

Test Bank for Fundamentals Of Financial Accounting 6th Phillips

TEST BANK SAMPLE PREVIEW

PUBLISHER

McGraw-Hill

COPYRIGHT

2021

RESOURCE TYPE

Test Bank

ISBN

9781260326826

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Building a new warehouse is an investing activity.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Easy

2) The payment of dividends is a financing activity.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Easy

3) Daily activities involved in running a business such as buying supplies and paying wages are operating activities.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Easy

4) Financing activities include borrowing and obtaining money by issuing shares of ownership (called share certificates).

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Easy

5) Shareholders are creditors of a company.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-10 Shareholders' Equity

6) All corporations acquire financing by issuing shares of ownership (called share certificates) for sale on public stock exchanges.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Topic : 01-04 Corporation

Difficulty : Medium

7) You paid \$10,000 to buy 1% of the shares in a corporation that has now gone bankrupt. The company owes \$10 million dollars to creditors. As a result of the bankruptcy, you will lose \$100,000.

- ☐ true
- ☐ false

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Easy

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Topic : 01-04 Corporation

8) The shareholders' equity in a company is the difference between assets and liabilities.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-10 Shareholders' Equity

Topic : 01-07 The Basic Accounting Equation

9) A company owes \$200,000 on a bank loan. If this loan is documented using a formal written debt contract, it will be reported as a liability called Notes Payable.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-09 Liabilities

10) The accounting decisions that were made when preparing a company's financial statements are explained in the auditor's report.

- ☐ true
- ☐ false

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

11) Under both ASPE and IFRS, a Canadian company would report the data on the financial statements in Canadian dollars.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-20 Generally Accepted Accounting Principles

12) SUNFLOWERCOMPANY BALANCESHEET SEPTEMBER30,2020

Assets	
Cash	\$1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant, and Equipment	391,600
Other Assets	<u>869,400</u>
Total Assets	<u>\$3,347,700</u>
Liabilities	
Accounts Payable	\$1,439,200
Notes Payable	<u>?</u>
Total Liabilities	<u>?</u>
Shareholders' Equity	
Contributed Capital	1,263,600

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Retained Earnings	<u>207,100</u>
Total Shareholders' Equity	<u>1,470,700</u>
Total Liabilities and shareholders' Equity	<u>\$3,347,700</u>

Notes Payable would equal \$437,800 and Total Liabilities would equal \$1,877,000 on the Balance Sheet.

- ☐ true
☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Topic : 01-14 The Balance Sheet

Bloom's : Analyze

13) CACTUSCOMPANY BALANCESHEET SEPTEMBER30,2020

Assets	
Cash	\$1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant, and Equipment	391,600
Other Assets	<u>869,400</u>
Total Assets	<u>\$3,347,700</u>
Liabilities	
Accounts Payable	\$1,439,200
Notes Payable	<u>?</u>
Total Liabilities	<u>?</u>
Shareholders' Equity	
Contributed Capital	1,263,600
Retained Earnings	<u>207,100</u>
Total Shareholders' Equity	<u>1,470,700</u>
Total Liabilities and shareholders' Equity	<u>\$3,347,700</u>

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

The \$207,100 shown on the Balance Sheet has been distributed to shareholders as dividends.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-14 The Balance Sheet

14) GERANIUMCOMPANY BALANCESHEET SEPTEMBER30,2020

Assets	
Cash	\$1,568,000
Accounts Receivable	310,500
Inventories	208,200
Property, Plant, and Equipment	391,600
Other Assets	<u>869,400</u>
Total Assets	<u>\$3,347,700</u>
Liabilities	
Accounts Payable	\$1,439,200
Notes Payable	<u>?</u>
Total Liabilities	<u>?</u>
Shareholders' Equity	
Contributed Capital	1,263,600
Retained Earnings	<u>207,100</u>
Total Shareholders' Equity	<u>1,470,700</u>
Total Liabilities and shareholders' Equity	<u>\$3,347,700</u>

The company is owed \$310,500 from customers who have purchased goods or services from the company but have not yet paid for them.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-14 The Balance Sheet

15) The total net income from the Income Statement is *always* included in the Statement of Retained Earnings.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-17 Relationships Among the Financial Statements

16) The Income Statement shows the assets and liabilities of the company at a point in time.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-12 The Income Statement

17) The Income Statement primarily shows whether a business made a profit from selling goods or providing services after subtracting the costs of doing business.

- ☐ true
- ☐ false

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-12 The Income Statement

18) Net income is the amount the company earned after expenses and dividends are subtracted from revenue.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-12 The Income Statement

19) Expenses are shown on the Income Statement only in the time period in which they are paid.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-12 The Income Statement

20) In the Statement of Cash Flows, cash inflows are positive numbers while cash outflows are negative.

- ☐ true
- ☐ false

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Easy

21) Cash at the end of the year is the sum of cash at the beginning of the year and the net change in cash during the year.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Medium

22) Cash flow from investing activities includes money received from a company's shareholders.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Difficulty : Easy

Bloom's : Remember

23) The Balance Sheets at the beginning and end of a time period are linked by the Income Statement, the Statement of Cash Flows, and the Statement of Retained Earnings for the time period.

- ☐ true
- ☐ false

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-17 Relationships Among the Financial Statements

24) Shareholders in a corporation are personally liable for the company's obligations.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Topic : 01-04 Corporation

Bloom's : Remember

25) Notes to the financial statements (also known as footnotes) immediately follow the four individual financial statements and include descriptions of accounting decisions made when preparing the financial statements.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-16 Notes to the Financial Statements

26) Notes to the financial statements (also known as footnotes) report extra information that is relevant to the financial statements.

- ☐ true
- ☐ false

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-16 Notes to the Financial Statements

27) Investors analyze the Income Statement to identify trends in a company's net income, which can provide clues about the company's future earnings.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-12 The Income Statement

28) When a company goes bankrupt, assets are divided equally between creditors and investors.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Bloom's : Remember

Learning Objective : 01-03 Explain how financial statements are used by decision makers.

Topic : 01-19 Useful Financial Information

29) Statement of Retained Earnings is prepared before the Income Statement.

- ☐ true
- ☐ false

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Bloom's : Remember

Topic : 01-17 Relationships Among the Financial Statements

Topic : 01-11 Financial Statements

30) Questionable ethical practices can make it harder for a company to attract lenders and investors in the future.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-21 Ethical Conduct

31) Managerial accounting reports include detailed financial plans and continually updated reports about the operating performance of the company.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Bloom's : Remember

Topic : 01-06 Accounting for Business Decisions

32) External financial statement users are also given access to detailed internal records of the company.

- ☐ true
- ☐ false

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Easy

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Topic : 01-06 Accounting for Business Decisions

33) The separate entity assumption requires that a business's financial reports include only the activities of the business and its shareholders.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-20 Generally Accepted Accounting Principles

34) Resources owed to banks and other creditors must equate to total assets.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Topic : 01-07 The Basic Accounting Equation

Bloom's : Remember

35) Within shareholders equity, the contributed capital and retained earnings accounts must balance each other out.

- ☐ true
- ☐ false

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-10 Shareholders' Equity

36) Private enterprises in Canada are required by law to follow ASPE if they earn a profit.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

37) According to the cost principle of accounting, assets are initially reported on the Balance Sheet based on their original cost to the company.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-14 The Balance Sheet

38) It is possible for a receivable to also be considered a liability.

- ☐ true
- ☐ false

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Bloom's : Remember

Topic : 01-14 The Balance Sheet

39) Under IFRS it is possible for a payable to be recorded as an asset.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-20 Generally Accepted Accounting Principles

40) Under modern accounting standards, it is more important for larger companies to behave ethically, than it is for smaller ones.

- ☐ true
- ☐ false

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-21 Ethical Conduct

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

41) Which of the following would *not* represent a financing activity?

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) Paying dividends to shareholders.
- B) An investment of financial capital by the owners.
- C) Borrowing money from a bank to finance the purchase of new equipment.
- D) Collecting cash from customers.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Medium

42) Investing activities:

- A) involve day to day events like selling goods and services, which occur when running a business.
- B) involve the buying or selling of land, buildings, equipment, and other longer-term investments.
- C) only involve financial exchanges.
- D) buying the company's office supplies.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Easy

43) Public corporations:

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

A) are businesses owned by two or more people, each of whom is personally liable for the debts of the business.

B) are businesses whose shares are bought and sold on a stock exchange.

C) are businesses whose shares are bought and sold privately.

D) are setup for non-profit purposes.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Topic : 01-04 Corporation

Bloom's : Remember

44) Which of the following would represent an operating activity?

A) Purchasing equipment with money borrowed from creditors.

B) An investment of financial capital by the owners.

C) Buying the company's office supplies.

D) Repaying a loan the company had taken out.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Easy

45) The separate entity assumption means:

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

A) a company's financial statements reflect only the business activities of that company and not that of the shareholders.

B) each shareholders' activities must be revealed in the financial statements.

C) each separate owner's finances must be revealed in the financial statements.

D) each separate entity that has a claim on a company's assets must be shown in the financial statements.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-20 Generally Accepted Accounting Principles

46) Which of the following are the *disadvantages* of incorporating a business?

A) Legal fees can be high and separate tax returns have to be filed for owners and the business.

B) Owners are legally responsible for the liabilities of the corporation.

C) Owners must be involved in day to day running of the business.

D) The business and owners are considered as separate legal entities.

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Topic : 01-04 Corporation

Difficulty : Medium

47) Which of the following is one reason a new start up could have a negative investing cash flow?

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) Company needs cash to buy to purchase new equipment/plant and expand business.
- B) Company is having problems generating profits.
- C) Company needs to pay dividends to its shareholders.
- D) Company has borrowed money from banks/investors and is having problems paying them back.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Difficulty : Medium

Bloom's : Analyze

48) Creditors are:

- A) people or organizations who owe money to a business.
- B) people or organizations to whom a business owes money.
- C) shareholders of a business.
- D) customers of a business.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Bloom's : Remember

Topic : 01-06 Accounting for Business Decisions

49) An entity that is holding assets for another party and has legal authority and duty to make decisions regarding financial matters concerning that party is called a(n):

- A) accountant.
- B) fiduciary.
- C) attorney.
- D) manager.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Bloom's : Remember

Topic : 01-19 Useful Financial Information

50) The three main types of business activities measured by financial statements are:

- A) selling goods, selling services, and obtaining financing.
- B) operating activities, investing activities, and financing activities.
- C) hiring, producing, and advertising.
- D) generating revenues, paying expenses, and incurring dividends.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-17 Relationships Among the Financial Statements

Topic : 01-11 Financial Statements

51) Financing that individuals or institutions have provided to a company is:

- A) always classified as liabilities.
- B) classified as liabilities when provided by creditors and shareholders' equity when provided by owners.
- C) always classified as shareholders' equity.
- D) classified as shareholders' equity when provided by creditors and liabilities when provided by owners.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-14 The Balance Sheet

52) Financial statements are most commonly prepared:

- A) semi-monthly.
- B) monthly, quarterly and annually.
- C) whenever management feels like it.
- D) weekly.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-11 Financial Statements

53) Which of the following is true?

- A) Companies are allowed to choose their fiscal year-end date.
- B) Companies must end their fiscal year on March 31, June 30, September 30, or December 31.
- C) Companies can select any date except a holiday to end their fiscal year.
- D) Companies must end their fiscal year on December 31.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-11 Financial Statements

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

54) Assets:

- A) represent the amounts earned by a company.
- B) must equal the liabilities of a company.
- C) must equal the shareholders' equity of the company.
- D) represent the resources controlled by a company.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-08 Assets

55) Which of the following are the three basic elements of the Balance Sheet?

- A) Assets, liabilities, and retained earnings.
- B) Assets, liabilities, and contributed capital.
- C) Assets, liabilities, and revenues.
- D) Assets, liabilities, and shareholders' equity.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-14 The Balance Sheet

56) The Don't Bite Me pest control company has 10,000 gallons of insecticide supplies on hand that cost \$300,000; a bill from the vendor for \$100,000 of these supplies has **not** yet been paid. The company expects to earn \$800,000 for its services when it uses the insecticide supplies. The company would report:

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) \$300,000 in assets under supplies inventory and no accounts payable.
- B) \$200,000 in assets under supplies inventory and no accounts payable.
- C) \$300,000 in assets under supplies inventory and \$100,000 in liabilities under accounts payable.
- D) \$800,000 in assets under supplies inventory and \$100,000 in liabilities under accounts payable.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-14 The Balance Sheet

Bloom's : Apply

Difficulty : Hard

57) The Snapdragon Company paid a dividend to shareholders. This will be reported on the:

- A) Audit Report.
- B) Income Statement.
- C) Balance Sheet.
- D) Statement of Retained Earnings.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Bloom's : Remember

Topic : 01-14 The Balance Sheet

58) Which of the following is *not* true?

- A) $\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$
- B) $\text{Liabilities} = \text{Assets} - \text{Shareholders' Equity}$
- C) $\text{Shareholders' Equity} + \text{Liabilities} - \text{Assets} = 0$
- D) $\text{Liabilities} - \text{Shareholders' Equity} = \text{Assets}$

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Topic : 01-07 The Basic Accounting Equation

Bloom's : Remember

59) Which of the following would affect shareholders' equity?

- A) A company borrows \$100 million and buys \$100 million in equipment.
- B) A company pays \$100 million to shareholders as a dividend.
- C) A company sells \$100 million in assets for \$100 million cash.
- D) A company receives payment for \$100 million in accounts receivable.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-14 The Balance Sheet

60) At the end of last year, Periwinkle Company's assets totalled \$860,000 and its liabilities totalled \$740,000. During the current year, the company's total assets increased by \$58,000 and its total liabilities increased by \$24,000. At the end of the current year:

- A) shareholders' equity was \$34,000.
- B) shareholders' equity was \$120,000.
- C) shareholders' equity was \$154,000.
- D) shareholders' equity was \$178,000.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-14 The Balance Sheet

Bloom's : Apply

Difficulty : Hard

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

61) Based on the following data, and assuming Notes Payable is the only other item on the Balance Sheet, which of the following is correct?

Contributed Capital	\$12,000	Total Assets	\$176,000
Accounts Payable	\$64,000	Retained Earnings	\$28,000

- A) Notes Payable must equal \$200,000.
- B) Notes Payable must equal \$8,000.
- C) Notes Payable must equal \$72,000.
- D) Notes Payable must equal \$344,000.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-14 The Balance Sheet

Bloom's : Analyze

Difficulty : Hard

62) During its first year of operations, Hyssop Company reported sales revenue of \$386,000 but collected only \$303,000 from customers. The amount to be reported as accounts receivable at the end of the year is:

- A) \$689,000.
- B) \$386,000.
- C) \$303,000.
- D) \$83,000.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Topic : 01-14 The Balance Sheet

Bloom's : Apply

63) If Crocus Company had \$12 million in revenue and net income of \$3 million then its:

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) expenses must have been \$15 million.
- B) expenses must have been \$9 million.
- C) assets must have been \$12 million.
- D) assets must have been \$3 million.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Topic : 01-12 The Income Statement

Bloom's : Apply

64) The Rose Garden Software Company sold \$11 million of computer games in its first year of operations. The company received payments of \$7.5 million for these computer games. The company's Income Statement would report:

- A) sales revenue of \$7.5 million.
- B) accounts receivable of \$3.5 million.
- C) expenses of \$3.5 million.
- D) sales revenue of \$11 million.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Topic : 01-12 The Income Statement

Bloom's : Apply

65) Dividends are reported on the:

- A) Income Statement.
- B) Balance Sheet.
- C) Statement of Retained Earnings.
- D) Income Statement and Balance Sheet.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-13 The Statement of Retained Earnings

66) Which of the following would **not** affect a company's net income?

- A) A change in the company's income taxes.
- B) Changing the selling price of a company's product.
- C) Paying a dividend to shareholders.
- D) Advertising a new product.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-12 The Income Statement

67) Which of the following would be reported on the Income Statement for 2020?

- A) Supplies that were purchased and used in 2019 but paid for in 2020.
- B) Dividends that were paid in 2020.
- C) Supplies that were purchased and used in 2020 but paid for in 2019.
- D) Inventory that was purchased in 2020 and sold in 2021.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-12 The Income Statement

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

68) Based on the following data, find the missing amounts.

GERBERACOMPANY

IncomeStatement

FortheYearEndedDecember31,2020

Revenues	
Sales Revenue	<u>\$3,810,200</u>
Total Revenues	<u>?</u>
Expenses	
Wages Expense	1,314,900
Advertising and Promotion Expenses	482,200
Other Selling and Administrative Expenses	?
Interest Expense	225,600
Income Tax Expense	117,700
Other Expenses	<u>253,700</u>
Total Expenses	<u>3,445,600</u>
Net Income	<u>\$?</u>

A) Total revenues are \$3,810,200, other selling and administrative expenses are \$1,051,500, and net income is \$364,600.

B) Total revenues are \$2,495,300, other selling and administrative expenses are \$1,051,500, and net income is (\$950,300).

C) Total revenues are \$364,600, other selling and administrative expenses are \$3,081,000, and net income is \$7,255,800.

D) Total revenues are \$3,810,200, other selling and administrative expenses are \$364,600, and net income is \$7,255,800.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Bloom's : Analyze

Topic : 01-12 The Income Statement

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

69) Based on the following data, which of the following is *not* true?

BEGONIACOMPANY

Statement of Retained Earnings

For the Year Ended December 31, 2020

Retained Earnings, January 1, 2020	\$167,800
Net Income for 2020	219,100
Dividends declared during 2020	<u>(36,400)</u>
Retained Earnings, December 31, 2020	<u>\$350,500</u>

A) Retained earnings of \$350,500 will appear on the Balance Sheet as of December 31, 2020.

B) The net income in the statement came from the Income Statement for the year ended December 31, 2020.

C) Dividends are shown in parenthesis because they are payments made by a company to its shareholders as a return on their investment.

D) Retained earnings are the amount of distributions made to the shareholders since the company started.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-13 The Statement of Retained Earnings

70) Which of the following statements is true?

A) The "net change in cash" reported on the Statement of Cash Flows is also reported on the Statement of Retained Earnings.

B) Both the Income Statement and the Statement of Cash Flows show the results of a company's operating activities.

C) The Statement of Cash Flows is for a period of time while the Income Statement is at a point in time.

D) The Statement of Cash Flows is at a point of time while the Income Statement is for a period of time.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-11 Financial Statements

71) In the Statement of Cash Flows which letters represent cash outflows?

WILDFLOWERCOMPANY

Statement of Cash Flows

For the Year Ended December 31, 2020

Cash flows from operating activities	
Cash collected from customers	A
Cash paid to suppliers and employees	B
Cash paid for other operating activities	<u>C</u>
Net cash flow from operating activities	
Cash flows from investing activities	
Cash paid to purchase equipment and other assets	D
Cash received from selling equipment and other assets	<u>E</u>
Net cash flow from investing activities	
Cash flows from financing activities	
Cash paid on notes payable	F
Cash paid for dividends	<u>G</u>
Net cash flow from financing activities	
Net change in cash during the year	
Cash at beginning of year	
Cash at end of year	

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) A, E, F and G
- B) A, E and G
- C) B, C, E and F
- D) B, C, D, F and G

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Difficulty : Easy

Bloom's : Analyze

72) In the Statement of Cash Flows which letters represent cash inflows?

PRIMROSECOMPANY

StatementofCashFlows

FortheYearEndedDecember31,2020

Cash flows from operating activities	
Cash collected from customers	A
Cash paid to suppliers and employees	B
Cash paid for other operating activities	<u>C</u>
Net cash flow from operating activities	
Cash flows from investing activities	
Cash paid to purchase equipment and other assets	D
Cash received from selling equipment and other assets	<u>E</u>
Net cash flow from investing activities	
Cash flows from financing activities	
Cash paid on notes payable	F
Cash paid for dividends	<u>G</u>
Net cash flow from financing activities	
Net change in cash during the year	

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Cash at beginning of year	
Cash at end of year	

- A) B, C, D, F and G
- B) A, E and G
- C) B, C, E and F
- D) A and E

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Difficulty : Easy

Bloom's : Analyze

73) Assets are listed on the Balance Sheet in order of:

- A) date acquired.
- B) liquidity.
- C) estimated replacement date.
- D) value.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-14 The Balance Sheet

74) In the Statement of Cash Flows, the company's payment of a \$1,900 electric bill would be classified as:

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) an operating cash outflow.
- B) a financing cash outflow.
- C) an investing cash inflow.
- D) an operating cash inflow.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Easy

75) In Canada, Generally Accepted Accounting Principles (GAAP) are established:

- A) by the Chartered Professional Accountants of Canada (CPA Canada).
- B) by the Public Company Accounting Oversight Board.
- C) by the Financial Accounting Standards Board.
- D) by the International Accounting Standards Board.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

76) The purpose of a Statement of Retained Earnings is to:

- A) estimate the current value of a company's assets.
- B) report how the profits of a company have been distributed to shareholders or retained in the business.
- C) show where the money is flowing into and out of a company.
- D) explain the specific revenues and expenses arising during the period.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-13 The Statement of Retained Earnings

77) A main difference between a sole proprietorship and a partnership is:

- A) a sole proprietorship is a separate legal entity from the owner, a partnership is not.
- B) a separate income tax return is filed for a sole proprietorship, but not for a partnership.
- C) in a lawsuit, partners would be personally liable, but a sole proprietor would not be.
- D) a partnership typically has more resources available to it than a sole proprietorship.

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Difficulty : Medium

Topic : 01-01 Organizational Forms

Topic : 01-02 Sole Proprietorship

Topic : 01-03 Partnership

78) Which of the following statements is true when comparing a sole proprietorship and a corporation?

- A) Both a sole proprietorship and a corporation are separate legal entities from their owners.
- B) Both a sole proprietorship and a corporation require specific legal procedures to start their business.
- C) A sole proprietor is responsible for all debt of the business, while owners of a corporation are limited to losing only the money they invested in the business.
- D) A sole proprietor files a separate income tax return for the business, a corporation does not.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Easy

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Topic : 01-04 Corporation

Topic : 01-01 Organizational Forms

Topic : 01-02 Sole Proprietorship

79) If a company uses \$50,000 of its cash to buy an asset, then:

- A) assets and liabilities will be unchanged.
- B) assets will increase by \$50,000 as will liabilities.
- C) assets will increase by \$50,000 as will shareholders' equity.
- D) assets will decrease by \$50,000 and liabilities will increase by \$50,000.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-14 The Balance Sheet

80) During 2020, a company's assets rise \$56,000 and its liabilities rise \$38,000. If no dividend is paid and no further capital is contributed, shareholders' equity would:

- A) increase by \$56,000.
- B) increase by \$18,000.
- C) decrease by \$38,000.
- D) decrease by \$94,000.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Topic : 01-14 The Balance Sheet

Bloom's : Apply

81) Which of the following is *not* an expense?

- A) Wages of employees.
- B) Interest incurred on a loan the company had taken out.
- C) Dividends.
- D) Corporate income tax.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-12 The Income Statement

82) Which of the following is *incorrect* about the notes to the financial statements?

- A) Notes explain what accounting policies were used to prepare the financial statements.
- B) Notes provide additional information about what is included in the financial statements.
- C) Notes provide additional information about financial matters that are not included in the financial statements.
- D) Notes certify to the fact that the financial statements have been audited.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-16 Notes to the Financial Statements

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

83) Every financial statement should have "who, what, and when" in its heading. These are:

A) the name of the person preparing the statement, the type of financial statement, and when the financial statement was reported to the stock exchange.

B) the name of the person preparing the statement, the name of the company, and the date the statement was prepared.

C) the name of the company, the type of financial statement, and the time period from which the data were taken.

D) the name of the company, the purpose of the statement, and when the financial statement was reported to the Canada Revenue Agency.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Bloom's : Remember

Topic : 01-11 Financial Statements

84) A difference between notes payable and accounts payable is that:

A) notes payable are usually for smaller amounts than accounts payable.

B) accounts payable are usually outstanding for longer periods of time than notes payable.

C) accounts payable have an interest component but notes payable do not.

D) each note payable is supported by a legal document describing details about the company's promise to repay a loan, but accounts payable usually don't have this type of documentation.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Easy

Topic : 01-09 Liabilities

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

85) On the Balance Sheet, inventories are reported as:

- A) a liability, because goods in inventory are tying up a company's money without earning income.
- B) an asset, because goods in inventories are owned by the company.
- C) an expense, because goods in inventory have been paid for but not yet sold.
- D) a revenue, because goods in inventory will be sold in the future.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-14 The Balance Sheet

86) The Lavender Company borrowed \$26,500 from a bank during 2020.

- A) This would be listed as (\$26,500) under investing activities on the Statement of Cash Flows.
- B) This would be listed as (\$26,500) under operating activities on the Statement of Cash Flows.
- C) This would be listed as \$26,500 under investing activities on the Statement of Cash Flows.
- D) This would be listed as \$26,500 under financing activities on the Statement of Cash Flows.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Easy

87) Which of the following is **not** an alternative term used for the Income Statement?

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) Statement of Income
- B) Statement of Financial Position
- C) Statement of Earnings
- D) Profit and Loss Statement

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Easy

Bloom's : Remember

Topic : 01-12 The Income Statement

88) An investor looking at a company's financial statements would be most interested in:

- A) whether the company is generating enough cash to make payments on its loans.
- B) whether the company has enough assets to cover its liabilities.
- C) whether the company's share price is likely to fall, signalling a good time to buy.
- D) whether the company is able to generate profit and distribute dividends.

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Easy

Learning Objective : 01-03 Explain how financial statements are used by decision makers.

Topic : 01-18 Using Financial Statements

89) A creditor might look at a company's Balance Sheet to determine if the company's:

- A) earnings are increasing or decreasing.
- B) share price is likely to decrease, signalling a good time to sell.
- C) share price is likely to increase, signalling a good time to buy.
- D) assets are sufficient to cover its liabilities.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Easy

Learning Objective : 01-03 Explain how financial statements are used by decision makers.

Topic : 01-18 Using Financial Statements

- 90)** What would a financial statement user learn from reading the auditors' report?
- A) Whether the financial statements present a fair picture of the company's financial results.
 - B) Whether the financial statements are prepared by the auditors.
 - C) Whether the financial statements are prepared in accordance with GAAP.
 - D) Whether the financial statements are accurate picture of the company's financial results.

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-19 Useful Financial Information

- 91)** In which of the following business organizations will the owner(s) have the least amount of legal liability?
- A) A sole proprietorship.
 - B) A partnership.
 - C) A limited liability partnership (LLP).
 - D) A corporation.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Easy

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Topic : 01-04 Corporation

Topic : 01-01 Organizational Forms

Topic : 01-02 Sole Proprietorship

Topic : 01-03 Partnership

Topic : 01-05 Other

92) Internal financial statement users include:

- A) investors interested in the company.
- B) creditors of the company.
- C) management of the company.
- D) stock exchanges.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Bloom's : Remember

Topic : 01-06 Accounting for Business Decisions

93) Investors are often interested in the amount of net income distributed as dividends. In which financial statements would investors look to find this amount?

- A) Statement of Retained Earnings
- B) Balance Sheet
- C) Notes to the financial statements
- D) Income Statement

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-13 The Statement of Retained Earnings

94) A company's quarterly Income Statements show that in the last three quarters both sales revenue and net income have been growing. Which of the following statements is **not** true?

A) Creditors are likely to conclude that the risk of lending to the company is decreasing and be willing to accept a lower interest rate on loans.

B) Investors are likely to conclude that the share price is likely to increase, making the company more attractive as a potential investment.

C) Investors are likely to conclude that the company will be better able to pay dividends in the future, making it more attractive as a potential investment.

D) Creditors are likely to conclude that the risk of lending to the company is increasing and higher interest rate is needed.

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Medium

Topic : 01-12 The Income Statement

Learning Objective : 01-03 Explain how financial statements are used by decision makers.

95) Investors and creditors look at the Balance Sheet to see whether the company:

A) is profitable.

B) owns enough assets to pay what it owes to creditors.

C) has had a positive cash flow from operations.

D) is paying sufficient dividends to shareholders.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Learning Objective : 01-03 Explain how financial statements are used by decision makers.

Topic : 01-18 Using Financial Statements

96) Which organization has the primary responsibility for setting Generally Accepted Accounting Principles (GAAP) in Canada?

- A) ASPE
- B) the Canadian Parliament
- C) CPA Canada
- D) IFRS

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

97) To determine whether Generally Accepted Accounting Principles were followed in the preparation of financial statements, an examination of:

- A) tax documents would be examined by the Canada Revenue Agency.
- B) the annual report would be examined by the Toronto Stock Exchange.
- C) the financial statements and related documents would be examined by an independent auditor.
- D) the financial statements and related documents would be examined by CPA Canada.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

98) Which of the following statements is *false*?

A) When choosing between a company that pays steady dividends and one that retains its earnings to support future growth, investors will always choose the company that pays steady dividends.

B) Companies can develop reputations for honest financial reporting even when conveying bad news.

C) Trends in a company's net income from year to year can provide clues about its future earnings, which can help investors to decide whether to buy shares in the company.

D) Information in the notes to the financial statements can influence a user's interpretation of Balance Sheet and Income Statement information.

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Learning Objective : 01-03 Explain how financial statements are used by decision makers.

Difficulty : Hard

Topic : 01-18 Using Financial Statements

Bloom's : Create

99) Which of the following Is *not* required to use IFRS?

A) Private enterprise

B) Publicly traded company

C) Crown corporation

D) All businesses are required to use IFRS

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

100) Which of the following are the two fundamental characteristics financial information must possess to be judged useful to decision makers?

- A) Relevance and faithful representation
- B) Truthful and clarity
- C) Complete and relevant
- D) Elaborate and faithful representation

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

101) Financial information is *relevant* when:

- A) it makes a difference in decision making.
- B) it meets the requirement of the Toronto Stock Exchange.
- C) it fully depicts the economic substance of business activities.
- D) it allows management the discretion when to release the financial information to investors and to the general public.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Bloom's : Remember

Topic : 01-19 Useful Financial Information

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

102) When is the financial information a *faithful representation*?

- A) If it fully depicts the economic substance of business activities.
- B) If it allows management to be faithful to its shareholders.
- C) Meets the requirements of the stock exchanges.
- D) If it makes a difference in decision making.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

103) Which one of the following does *not* enhance the usefulness of financial information?

- A) Timeliness
- B) Verifiability
- C) Integrity
- D) Comparability

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

104) Which of the following is an external user?

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) Investor
- B) Management
- C) Employee
- D) President of the company

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Bloom's : Remember

Learning Objective : 01-03 Explain how financial statements are used by decision makers.

Topic : 01-18 Using Financial Statements

105) Financial information is *comparable* when:

- A) it is available in time to influence decision makers.
- B) others, such as external auditors, would reach similar values using similar methods.
- C) reasonably informed users can comprehend and interpret it.
- D) the same accounting principles are used over time and across companies.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

106) Which of the following is true of ethical conduct?

- A) Ethical conduct is more important for large public companies than for small private businesses.
- B) There is one right answer for each ethical dilemma.
- C) CPA Canada requires that all its members adhere to a Code of Professional Conduct.
- D) CPA Canada's Code of Professional Conduct ensures that accounting scandals and fraud will not occur.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-21 Ethical Conduct

107) Which of the following are measured and reported on the financial statements under GAAP?

- A) Assets, liabilities, shareholders' equity, revenues, expenses, dividends.
- B) Assets, liabilities, shareholders' equity, revenues, expenses, dividends, opportunity costs.
- C) Assets, liabilities, shareholders' equity, revenues, expenses, dividends, variances from budget.
- D) Assets, liabilities, shareholders' equity, revenues, expenses, dividends, projections.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Bloom's : Remember

Topic : 01-19 Useful Financial Information

108) To make sure that managers have followed GAAP rules in producing financial statements, all public companies must:

- A) hire independent auditors to scrutinize their financial records.
- B) hire independent detectives to scrutinize the background of all their accountants.
- C) let the government regulators scrutinize their financial records.
- D) let their shareholders check their financial records.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

109) Auditors while examining the financial records of publicly traded companies in Canada must follow:

- A) International Financial Reporting Standards.
- B) Canadian Auditing Standards.
- C) Canadian Accounting Standards for Auditing.
- D) International Auditing Standards.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

110) The effects of net income and its distribution on the financial position of the company is reported in:

- A) Balance Sheet
- B) Income Statement
- C) Statement of Retained Earnings
- D) Statement of Cash Flows

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Bloom's : Remember

Topic : 01-13 The Statement of Retained Earnings

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

111) Which of the following enhance the usefulness of financial information with reference to financial statements?

- A) Comparability to prior periods and other companies, verifiability, timeliness, and understandability.
- B) Integrity, relevance, faithfulness and comparability to prior periods and other companies.
- C) Clarity, integrity, relevance and faithfulness.
- D) Verifiability, relevance and faithfulness.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Bloom's : Remember

Topic : 01-19 Useful Financial Information

112) CPA Canada:

- A) has primary responsibility for setting the underlying rules of accounting in Canada.
- B) is an entity that regulates issuance of securities in Ontario.
- C) an independent body to develop and establish standards and guidance than govern financial accounting and reporting in Canada.
- D) is an examination of a company's financial statements by an independent auditor.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Bloom's : Remember

Topic : 01-19 Useful Financial Information

113) The AcSB:

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) has primary responsibility for setting the underlying rules of accounting in Canada.
- B) is an entity that regulates issuance of securities in Ontario.
- C) An independent body supported by CPA Canada to develop and establish standards and guidelines that govern financial accounting and reporting in Canada.
- D) is an examination of a company's financial statements by an independent auditor.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Bloom's : Remember

Topic : 01-19 Useful Financial Information

114) A company is involved in *financing* activities when these:

- A) activities are directly related to running the core business to earn profits.
- B) activities involve buying and selling productive resources with long lives (such as buildings, land, equipment, and tools).
- C) activities involve borrowing from banks, repaying bank loans, receiving contributions from shareholders, or paying dividends to shareholders.
- D) activities involve buying and selling resources such as purchasing investments and lending to others.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Difficulty : Easy

Bloom's : Remember

115) A company is involved in *operating* activities when these:

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) activities are directly related to running the core business to earn profits.
- B) activities involve buying and selling productive resources with long lives (such as buildings, land, equipment, and tools).
- C) activities involve borrowing from banks, repaying bank loans, receiving contributions from shareholders, or paying dividends to shareholders.
- D) activities involve buying and selling resources such as purchasing investments and lending to others.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Difficulty : Easy

Bloom's : Remember

116) A company is involved in *investing* activities when these:

- A) activities are directly related to running the core business to earn profits.
- B) activities involve buying and selling productive resources with long lives (such as buildings, land, equipment, and tools), purchasing investments, and lending to others.
- C) activities involve borrowing from banks and repaying bank loans.
- D) activities involve borrowing from receiving contributions from shareholders or paying dividends to shareholders.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Difficulty : Easy

Bloom's : Remember

117) To ensure that decisions are made in a professional and ethical manner, CPA Canada requires that all its members adhere to:

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) IFRS
- B) Code of Professional Conduct
- C) GAAP
- D) CAS

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Bloom's : Remember

Topic : 01-21 Ethical Conduct

118) The Statement of Cash Flows is divided into three activities. They are activities related to:

- A) liquidity, liabilities, and equity.
- B) assets, liabilities, and equity.
- C) operating, investing, and financing.
- D) operating, equity, and debt.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Difficulty : Easy

Bloom's : Remember

119) Under ASPE, what would be the effect of an increase in cash dividends?

- A) An increase in retained earnings.
- B) An increase in net income.
- C) A decrease in net income.
- D) A decrease in retained earnings.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Medium

120) Which of the following equations is correct?

- A) $\text{Net Income} - \text{Expenses} = \text{Revenues}$
- B) $\text{Ending Retained Earnings} - \text{Beginning Retained Earnings} = \text{Net Income} - \text{Dividends}$
- C) $\text{Asset} = \text{Liabilities} - \text{Shareholders' Equity}$
- D) $\text{Assets} + \text{Liabilities} = \text{Shareholders' Equity}$

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Understand

Difficulty : Medium

Topic : 01-07 The Basic Accounting Equation

121) Coast Company has 10,900 items of building supplies on hand that cost \$327,000; a bill from the vendor for \$190,000 of these supplies has not yet been paid. The company expects to earn \$809,000 for its services when it uses the building supplies. The company's balance sheet would include an asset, Supplies, in the amount of:

- A) \$809,000.
- B) \$137,000.
- C) \$10,900.
- D) \$327,000.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-14 The Balance Sheet

Topic : 01-02 Sole Proprietorship

Gradable : automatic

AACSB : Analytical Thinking

AICPA : BB Critical Thinking

AICPA : FN Measurement

Bloom's : Apply

Difficulty : 3 Hard

Source : Exclude LearnSmart

122) At the end of last year, the company's assets totaled \$867,000 and its liabilities totaled \$743,500. During the current year, the company's total assets increased by \$58,700 and its total liabilities increased by \$24,350. At the end of the current year, shareholder's equity was:

- A) \$182,200.
- B) \$34,350.
- C) \$157,850.
- D) \$123,500.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-10 Shareholders' Equity

Topic : 01-13 The Statement of Retained Earnings

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Difficulty : 3 Hard

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

123) A company's balance sheet contained the following information:

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Common Shares	\$ 12,300	Total Assets	\$ 179,000
Accounts Payable	64,300	Retained Earnings	28,300

Notes Payable is the only other item on the balance sheet. Notes Payable must equal:

- A) \$9,800.
- B) \$12,100.
- C) \$74,100.
- D) \$76,000.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-14 The Balance Sheet

Topic : 01-02 Sole Proprietorship

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Difficulty : 3 Hard

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

124) A company began the year with assets of \$112,000, liabilities of \$26,000, and shareholders' equity of \$86,000. During the year assets increased \$56,200 and shareholders' equity increased \$22,400. What was the change in liabilities for the year?

- A) Increase of \$78,600
- B) Increase of \$33,800
- C) Decrease of \$78,600
- D) Decrease of \$33,800

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-07 The Basic Accounting Equation

Gradable : automatic

AACSB : Analytical Thinking

AICPA : FN Measurement

Bloom's : Apply

Difficulty : 3 Hard

Source : Exclude LearnSmart

AICPA : BB Resource Management

125) During its first year of operations, Puffin, Inc. reported Sales Revenue of \$387,500 but collected only \$304,500 from customers. At the end of the year, Accounts Receivable equals:

- A) \$387,500.
- B) \$83,000.
- C) \$692,000.
- D) \$304,500.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-08 Assets

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 2 Medium

126) If Blair Industries had \$16 million in revenue and net income of \$11 million, then its:

- A) expenses must have been \$27 million.
- B) expenses must have been \$5 million.
- C) assets must have been \$16 million.
- D) assets must have been \$11 million.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 1 Easy

127) The WeBuild Construction Company sold \$25 million of buildings in its first year of operations. The company received payments of \$14.50 million for these buildings. The company's income statement would report:

- A) Accounts Receivable of \$14.50 million.
- B) Sales Revenue of \$25 million.
- C) Expenses of \$10.50 million.
- D) Sales Revenue of \$14.50 million.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Topic : 01-14 The Balance Sheet

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 2 Medium

128) During the first year of operations, a company sold \$103,000 of goods to customers and received \$91,500 in cash from customers. The remainder is owed to the company at the end of the year. The company incurred \$70,300 in expenses for the year and paid \$65,300 in cash for these expenses. The remainder is owed by the company at the end of the year. Based on this information, what is the amount of net income for the year?

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- A) \$37,700
- B) \$32,700
- C) \$26,200
- D) \$21,200

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 2 Medium

129) The statement of cash flows shows the following information:

- Cash provided by operating activities of \$18,300
- Cash used by investing activities of \$6,600
- Cash used by financing activities of \$1,100

The beginning cash was \$17,300. What is the amount of cash at the end of the period?

- A) \$27,900.
- B) \$43,300.
- C) \$6,700.
- D) \$35,600.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Gradable : automatic

AACSB : Analytical Thinking

AICPA : FN Measurement

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

Difficulty : 2 Medium

130) Robin Hood's statement of cash flows contained the following:

- Cash flows from operating activities in the amount of \$29,400
- Cash flows from investing activities in the amount of \$30,400
- Cash flows from (used by) financing activities in the amount of (\$44,600)

What was Robin Hood's change in cash for the period?

- A) \$14,200 increase
- B) \$15,200 increase
- C) \$15,200 decrease
- D) \$14,200 decrease

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 2 Medium

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

131) Golden Enterprises started the year with the following: Assets \$123,000; Liabilities \$42,000; Common Stock \$72,000; Retained Earnings \$9,000. During the year, the company earned revenue of \$6,500, all of which was received in cash, and incurred expenses of \$3,750, all of which were unpaid as of the end of the year. In addition, the company paid dividends of \$2,500 to owners. Assume no other activities occurred during the year.

What was the amount of Golden's net income for the year?

- A) \$6,500
- B) \$2,500
- C) \$3,750
- D) \$2,750

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 1 Easy

132) Golden Enterprises started the year with the following: Assets \$127,000; Liabilities \$43,000; Common Shares \$73,000; Retained Earnings \$11,000. During the year, the company earned revenue of \$6,700, all of which was received in cash, and incurred expenses of \$3,850, all of which were unpaid as of the end of the year. In addition, the company paid dividends of \$2,700 to owners. Assume no other activities occurred during the year.

The amount of Golden's retained earnings at the end of the year is:

- A) \$2,700.
- B) \$17,700.
- C) \$13,850.
- D) \$11,150.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Topic : 01-13 The Statement of Retained Earnings

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 1 Easy

133) Golden Enterprises started the year with the following: Assets \$100,000; Liabilities \$30,000; Common Shares \$60,000; Retained Earnings \$10,000. During the year, the company earned revenue of \$5,000, all of which was received in cash, and incurred expenses of \$3,000, all of which were unpaid as of the end of the year. In addition, the company paid dividends of \$1,000 to owners. Assume no other activities occurred during the year.

The amount of Golden's liabilities at the end of the year is:

- A) \$28,000.
- B) \$33,000.
- C) \$32,000.
- D) \$30,000.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-14 The Balance Sheet

Topic : 01-02 Sole Proprietorship

Gradable : automatic

AACSB : Analytical Thinking

AICPA : FN Measurement

Bloom's : Apply

Difficulty : 3 Hard

Source : Exclude LearnSmart

AICPA : BB Resource Management

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

134) Golden Enterprises started the year with the following: Assets \$103,000; Liabilities \$33,000; Common Shares \$63,000; Retained Earnings \$7,000. During the year, the company earned revenue of \$5,300, all of which was received in cash, and incurred expenses of \$3,150, all of which were unpaid as of the end of the year. In addition, the company paid dividends of \$1,300 to owners. Assume no other activities occurred during the year.

The amount of Golden's assets at the end of the year is:

- A) \$108,300.
- B) \$111,450.
- C) \$107,000.
- D) \$110,450.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-14 The Balance Sheet

Topic : 01-02 Sole Proprietorship

Gradable : automatic

AACSB : Analytical Thinking

AICPA : FN Measurement

Bloom's : Apply

Difficulty : 3 Hard

Source : Exclude LearnSmart

AICPA : BB Resource Management

135) A company's financial records at the end of the year included the following amounts:

Cash	\$ 71,000
Accounts Receivable	29,000
Supplies	5,000
Accounts Payable	11,000
Notes Payable	5,500
Retained Earnings, beginning of year	18,000

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Common Shares	50,000
Service Revenue	46,500
Wages Expense	9,000
Advertising Expense	6,000
Rent Expense	11,000

What is the amount of net income on the income statement for the year?

- A) \$20,500.
- B) \$38,500.
- C) \$29,500.
- D) \$90,500.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 2 Medium

136) A company's financial records at the end of the year included the following amounts:

Cash	\$ 71,900
Accounts Receivable	29,900
Supplies	5,900

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Accounts Payable	11,900
Notes Payable	5,950
Retained Earnings, beginning of year	18,900
Common Shares	59,000
Service Revenue	40,650
Wages Expense	9,900
Advertising Expense	6,900
Rent Expense	11,900

What is the amount of total assets to be reported on the balance sheet at the end of the year?

- A) \$148,350.
- B) \$107,700.
- C) \$126,600.
- D) \$119,600.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Topic : 01-15 The Statement of Cash Flows

Topic : 01-10 Shareholders' Equity

Topic : 01-08 Assets

Topic : 01-09 Liabilities

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 2 Medium

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

137) A company's financial records at the end of the year included the following amounts:

Cash	\$ 70,200
Accounts Receivable	28,200
Supplies	4,200
Accounts Payable	10,200
Notes Payable	5,100
Retained Earnings, beginning of year	17,200
Common Shares	42,000
Service Revenue	51,700
Wages Expense	8,200
Advertising Expense	5,200
Rent Expense	10,200

What is the amount of total shareholder's equity that would be reported on the Balance Sheet at the end of the year?

- A) \$59,200.
- B) \$102,600.
- C) \$87,300.
- D) \$28,100.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Topic : 01-15 The Statement of Cash Flows

Topic : 01-10 Shareholders' Equity

Topic : 01-08 Assets

Topic : 01-13 The Statement of Retained Earnings

Topic : 01-09 Liabilities

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Difficulty : 3 Hard

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

138) Puffin Co. began the year with assets of \$108,000 and liabilities of \$79,000. During the year assets increased by \$13,600 and liabilities decreased by \$9,800.

What is the amount of Puffin's shareholder's equity at the beginning of the year?

A) \$108,000

B) \$29,000

C) \$94,400

D) \$104,000

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-07 The Basic Accounting Equation

Gradable : automatic

AACSB : Analytical Thinking

AICPA : FN Measurement

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

Difficulty : 1 Easy

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

139) Puffin Co. began the year with assets of \$109,000 and liabilities of \$79,500. During the year assets increased by \$13,800 and liabilities decreased by \$9,900.

What is the amount of the change in Puffin's shareholder's equity during the year?

- A) \$3,900 increase
- B) \$23,700 increase
- C) \$3,900 decrease
- D) \$23,700 decrease

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-07 The Basic Accounting Equation

Gradable : automatic

AACSB : Analytical Thinking

AICPA : FN Measurement

Bloom's : Apply

Difficulty : 3 Hard

Source : Exclude LearnSmart

AICPA : BB Resource Management

140) The first year of operations for a company was Year 1. The net income for Year 1 was \$21,700 and dividends of \$12,850 were paid. In Year 2, the company reported net income of \$35,700 and paid dividends of \$5,850. At the end of Year 1, the company had total assets of \$167,000. At the end of Year 2, the company had total assets of \$ \$257,000.

What was the amount of retained earnings at the end of Year 1?

- A) \$21,700
- B) \$18,100
- C) \$8,850
- D) \$19,500

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Topic : 01-13 The Statement of Retained Earnings

Gradable : automatic

AACSB : Analytical Thinking

AICPA : FN Measurement

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

Difficulty : 1 Easy

141) The first year of operations for a company was Year 1. The net income for Year 1 was \$20,200 and dividends of \$12,100 were paid. In Year 2, the company reported net income of \$34,200 and paid dividends of \$5,100. At the end of Year 1, the company had total assets of \$152,000. At the end of Year 2, the company had total assets of \$ \$242,000.

What is the amount of retained earnings at the end of Year 2?

- A) \$37,200
- B) \$132,150
- C) \$29,100
- D) \$122,150

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Topic : 01-13 The Statement of Retained Earnings

Gradable : automatic

AACSB : Analytical Thinking

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 2 Medium

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

142) Blue Fin started the current year with assets of \$708,000, liabilities of \$354,000 and common shares of \$208,000. During the current year, assets increased by \$408,000, liabilities decreased by \$54,000 and common shares increased by \$283,000. There was no payment of dividends to owners during the year.

Based on this information, what was the amount of Blue Fin's retained earnings at the beginning of the year?

- A) \$146,000
- B) \$71,000
- C) \$462,000
- D) \$562,000

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-12 The Income Statement

Topic : 01-13 The Statement of Retained Earnings

Gradable : automatic

AACSB : Analytical Thinking

AICPA : FN Measurement

Bloom's : Apply

Difficulty : 3 Hard

Source : Exclude LearnSmart

AICPA : BB Resource Management

143) Blue Fin started the current year with assets of \$702,000, liabilities of \$351,000 and common shares of \$202,000. During the current year, assets increased by \$402,000, liabilities decreased by \$51,000 and common shares increased by \$277,000. There was no payment of dividends to owners during the year.

Use the information above to answer the following question. What was the amount of Blue Fin's change in total shareholder's equity during the year?

- A) \$277,000 increase
- B) \$226,000 increase
- C) \$149,000 increase
- D) \$453,000 increase

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-07 The Basic Accounting Equation

Gradable : automatic

AACSB : Analytical Thinking

AICPA : FN Measurement

Bloom's : Apply

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Difficulty : 2 Medium

144) Blue Fin started the current year with assets of \$718,000, liabilities of \$359,000 and common shares of \$218,000. During the current year, assets increased by \$418,000, liabilities decreased by \$59,000 and common shares increased by \$293,000. There was no payment of dividends to owners during the year.

Use the information above to answer the following question. What was the amount of Blue Fin's net income for the year?

A) \$293,000

B) \$234,000

C) \$477,000

D) \$184,000

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-07 The Basic Accounting Equation

Topic : 01-13 The Statement of Retained Earnings

Gradable : automatic

AACSB : Analytical Thinking

AICPA : FN Measurement

Bloom's : Apply

Difficulty : 3 Hard

Source : Exclude LearnSmart

AICPA : BB Resource Management

AICPA : FN Reporting

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

145) Using the following data, prepare a Balance Sheet for Hyacinth Company as of June 30, 2020.

Revenues	\$279,400
Accounts Receivable	419,200
Retained Earnings	117,900
Inventories	58,400
Other Assets	69,400
Accounts Payable	349,200
Property, Plant, and Equipment	118,500
Cash	732,600
Contributed Capital	662,100
Notes Payable	268,900
Rent expense	56,900
Interest expense	4,500

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Topic : 01-14 The Balance Sheet

Bloom's : Analyze

146) The table shows financial data for Hollyhock Company as of September 30, 2020.

Revenues	\$279,400
Accounts Receivable	419,200
Retained Earnings	117,900
Inventories	54,900
Other Assets	<u>71,400</u>
Accounts Payable	342,500
Property, Plant, and Equipment	119,300
Cash	743,800
Contributed Capital	662,100
Notes Payable	268,900

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Rent expense	56,900
Interest expense	4,500

Fill in the missing items in the Balance Sheet.

HOLLYHOCKCOMPANY BALANCESHEET SEPTEMBER30,2020

Assets	
Cash	\$743,800
Accounts Receivable	?
Inventories	54,900
Property, Plant, and Equipment	119,300
Other Assets	<u>71,400</u>
Total Assets	<u>\$?</u>
Liabilities	
Accounts Payable	\$342,500
Notes Payable	<u>?</u>
Total Liabilities	<u>607,600</u>
Shareholders' Equity	
Contributed Capital	662,100
Retained Earnings	<u>?</u>
Total Equity	<u>789,400</u>
Total Liabilities and Shareholders'	
Equity	<u>\$?</u>

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-14 The Balance Sheet

Bloom's : Analyze

Difficulty : Hard

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

147) Calculate the net income for Green Thumb Company. Then, assuming the company had retained earnings of \$162,000 as of January 1, 2020, and paid out \$46,000 in dividends during the year, prepare its Statement of Retained Earnings.

GREENTHUMBCOMPANY

Income Statement

For the Year Ended December 31, 2020

Revenues	
Sales Revenue	<u>\$1,865,300</u>
Total Revenues	<u>1,865,300</u>
Expenses	
Wages Expense	724,800
Advertising and Promotion Expenses	262,500
Other Selling and Administrative Expenses	350,800
Interest Expense	43,900
Income Tax Expense	56,500
Other Expenses	<u>122,400</u>
Total Expenses	<u>1,560,900</u>
Net Income	<u>\$?</u>

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Bloom's : Analyze

Topic : 01-12 The Income Statement

Topic : 01-13 The Statement of Retained Earnings

148) The Coneflower Company had \$312,000 in cash at the beginning of the year (January 1, 2020). Using the data in the chart, prepare a Statement of Cash Flows.

Cash paid for other operating activities	\$1,291,000
Cash paid for dividends	16,900

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Cash received from selling equipment and other assets	16,300
Cash paid on notes payable	412,000
Cash paid to suppliers and employees	1,258,900
Cash collected from customers	3,840,700
Cash paid to purchase equipment and other assets	140,200

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Analyze

Difficulty : Hard

149) Use the following 2020 data to prepare an Income Statement for Carnation Company.

Other Selling and Administrative Expenses	\$1,050,300
Other Expenses	247,600
Sales Revenue	4,885,300
Advertising and Promotion Expenses	552,500
Wages Expense	2,524,400
Income Tax Expense	166,500
Interest Expense	113,900

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Analyze

Topic : 01-12 The Income Statement

Difficulty : Hard

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

150) Match the category of business activity to the specific business action.

- A. Operating activity.
- B. Investing activity.
- C. Financing activity.

- _____ 1. The purchase of a new line of assembly equipment.
- _____ 2. Company payment of a dividend.
- _____ 3. The purchase of office supplies.
- _____ 4. The purchase of advertising time by the company.
- _____ 5. The building of a new factory.
- _____ 6. Company payment on a bank loan.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Difficulty : Medium

Bloom's : Apply

151) Match the characteristic of the company with the description of the type of company.

- A. Partnership
- B. Publicly traded corporation
- C. Privately held corporation

- _____ 1. Issues shares that are traded on a stock exchange such as the Toronto Stock Exchange.
- _____ 2. Owners are personally liable for the debts of the company.
- _____ 3. Shares must be purchased directly from current owners.
- _____ 4. Can raise more financial capital by selling shares to the greatest number of investors.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-01 Describe various organizational forms and business decision makers.

Topic : 01-04 Corporation

Difficulty : Medium

Bloom's : Remember

Topic : 01-01 Organizational Forms

Topic : 01-03 Partnership

152) Match the lettered terms to the blanks below to complete the relevant formula for each financial statement.

- A. Cash at beginning of year
- B. Net cash flow from operating activities
- C. Balance of retained earnings from previous year
- D. Net cash flow from investing activities
- E. Liabilities
- F. Net cash flow from financing activities
- G. Balance of retained earnings at end of year
- H. Net income
- I. Revenue
- J. Assets
- K. Shareholders' equity
- L. Expenses
- M. Cash at end of year
- N. Dividends paid

A letter may be used more than once. Use the blank on the left side of the equals sign for the "bottom line" number that is reported at the end of each financial statement. Rearrange the formula if necessary.

Balance Sheet	=	+		
Income Statement	=	-		
Statement of Retained Earnings	=	+	-	
Statement of Cash Flows	=	+	+	+

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Topic : 01-07 The Basic Accounting Equation

Bloom's : Apply

153) Each item in the Statement of Retained Earnings can appear on another financial statement. Match the letter of the financial statement with the item in the Statement of Retained Earnings.

- A. Balance Sheet at end of 2020
- B. Statement of Cash Flows for 2020
- C. Income Statement for 2019
- D. Balance Sheet at end of 2019
- E. Income Statement for 2020

- ____ Retained earnings, January 1, 2020
- ____ Net income for 2020
- ____ Dividends declared and paid during 2020
- ____ Retained earnings, December 31, 2020

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Difficulty : Medium

Bloom's : Analyze

Topic : 01-17 Relationships Among the Financial Statements

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

154) Match the term and the explanation. (There are more explanations than terms.)

- _____ investors
- _____ audit
- _____ Balance Sheet
- _____ operating activity
- _____ verifiable
- _____ retained earnings
- _____ investing activity
- _____ Income Statement

- A. An exchange of money between a company and its investors or creditors.
- B. A term used to describe information for which the same accounting principles are used over time and across companies.
- C. The idea that a company reports sales only after a payment has been received.
- D. Share of a company's earnings given to owners as dividends.
- E. A financial statement showing a company's assets, liabilities and shareholders' equity.
- F. When a company acquires money from investors.
- G. A financial statement that summarizes a company's past and current cash situation.
- H. An external user of financial statements.
- I. The idea that the financial statements of a company include the results of only that company's business activities.
- J. Day to day events involved in the production and sales of a company's goods or services.
- K. A financial statement that shows a company's revenues and expenses.
- L. Borrowing money from lenders.
- M. The total amount of profits that are held by the company since its inception.
- N. A term used to describe information for which similar values could be reached using similar methods.
- O. A procedure by which independent evaluators assess the accounting procedures and financial reports of a company.
- P. Purchase or sale of long-term assets, like property and equipment used in production process.

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Bloom's : Understand

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Topic : 01-14 The Balance Sheet

Topic : 01-12 The Income Statement

Learning Objective : 01-03 Explain how financial statements are used by decision makers.

Topic : 01-13 The Statement of Retained Earnings

Topic : 01-18 Using Financial Statements

155) There are four basic financial reports that comprise financial statements. These will differ slightly depending upon whether the company is operating under IFRS or ASPE. List the names of these statements, in order of preparation, and categorize them as either ASPE or IFRS.

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

Bloom's : Remember

156) When faces with an ethical dilemma, employees are encouraged to follow a three-step process. What are the three steps, in order, to this process?

Question Details

Accessibility : Keyboard Navigation

Difficulty : Easy

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Bloom's : Remember

Topic : 01-21 Ethical Conduct

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

157) There are a number of key concepts for external financing reporting, whether the company is following ASPE or IFRS. To this end, there are six elements to be measured and reported, regardless of what accounting standards a company is following. List these six elements to be measured and reported.

Question Details

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : Medium

Learning Objective : 01-04 Describe factors that contribute to useful financial information.

Topic : 01-20 Generally Accepted Accounting Principles

158) For the month ending September 30, 2020, Gardener Company has received \$10,000 from customers, \$30,000 in capital contributed from shareholders, and borrowed \$20,000 from the bank. The company also paid its employees \$5,000, bought equipment totaling \$40,000, and paid cash dividends of \$1,000 to shareholders. Assume beginning cash was zero. Prepare a Statement of Cash Flows to illustrate what ending cash is at the end of the month.

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Topic : 01-15 The Statement of Cash Flows

Difficulty : Medium

Bloom's : Analyze

159) Over the past year Azalea Company has issued \$200,000 in common shares and paid \$125,000 in cash dividends. The company started the year with retained earnings of \$500,000 and ended the year with \$700,000, while realizing \$1,550,000 in revenues. What were the expenses realized for the company for the year?

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Question Details

Accessibility : Keyboard Navigation

Learning Objective : 01-02 Describe the purpose, structure, and content of the four basic financial s

Bloom's : Analyze

Topic : 01-17 Relationships Among the Financial Statements

Topic : 01-12 The Income Statement

Difficulty : Hard

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01 Answer Key

Test name: Ch01

- 1) TRUE
- 2) TRUE
- 3) TRUE
- 4) TRUE
- 5) FALSE
- 6) FALSE
- 7) FALSE
- 8) TRUE
- 9) TRUE
- 10) FALSE
- 11) TRUE
- 12) TRUE
- 13) FALSE
- 14) TRUE
- 15) TRUE
- 16) FALSE
- 17) TRUE
- 18) FALSE
- 19) FALSE
- 20) TRUE
- 21) TRUE
- 22) FALSE
- 23) TRUE
- 24) FALSE
- 25) TRUE

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- 26) TRUE
- 27) TRUE
- 28) FALSE
- 29) FALSE
- 30) TRUE
- 31) TRUE
- 32) FALSE
- 33) FALSE
- 34) FALSE
- 35) FALSE
- 36) FALSE
- 37) TRUE
- 38) FALSE
- 39) FALSE
- 40) FALSE
- 41) D
- 42) B
- 43) B
- 44) C
- 45) A
- 46) A
- 47) A
- 48) B
- 49) B
- 50) B
- 51) B
- 52) B
- 53) A
- 54) D
- 55) D

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- 56) C
- 57) D
- 58) D
- 59) B
- 60) C
- 61) C
- 62) D
- 63) B
- 64) D
- 65) C
- 66) C
- 67) C
- 68) A
- 69) D
- 70) B
- 71) D
- 72) D
- 73) B
- 74) A
- 75) A
- 76) B
- 77) D
- 78) C
- 79) A
- 80) B
- 81) C
- 82) D
- 83) C
- 84) D
- 85) B

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

- 86) D
- 87) B
- 88) D
- 89) D
- 90) C
- 91) D
- 92) C
- 93) A
- 94) D
- 95) B
- 96) C
- 97) C
- 98) A
- 99) A
- 100) A
- 101) A
- 102) A
- 103) C
- 104) A
- 105) D
- 106) C
- 107) A
- 108) A
- 109) B
- 110) C
- 111) A
- 112) A
- 113) C
- 114) C
- 115) A

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

116) B

117) B

118) C

119) D

120) B

121) D

An asset is an economic resource presently controlled by the company; it has measurable value and is expected to benefit the company by producing cash inflows or reducing cash outflows in the future. The building supplies on hand that cost \$327,000 would be reported as an asset on the balance sheet.

122) C

Shareholder's equity = Assets – Liabilities

Beginning shareholder's equity = \$867,000 – \$743,500 = \$123,500

Change in shareholder's equity = Change in assets – Change in liabilities

= \$58,700 – \$24,350 = \$34,350

Ending shareholder's equity = Beginning shareholder's equity + Change in shareholder's equity

= \$123,500 + \$34,350 = \$157,850

123) C

Total assets = Total liabilities + Total shareholder's equity

\$179,000 = (\$64,300 + Notes Payable) + (\$12,300 + \$28,300)

Notes Payable = \$179,000 – \$64,300 – \$12,300 – \$28,300 = \$74,100

124) B

Assets = Liabilities + Shareholders' equity

Liabilities = Assets – Shareholders' equity

Change in liabilities = Change in assets – Change in shareholders' equity

= \$56,200 – \$22,400 = \$33,800

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

125) B

Of the \$387,500 of Sales Revenue, customers have paid the company only \$304,500, which leaves a balance of Accounts Receivable of \$83,000.

126) B

Net income = Revenues – Expenses

Expenses = Net income – Revenues

\$16 million – \$11 million = \$5 million

127) B

The income statement would report the Sales Revenue earned of \$25 million. The amount still owed by customers of \$10.50 million (or \$25 million – \$14.50 million) would be reported as Accounts Receivable, an asset, on the balance sheet.

128) B

Revenue is reported on the income statement when it is earned and expenses are reported when they are incurred.

Net Income = Revenue – Expenses

= \$103,000 – \$70,300 = \$32,700

129) A

Ending Cash = Beginning cash + Cash provided by (used in) operating activities + Cash provided by (used in) investing activities + Cash provided by (used in) financing activities

= \$17,300 + \$18,300 – \$6,600 – \$1,100 = \$27,900

130) B

Change in Cash = Cash provided by (used in) operating activities + Cash provided by (used in) investing activities + Cash provided by (used in) financing activities

= \$29,400 + \$30,400 – \$44,600 = \$15,200.

131) D

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Net Income = Revenue – Expenses

$$= \$6,500 - \$3,750$$

$$= \$2,750$$

132) D

Net Income = Revenue – Expenses

$$= \$6,700 - \$3,850$$

$$= \$2,850$$

Ending retained earnings = Beginning retained earnings + Net income – Dividends

$$= \$11,000 + \$2,850 - \$2,700 = \$11,150$$

133) B

Ending liabilities = Beginning liabilities + Increase (Decrease) in liabilities

$$= \$30,000 + \$3,000 = \$33,000$$

134) C

Assets increased during the year by \$5,300 (revenues paid in cash) and decreased by \$1,300 (dividends paid in cash).

Ending assets = Beginning assets + Increase (Decrease) in assets

$$= \$103,000 + \$5,300 - \$1,300 = \$107,000$$

135) A

Expenses are comprised of Wages Expense, Advertising Expense, and Rent Expense

Net income = Revenue – Expenses

$$= \$46,500 - (\$9,000 + \$6,000 + \$11,000) = \$20,500$$

136) B

Total Assets = Cash + Accounts Receivable + Supplies

$$= \$71,900 + \$29,900 + \$5,900 = \$107,700$$

137) C

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Expenses are comprised of Wages Expense, Advertising Expense, and Rent Expense

Net income = Revenue – Expenses

$$= \$51,700 - (\$8,200 + \$5,200 + \$10,200) = \$28,100$$

Ending retained earnings = Beginning retained earnings + Net income –

Dividends

$$= \$17,200 + \$28,100 - \$0 = \$45,300$$

Ending shareholder's equity = Common shares + Ending retained earnings

$$= \$42,000 + \$45,300 = \$87,300$$

138) B

Assets = Liabilities + Shareholder's Equity

Shareholder's Equity = Assets – Liabilities

$$= \$108,000 - \$79,000 = \$29,000$$

139) B

Beginning of year:

Change in Assets = Change in Liabilities + Change in Shareholder's Equity

Change in Shareholder's Equity = Change in Assets – Change in Liabilities

$$= \$13,800 - (\$9,900) = \$13,800 + \$9,900 = \$23,700$$

140) C

Ending retained earnings = Beginning retained earnings + Net income – Dividends

$$= \$0 + \$21,700 - \$12,850 = \$8,850$$

141) A

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Ending retained earnings = Beginning retained earnings + Net income – Dividends

Year 1:

$$= \$0 + \$20,200 - \$12,100 = \$8,100$$

Year 2:

$$= \$8,100 + \$34,200 - \$5,100 = \$37,200$$

142) A

Assets = Liabilities + Shareholder's Equity

Shareholder's Equity = Assets – Liabilities

$$= \$708,000 - \$354,000 = \$354,000$$

Shareholder's Equity = Common Shares + Retained earnings.

Retained Earnings = Shareholder's Equity – Common Shares

$$= \$354,000 - \$208,000 = \$146,000$$

143) D

Change in Assets = Change in Liabilities + Change in Shareholder's Equity

Change in Shareholder's Equity = Change in Assets – Change in Liabilities

$$= \$402,000 - (\$51,000)$$

$$= \$402,000 + \$51,000 = \$453,000$$

144) D

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Change in Assets = Change in Liabilities + Change in Shareholder's Equity

Change in Shareholder's Equity = Change in Assets – Change in Liabilities

$$= \$418,000 - (\$59,000) = \$418,000 + \$59,000 = \$477,000$$

Change in Shareholder's Equity = Change in Common Shares + Change in Retained Earnings

Change in Retained Earnings = Change in Shareholder's Equity – Change in Common Shares

$$= \$477,000 - \$293,000 = \$184,000$$

Change in Retained Earnings = Net income – Dividends

Net income = Change in Retained Earnings + Dividends

$$= \$184,000 - \$0 = \$184,000$$

145)HYACINTHCOMPANY

BALANCESHEET

JUNE30,2020

Assets	
Cash	\$732,600
Accounts Receivable	419,200
Inventories	58,400
Property, Plant, and Equipment	118,500
Other Assets	<u>69,400</u>
Total Assets	<u>\$1,398,100</u>
Liabilities	
Accounts Payable	\$349,200
Notes Payable	<u>268,900</u>
Total Liabilities	<u>618,100</u>
Shareholders' Equity	
Contributed Capital	662,100
Retained Earnings	<u>117,900</u>
Total Equity	<u>780,000</u>

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Total Liabilities and Shareholders' Equity	<u>\$1,398,100</u>
--	--------------------

146) HOLLYHOCK COMPANY

BALANCE SHEET

SEPTEMBER 30, 2020

Assets	
Cash	\$743,800
Accounts Receivable	407,600
Inventories	54,900
Property, Plant, and Equipment	119,300
Other Assets	<u>71,400</u>
Total Assets	<u>\$1,397,000</u>
Liabilities	
Accounts Payable	\$342,500
Notes Payable	<u>265,100</u>
Total Liabilities	<u>607,600</u>
Shareholders' Equity	
Contributed Capital	662,100
Retained Earnings	<u>127,300</u>
Total Equity	<u>789,400</u>
Total Liabilities and shareholders' Equity	<u>\$1,397,000</u>

147) Net income is \$304,400 (or \$1,865,300 - \$1,560,900).

GREENTHUMB COMPANY

Statement of Retained Earnings

For the Year Ended December 31, 2020

Retained Earnings, January 1, 2020	\$162,000
Net Income for 2020	304,400
Dividends for 2020	<u>(46,000)</u>
Retained Earnings, December 31, 2020	<u>\$420,400</u>

148) CONEFLOWER COMPANY

Statement of Cash Flows

For the Year Ended December 31, 2020

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Cash flows from operating activities	
Cash collected from customers	\$3,840,700
Cash paid to suppliers and employees	(1,258,900)
Cash paid for other operating activities	<u>(1,291,000)</u>
Net cash flow from operating activities	<u>1,290,800</u>
Cash flows from investing activities	
Cash paid to purchase equipment and other assets	(140,200)
Cash received from selling equipment and other assets	<u>16,300</u>
Net cash flow from investing activities	<u>(123,900)</u>
Cash flows from financing activities	
Cash paid on notes payable	(412,000)
Cash paid for dividends	<u>(16,900)</u>
Net cash flow from financing activities	<u>(428,900)</u>
Net change in cash during the year	738,000
Cash at beginning of year	<u>312,000</u>
Cash at end of year	<u>\$1,050,000</u>

149)CARNATIONCOMPANY

IncomeStatement

FortheYearEndedDecember31,2020

Revenues	
Sales Revenue	<u>\$4,885,300</u>
Total Revenues	<u>4,885,300</u>
Expenses	
Wages Expense	2,524,400
Advertising and Promotion Expenses	552,500
Other Selling and Administrative	
Expenses	1,050,300
Interest Expense	113,900
Income Tax Expense	166,500
Other Expenses	<u>247,600</u>
Total Expenses	<u>4,655,200</u>
Net Income	<u>\$230,100</u>

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

150) B, C, A, A, B, C

151) B, A, C, B

152) $J = E + K$; $H = I - L$; $G = C + H - N$; $M = B + D + F + A$

153) D, E, B, A

154) H, O, E, J, N, M, P, K

155)

ASPE	IFRS
1. Income Statement	1. Statement of Comprehensive Income
2. Statement of Retained Earnings	2. Statement of Changes in Equity
3. Balance Sheet	3. Statement of Financial Position
4. Statement of Cash Flows	4. Statement of Cash Flows

156) 1. Identify who will be affected by the situation; 2. Identify the alternative courses of action; 3. Choose the alternative that is the most ethical.

157) Assets, Liabilities, Shareholders' Equity, Revenues, Expenses, and Dividends

158) **GARDENER COMPANY**

Statement of Cash Flows

For the Month Ended September 30, 2020

Cash flows from operating activities	
Cash received from customers	\$10,000
Cash paid to employees	<u>(5,000)</u>
Cash provided by operating activities	5,000
Cash flows from investing activities	
Cash used to buy equipment	<u>(40,000)</u>
Cash used in investing activities	(40,000)
Cash flows from financing activities	

Fundamentals Of Financial Accounting 6ce Edition by Phillips Ch01

Capital contributed by shareholders	30,000
Cash dividends paid to shareholders	(1,000)
Cash borrowed from the bank	<u>20,000</u>
Cash provided by financing activities	49,000
Change in cash	14,000
Beginning cash, September 1, 2020	<u>0</u>
Ending cash, September 30, 2020	<u>14,000</u>

159) Net Income = 700,000 - 500,000 + 125,000 = 325,000

Therefore, Expenses = 1,550,000 - 325,000 = 1,225,000