
 D) statement of owner's equity

**46)** In a business transaction, when revenue increases, owner's equity will \_\_\_\_\_\_\_\_\_\_\_.

A) either increase or decrease   
 B) remain unchanged  
 C) increase  
 D) decrease

**47)** The expenses for a period are reported on the balance sheet.

⊚ true  
 ⊚ false

**48)** The account used to record amounts that are owed for goods or services purchased on credit is known as \_\_\_\_\_\_\_\_\_\_.

A) accounts receivable   
 B) withdrawals  
 C) accounts payable  
 D) merchandise inventory

**49)** If the following are the only accounts of Jones Supply Company, what is the missing Supplies balance?  
   
 Cash: $10,330  
 Supplies: ?????  
 Accounts Payable: $4,000  
 John Smith, Capital: $11,210

A) $25,540   
 B) $15,210  
 C) $3,120  
 D) $4,880

**50)** When analyzing the effect of a business transaction, which of the following is not a step taken to describe the financial event?

A) identify the property   
 B) determine the amount of the increase or decrease  
 C) determine the location of the property  
 D) identify who owns the property

**51)** The first step in the accounting process is the analysis of business transactions.

⊚ true  
 ⊚ false

**52)** Al Dunn Bakery bought a new oven for $1,480. Al paid $450 as a cash down payment and will pay the balance in 30 days. Total assets increased by $1,030.

⊚ true  
 ⊚ false

**53)** When using the fundamental accounting equation, an accountant must make sure that total assets are always equal to total liabilities minus owner's equity.

⊚ true  
 ⊚ false

**54)** At the end of the first month of operations for Jackson’s Catering Service, the business had the following accounts: Cash, $21,000; Prepaid Rent, $500; Equipment, $7,500 and Accounts Payable $4,000. By the end of the month, Jackson’s had earned $32,000 of Revenues, and used $1,800 of Utilities Expenses, $4,000 of Rent Expense and $3,600 of Salaries Expenses. Calculate the net income to be reported by the company for this first month.

A) $23,100   
 B) $22,600  
 C) $26,200  
 D) $32,000

**55)** A double line drawn under the figures in a money column shows that the computation is complete.

⊚ true  
 ⊚ false

**56)** If the beginning capital balance for William’s Consulting Service is $23,000, net income is $4,000, and the ending capital balance is $20,000, what were the withdrawals for the period?

A) $7,000   
 B) $20,000  
 C) $3,000  
 D) $1,000

**57)** At the end of the first month of operations for Jackson’s Catering Service, the business had the following accounts: Cash, $19,350; Prepaid Rent, $500; Equipment, $7,500 and Accounts Payable $4,000. By the end of the month, Jackson’s had earned $40,550 of Revenues, and used $2,640 of Utilities Expenses, $5,800 of Rent Expense and $4,080 of Salaries Expenses. Calculate the net income to be reported by the company for this first month.

A) $28,530   
 B) $28,030  
 C) $40,550  
 D) $32,110

**58)** Al Dunn Bakery bought a new oven for $1,380. Al paid $300 as a cash down payment and will pay the balance in 30 days. Total assets increased by $1,080.

⊚ true  
 ⊚ false

**59)** At the end of its first year of operations, Shapiro’s Consulting Services reported net income of $27,000. They also had account balances of: Cash, $16,000; Office Supplies, $3,200; Equipment, $24,000 and Accounts Receivable, $8,000. The owner’s total investment for this first year was $15,000 and the owner withdrew $2,000 for personal use.  
   
 What are the total liabilities of Shapiro’s Consulting Services at the end of the first year of operations?

A) $11,200   
 B) $42,000  
 C) $24,200  
 D) $27,000

**60)** If the beginning capital balance for William’s Consulting Service is $26,150, net income is $4,000, and the ending capital balance is $22,800, what were the withdrawals for the period?

A) $3,350   
 B) $650  
 C) $22,800  
 D) $7,350

**61)** In a business transaction, when expenses increase, owner's equity will \_\_\_\_\_\_\_\_\_\_.

A) remain unchanged   
 B) decrease  
 C) increase  
 D) either increase or decrease

**62)** The Statement of Owner’s Equity is calculated as follows:

A) beginning capital + net income + withdrawals + additional investments = ending capital   
 B) beginning capital + net loss − withdrawals + additional investments = ending capital  
 C) beginning capital + net income − withdrawals + additional investments = ending capital  
 D) beginning capital + net loss + withdrawals + additional investments = ending capital

**63)** The balance sheet shows:

A) the results of business operations.   
 B) all revenues and expenses.  
 C) the financial position of a business at a given time.  
 D) the amount of net income or loss.

**64)** Pepper Company reported revenues of $13,200, supplies expense of $3,000, and net income of $3,200 for the most recent period. If the company’s only other expense was Rent Expense, what was its balance at the end of the period?

A) $10,200   
 B) $7,000  
 C) $16,200  
 D) $16,400

**65)** At the end of the first month of operations for SloMo Delivery Service, the business had the following accounts: Accounts Receivable, $11,350; Prepaid Insurance, $400; Equipment, $26,200 and Cash, $21,650. On the same date, SloMo owed the following creditors: Simpson Supply Company, $17,000; Allen Office Equipment, $14,500.  
  
The total amount of Liabilities is:

A) $17,000   
 B) $14,500  
 C) $28,100  
 D) $31,500

**66)** When a business pays cash for salaries, assets decrease and expenses \_\_\_\_\_\_\_\_\_\_.

A) decrease   
 B) may increase or decrease  
 C) increase  
 D) are unchanged

**67)** The account used to record amounts that will be collected from charge account customers in the future is referred to as \_\_\_\_\_\_\_\_\_\_.

A) accounts receivable   
 B) accounts payable  
 C) merchandise inventory  
 D) withdrawals

**68)** If a business receives $5,000 on account from clients who owed money for services previously billed, identify the effect on the accounting equation:

A) assets remain the same and owner's equity remains the same.   
 B) liabilities decrease and owner's equity decreases.  
 C) owner's equity increases and revenue increases.  
 D) assets decrease and liabilities increase.

**69)** The debts or obligations of a business are known as its \_\_\_\_\_\_\_\_\_\_.

A) liabilities   
 B) owner's equity  
 C) assets  
 D) capital

**70)** When an electric bill is paid, which of the following increases?

A) liabilities   
 B) expenses  
 C) owner's equity  
 D) assets

**71)** If a business issues a check for $100 to purchase office supplies, what is the effect on the accounting equation?

A) Total Assets will remain the same   
 B) Owner’s Equity will decrease  
 C) Owner’s Equity will increase  
 D) Assets will decrease

**72)** The rent paid for future months is a(n):

A) revenue.   
 B) expense.  
 C) asset.  
 D) liability.

**73)** When the owner withdraws cash for personal use,

A) assets decrease and owner's equity increases.   
 B) assets decrease and expenses increase.  
 C) assets decrease and owner's equity decreases.  
 D) owner's equity decreases and revenue decreases.

**74)** When assets equal liabilities + owner’s equity, a company is said to break even.

⊚ true  
 ⊚ false

**75)** When services are provided on credit, the total amount of liabilities increases.

⊚ true  
 ⊚ false

**76)** The amount of net income or net loss is needed to complete the statement of owner's equity.

⊚ true  
 ⊚ false

**77)** When revenue is greater than expenses, the result is net \_\_\_\_\_\_\_\_\_\_.

A) sales   
 B) loss  
 C) income  
 D) receivable

**78)** Amounts that a business must pay in the future are known as:

A) capital.   
 B) expenses.  
 C) liabilities.  
 D) assets.

**79)** The owner’s capital balance at the beginning of the period is required on the statement of owner’s equity.

⊚ true  
 ⊚ false

**80)** When cash is paid to a creditor, the firm's liabilities decrease.

⊚ true  
 ⊚ false

**81)** If there is an excess of expenses over revenues, the excess represents a profit.

⊚ true  
 ⊚ false

**82)** When equipment is purchased on credit,

A) assets and liabilities increase.   
 B) assets and owner's equity increase.  
 C) assets and expenses increase.  
 D) assets increase and liabilities decrease.

**83)** When rent is prepaid, which of the following occurs?

A) assets increase   
 B) liabilities increase  
 C) assets are unchanged  
 D) owner’s equity decreases

**84)** The three-line heading at the top of a financial statement displays what information on the second line?

A) name of the financial statement   
 B) result of the financial statement  
 C) period of time covered by the financial statement  
 D) name of the company

**85)** At the end of the first month of operations for SloMo Delivery Service, the business had the following accounts: Accounts Receivable, $11,450; Prepaid Insurance, $510; Equipment, $26,400 and Cash, $21,750. On the same date, SloMo owed the following creditors: Simpson Supply Company, $17,200; Allen Office Equipment, $14,700.  
  
The total assets for the SloMo Delivery Service are:

A) $48,150   
 B) $33,200  
 C) $60,110  
 D) $33,710

**86)** The capital balance at the end of the period is reported on both the statement of owner’s equity and the balance sheet.

⊚ true  
 ⊚ false

**87)** The financial interest of the owner in a business is called \_\_\_\_\_\_\_\_\_\_.

A) assets   
 B) liabilities  
 C) owner's equity  
 D) accounts receivable

**88)** Pepper Company reported revenues of $12,000, supplies expense of $3,000, and net income of $2,000 for the most recent period. If the company’s only other expense was Rent Expense, what was its balance at the end of the period?

A) $15,000   
 B) $7,000  
 C) $14,000  
 D) $9,000

**89)** The property that a business owns is referred to as its \_\_\_\_\_\_\_\_\_\_.

A) assets   
 B) liabilities  
 C) owner's equity  
 D) capital

**Answer Key**Test name: College Accounting , Price 16th ch2 al

1) A

2) D

3) B

4) FALSE

5) B

6) TRUE

7) TRUE

8) B

9) B

10) A

11) TRUE

12) A

13) D

14) C

15) A

16) TRUE

17) B

18) A

19) B

20) B

21) C

22) B

23) A

24) A

25) C

26) C

27) FALSE

28) A

29) C

30) B

31) D

32) A

33) D

34) C

35) D

36) C

37) TRUE

38) D

39) B

40) FALSE

41) B

42) C

43) D

44) B

45) D

46) C

47) FALSE

48) C

49) D

50) C

51) TRUE

52) TRUE

53) FALSE

54) B

55) TRUE

56) A

57) B

58) TRUE

59) A

60) D

61) B

62) C

63) C

64) B

65) D

66) C

67) A

68) A

69) A

70) B

71) A

72) C

73) C

74) FALSE

75) FALSE

76) TRUE

77) C

78) C

79) TRUE

80) TRUE

81) FALSE

82) A

83) C

84) A

85) C

86) TRUE

87) C

88) B

89) A