Russell's Consulting Services provided \$1,000 of services to the local college and immediately collected \$700, but the college wants to pay the rest next month. Record this transaction in the accounting equation for Russell's Consulting Service by:



decreasing Cash; and increasing both Accounts Receivable and Russell, Capital

increasing both Cash and Accounts Receivable; and decreasing Revenues

increasing both Cash and Accounts Receivable; and increasing Revenues

increasing Cash and Accounts Payable; and increasing Revenues





ABC Co. performs \$200 of services for a customer, but does not get paid right away. Demonstrate how ABC Co. would record this transaction in the accounting equation by completing the following sentence. Note: enter one answer for each blank.

ABC Co. would increase the Accounts (Payable/Receivable)Receivable account and increase the (Cash/Revenue) Revenue account in the accounting equation.







Match each item on the left with its correct definition on the right.

ou matched:	The correct match:
 Expenses 	Decrease equity and are the cost of assets or services used to earn revenue
 Revenues 	increase equity and are the assets earned from a company's earning activities
✓ Withdrawals	Decrease equity and are the assets removed from the company for personal use
 Investments 	Increase equity and are assets an owner puts into the business

MGMT-026

Melton's Door Company pays rent on the building facilities of \$5,000 on May 1. Show how to record this transaction in the accounting equation.

✓ Your answer is correct.

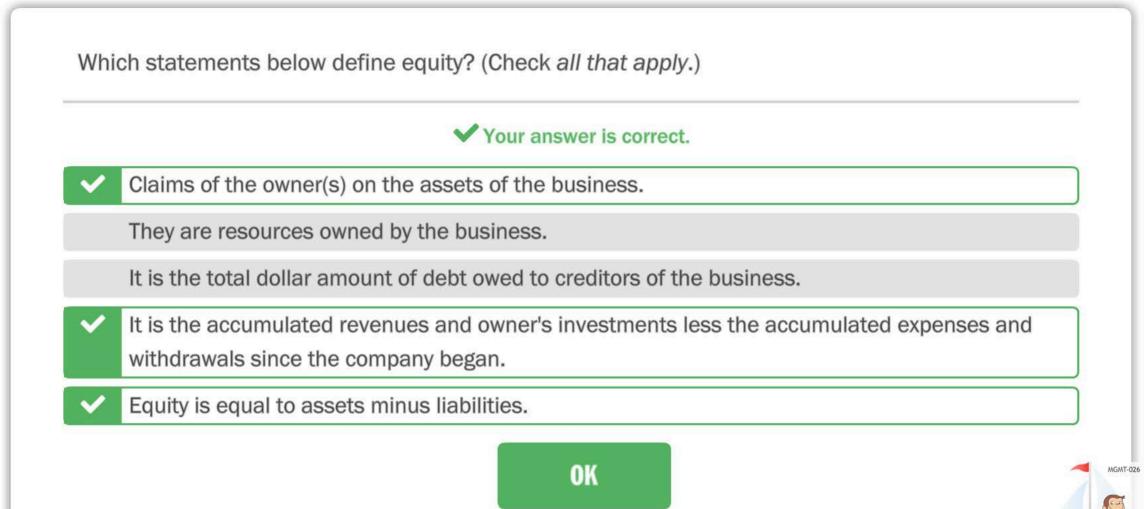
Rent Expense will be decreased.

Rent Expense will be increased.

Cash will be increased.







When using the accounting equation, recording the purchase of **equipment** for cash would include an increase to the Equipment (Cash/Equipment/Supplies) account and a decrease to the Cash (Cash/Equipment/Supplies) account.







How would you characterize a company's Accounts Receivable account?

✓ Your answer is correct.

It is a revenue account.

It is an expense account.

It is an asset account.

It is a liability account.





The expanded accounting equation is defined as:

Assets = Liabilities + Owner's Capital +Revenue - Expenses - Owner's Withdrawals. Do not include "account" or "accounts" in your answer.







Which of the following statements is/are *true* regarding the effect of revenues on the equity of a business? (Check all that apply.)

✓ Your answer is correct.

Revenues cause owner's equity to increase.

Revenues cause owner's equity to decrease and result from the costs of doing business.

Revenues that increase equity have many forms, such as consulting services and rental revenue.





Bob's Bakery receives its utility bill of \$800 for the month and pays it immediately. Record this transaction in the accounting equation.

✓ Your answer is correct.

Increase Accounts Payable and increase Expenses.

Increase Expenses and increase Cash.

Increase Expenses and decrease Cash.

Increase Cash and increase Accounts Payable.





When recording transactions into the accounting equation, which of the following statements are *correct*? (Check *all* that apply.)



The accounting equation must always remain in balance.

Cash must always equal Owner's Equity.

At least two accounts will be affected when recording a transaction.

After recording the transaction, total assets will always equal total liabilities plus owner's equity.

Expenses are listed on the right side of the accounting equation and will increase the owner's equity account.





Owner investments cause a(n) (increase/decrease) increase in owner equity and are entered directly in the Owner's Capital (Capital/Withdrawals/Revenue) account.







From the following statements, identify the correct definition of a liability.

✓ Your answer is correct.

A liability is something of value that a business owns.

A liability refers to the claims of a business's owners.

A liability is an amount owed to a creditor.

This is a liability.





When supplies are purchased on credit it means that: (Check all that apply.)

✓ Your answer is correct.

the Accounts Payable account will be increased.

the business will pay for the supplies at a later time.

a liability has been incurred.

the business will be paying for the supplies right away.





On 6/25, supplies costing \$1,000 were purchased, but only \$400 of this amount was paid on 6/25. The remainder of the bill went on account. To record this transaction on 6/25: Supplies would be increased by \$1,000 (1,000/400/600); Cash would be decreased by \$400 (1,000/400/600) and Accounts Payable would be increased by \$600 (1,000/400/600).



Supplies costing \$1,000 were purchased.

Only \$400 was paid out in cash.

Accounts payable increased by \$600 (\$1,000-400).





Given the statements below, choose the most accurate definition of owner withdrawals.

✓ Your answer is correct.



Assets an owner takes from the business for personal use

Cost of assets or services used to earn revenues

Assets earned from a company's earning activities

Resources owned or controlled by a company

Cash or other assets an owner puts into the business





The correct definition of revenues is Revenues increase (increase/decrease) equity (liabilities/equity) and are the assets or monies earned from a company's earnings activities.







If a customer makes a partial payment of \$100 on a service for which you have already billed him, you would record this transaction into the accounting equation by:

✓ Your answer is correct.

Increasing Cash and decreasing Accounts Payable.

increasing Cash and increasing Expenses.

increasing Cash and decreasing Accounts Receivable.

decreasing Cash and increasing Revenue.





Which of the following statements represent(s) how expenses affect equity? (Check all that apply.)

✓ Your answer is correct.

✓

Higher expenses result in lower total equity.

If expenses increase, then total equity increases.

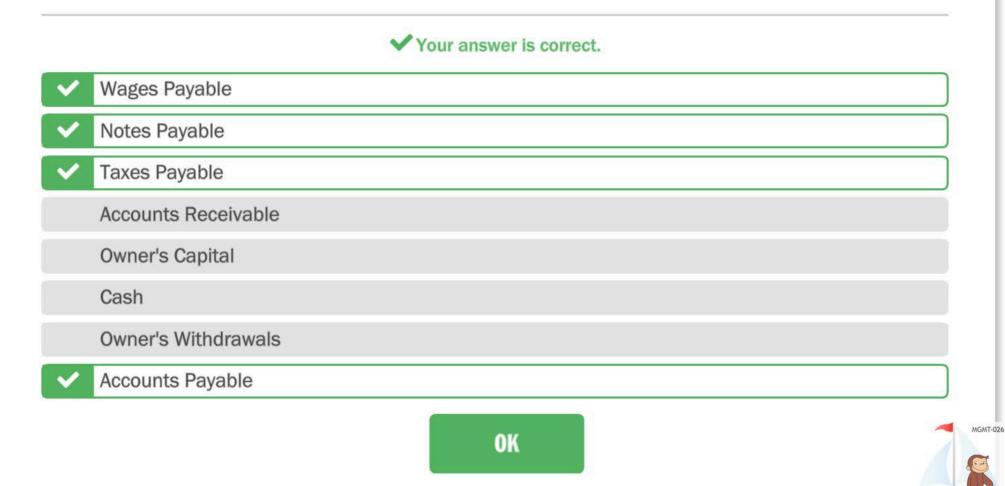
If expenses decrease, then equity will decrease.





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Given the following list of accounts, identify which are classified as liabilities. (Check all that apply.)



Given the following lists of accounts, choose the one that contains only assets.

✓ Your answer is correct.

Supplies, Owner's Capital, Cash, Accounts Receivable

Cash, Building, Accounts Payable, Land

Building, Accounts Payable, Equipment



Cash, Building, Supplies, Accounts Receivable





An owner withdraws \$60 cash for personal use. You would record this transaction in the accounting equation by decreasing the (cash/accounts payable/accounts receivable)cash account and (increasing/decreasing)increasing the Withdrawals account.







To record the purchase of supplies for cash, the correct entry into the accounting equation would include an increase to (Equipment/Supplies/Cash)Supplies and a decrease to (Equipment/Supplies/Cash)Cash.







Given the statements below, choose the most accurate definition of owner investments.

✓ Your answer is correct.

Cost of assets or services used to earn revenues

Resources owned or controlled by a company

Cash or other assets an owner puts into the business

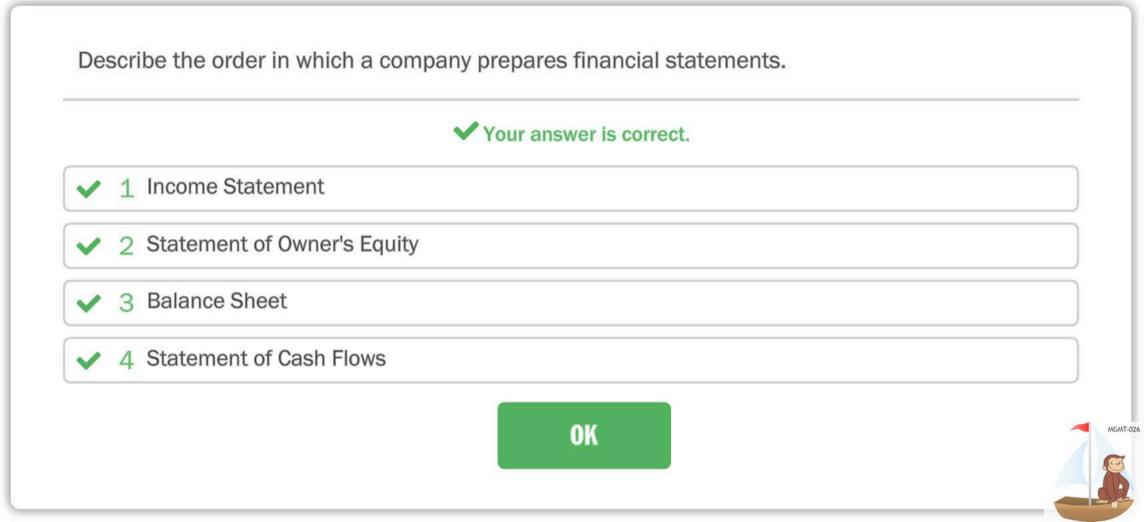
Assets earned from a company's earning activities





Each of the financial statements on the left are described on the right. Identify the description that goes with each financial statement.

 The correct match: Reports the balance of assets, liabilities and owner's equity at a point in time Reports the revenues and expenses incurred by a business for a period of time
equity at a point in time Reports the revenues and expenses incurred by a
Reports the changes in equity during a period of time
Identifies the cash inflows and outflows over a period of time



Jack Pickle decided to start a small business. His initial investment was \$4,000. Demonstrate how to record this transaction in the accounting equation.

✓ Your answer is correct.

Increase Cash by \$4,000; Increase J. Pickle, Capital by \$4,000

Increase Cash by \$4,000; decrease J. Pickle, Capital by \$4,000.

Decrease Cash by \$4,000; decrease J. Pickle, Capital by \$4,000.

Increase Cash by \$4,000; increase Revenues by \$4,000.





Net income is calculated using the following formula:

revenues(expenses/revenues/assets) - expenses(expenses/revenues/assets) = Net income. Use one word for each blank.







Identify the importance of accounting by selecting the statement(s) that is (are) correct below. (Check all that apply.)

✓ Your answer is correct.

Accounting information is primarily used only at the end of a year when tax returns and financial statements are prepared.

Accounting information helps users make business and financial decisions.

Accounting is a system that identifies, records and communicates financial information.





Which statement(s) below define(s) why accounting information is useful? (Check all that apply.)

✓ Your answer is correct.



It is essential to help make business decisions.

It contains a record of all transactions that cannot be measured in monetary units.



It is helpful in comparing the performance of one company against a competitor.





The correct definition of an income statement includes which of the following?

✓ Your answer is correct.

The statement describes a business's revenues and expenses over a period of time.

The statement identifies cash inflows and outflows during a period of time.

The statement explains changes in equity over a period of time.

The statement describes a company's assets, liabilities and owner's equity at a point in time.





Buying and selling of long-term assets such as land and equipment would be included in the (operating/investing/financing)investing activities section of the Statement of Cash Flows.







Match the definition on the left with its correct type of business activity on the right.

✓ Your answer is correct.					
ou r	natched:	The correct match:			
~	These activities provide the monies needed to pay for resources such as land and buildings.	Financing activities			
~	These activities are the acquiring and disposing of assets that an organization uses in its business.	Investing activities			
~	These activities are the every day activities that occur in running a business, selling a product or providing a service.	Operating activities			



MGMT-026

True or False: The date line of a balance sheet depicts a specific day and not a period of time.

✓ Your answer is correct.

✓ True		
False		
	ОК	мбмт-

Ethics can be defined as: (Check all that apply.)

✓ Your answer is correct.

beliefs that distinguish right from wrong.

choosing the alternative that will increase the net income of the company.

~

accepted standards of good and bad behavior.

determining the value of financial information in a business.





The four major types of transactions that affect equity in a business are revenues, expenses, owner's withdrawals, and owner's investments. Note: enter one word for each blank. Do not use the word "account" or "accounts" in your answer.

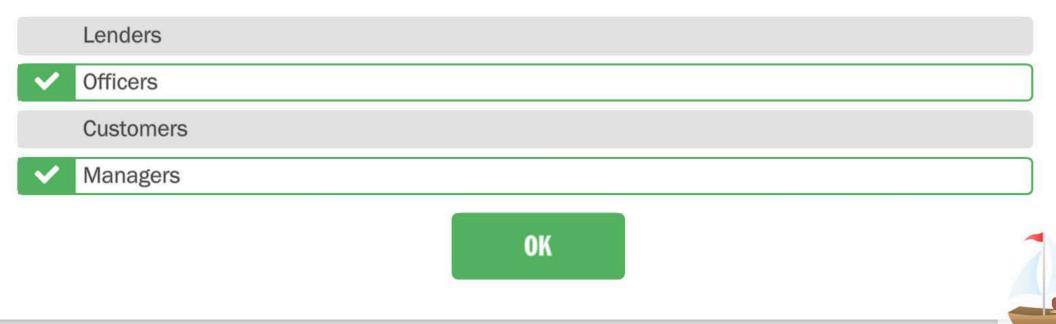






Select internal users of accounting information from the choices below. (Check all that apply.)





Users of accounting information can be divided into two main groups. These groups include:





customers and government

sales staff and management

top management and lower management





Identify the roles of the International Accounting Standards Board and IFRS. (Check all that apply.)

✓ Your answer is correct.

The IASB issues IFRS to increase comparability of accounting reports between companies in different countries.

The IASB and the FASB are trying to create a single set of accounting standards for global use.

The IASB issues IFRS that identify preferred accounting practices.

IFRS are rules that foreign companies must follow in order to enter into the U.S. marketplace.





✓ Your answer is correct.	
Cash flows from borrowing activities	
Cash flows from operating activities	
Cash flows from investing activities	
Cash flows from owner activities	
Cash flows from financing activities	

Select the statement below which is true regarding risk as it pertains to business and accounting.

✓ Your answer is correct.

The lower the risk of an investment, the higher is our expected return.

Not all business investments involve risk.

Risk is the uncertainty about the return we will earn.



The correct answer is shown.

The area of accounting that serves the needs of internal users is referred to as (managerial/financial) managerial accounting.







What is a shareholder or owner?

✓ Your answer is correct.

A lending institution which loans money to a business

The individual who is hired by a business to record financial transactions

The manager of a company or business who is hired to make decisions

The person(s) who own(s) a business





Identify some of the reasons why Congress passed the Sarbanes-Oxley Act. (Check all that apply.)

✓ Your answer is correct.

To help curb financial abuses at companies that issue their stock to the public

To require public companies to apply both accounting oversight and stringent internal controls

To improve the transparency, accountability and truthfulness in reporting transactions

To decrease management's responsibility of the accounting reports issued by the company





The correct answer is shown.

Bob's Bakery is making a partial payment of \$70 for baking supplies it purchased in a previous month.

Record this transaction in the accounting equation of Bob's Bakery by decreasing the Accounts Payable (Accounts Payable/Accounts Receivable/Supplies) account and decreasing the Cash (Cash/Supplies) account.







Recall which of the following statements are *true* regarding U.S. GAAP and IFRS. (Check all that apply.)



IFRS is more focused on a review of the situation and how accounting can best reflect it.

IFRS is more principles-based.

U.S. GAAP focuses on strictly following the accounting rules.

U.S. GAAP is more rules-based.

Only U.S. GAAP requires four financial statements.





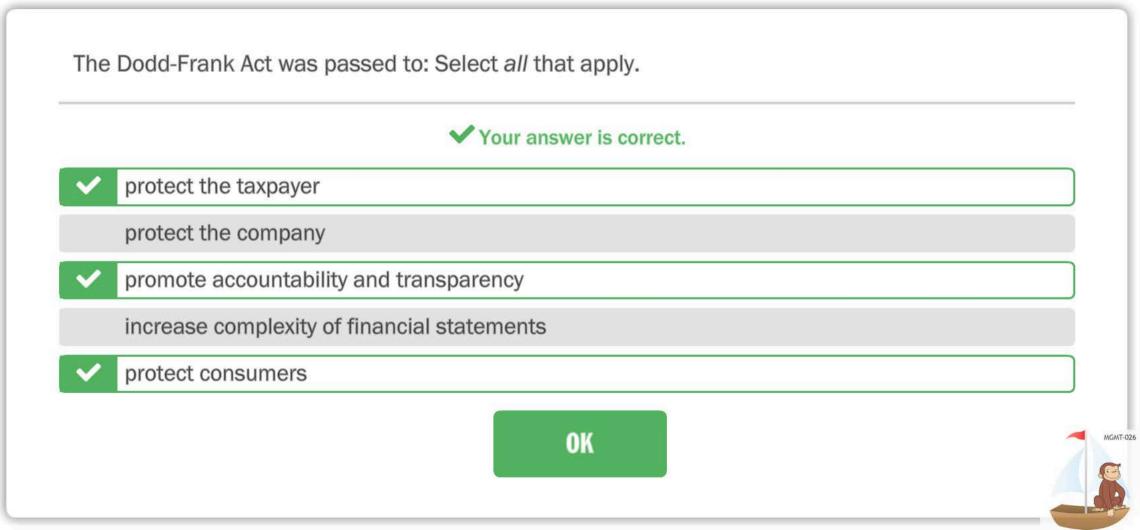
The correct answer is shown.

Owner withdrawals cause a(n) (increase/decrease) decrease in owner's equity and are recorded directly in the owner's (capital/withdrawal/equity) withdrawal account.



Owner withdrawals include assets the owner takes from the company and reduces owner's equity. They are recorded directly into the owner withdrawals account.





Which of the following external users rely on a business's financial accounting information?



Managers

Human resource managers

Regulators

Controllers





Which of the statement(s) below define(s) an asset? (Check all that apply.)

✓ Your answer is correct.

An amount owned

Controlled by the business

An amount owed to a creditor

An amount owed to an owner

Resources with future benefits





True or false: Both U.S. GAAP and IFRS require the same four basic financial statements.

✓ Your answer is correct.

V True		
False		
	ОК	MGMT-02

Other names for equity in a sole proprietorship include:

✓ Your answer is correct.

owner's claims and owner's payables

liabilities and investments

owner's equity and owner's capital



MGMT-02/

An income statement reports a company's net income or net loss during a period. Which of the following accounts would appear on an income statement? (Check all that apply.)



Accounts Payable		
Cash		
✓ Rent Expense		
 Service Revenue 		
 Rent Revenue 		
	OK	

The correct answer is shown.

The three factors that must exist for a person to commit fraud include opportunity, rationalization, and pressure. Enter one word for each blank.







The correct definition of a balance sheet includes which of the following statements? (Check all that apply.)

✓ Your answer is correct.

The statement explains the changes in equity over a period of time.

The statement reports the financial position of a company at a point in time.

The statement reports revenues and expenses over a period of time.

The statement reports assets, liabilities and equity at a point in time.

The statement reports the equality of the accounting equation at any point in time.





In every financial statement, there exists single and double underlines. Choose the statement below that describes what these are for and when to use them.

✓ Your answer is correct.

A single-ruled line denotes an addition or subtraction and double underlines indicate the final totals.

Double-ruled lines denote an addition or subtraction, and single-ruled lines are used to show the final total on the statement.

Single underlines are used under every account on a statement and double-ruled lines are used to show an addition or subtraction.





Identify the broad opportunity areas of accounting. (Check all that apply.)



	Sales
~	Taxation
~	Managerial
	Mechanical
~	Financial
	ОК

		Your answ	wer is correct.	
is the owner	of the business			
is the custom	er of the busines	6		
loans money	or other resource	s to a business	6	
borrows mon	ey from a busines	S		
			OK	

The heading of every financial statement contains several line items. Identify the correct items from the list below. (Check all that apply.)



The date the financial statement was prepared

The auditor of the financial statement

The company name.

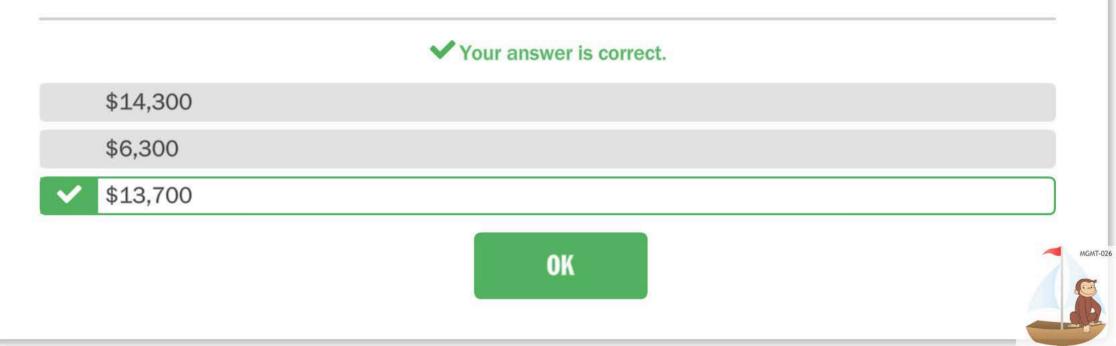
The date or time period the financial statement covers

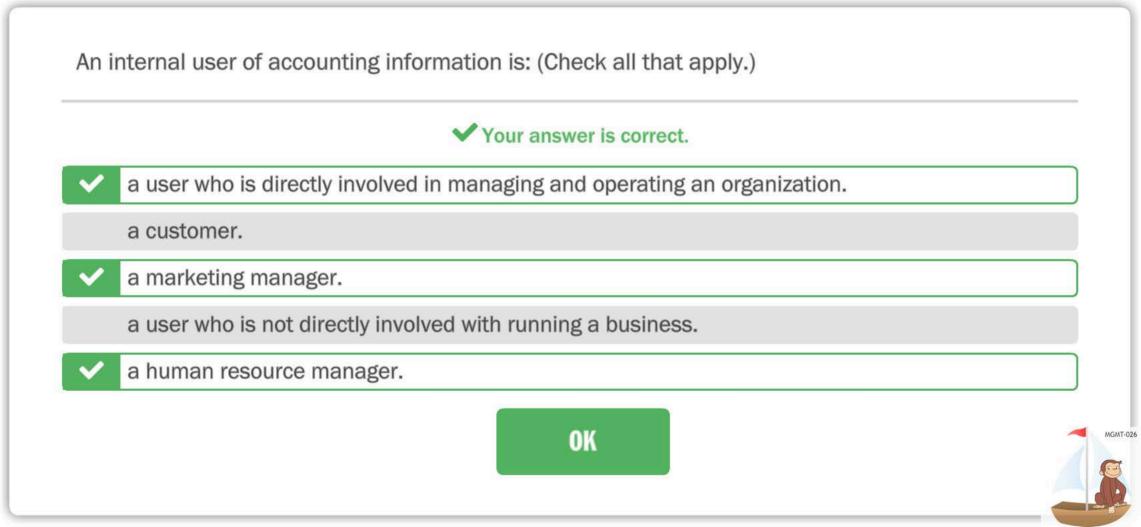
The title of the statement



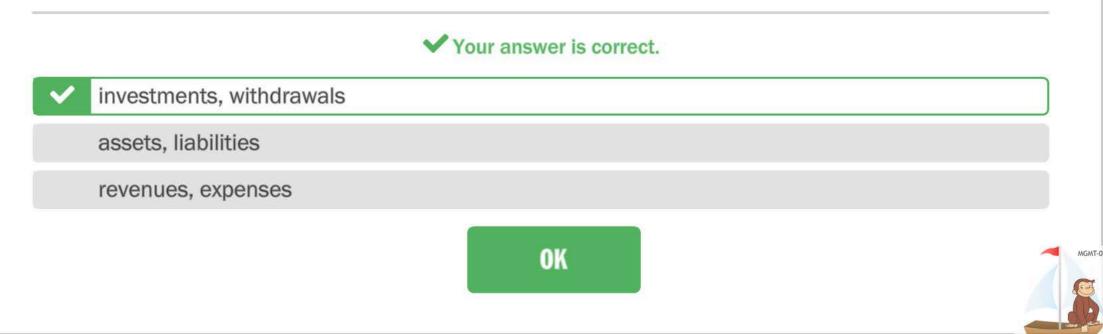


Given that Jacob's Chocolates had owner investments of \$4,000; net income during the period of \$10,000; and owner withdrawals of \$300 calculate the ending balance in the Owner's Capital account.





The statement of owner's equity explains changes in equity from net income (or loss) and from any owner _____ and _____ over a period of time. (Select the accounts below which will correctly complete this question.)



The correct answer is shown.

Complete the following statement regarding risk analysis.

Higher risk implies higher, but riskier, expected (outcomes/returns/investment)returns.







Given the list of accounts below, identify which of them would appear on a balance sheet. (Check all that apply.)

Accounts Payable		
Cash		
Rent Expense		
I.M. Greasy, Capital		
Utilities Expense		
Rental Revenue		
Equipment		
Supplies		
	OK	

Which of the following statements best represents the reason for the accounting equation?



The accounting equation may sometimes be out of balance at the end of a year.

The equation monitors the legal agreements made with creditors and what is owed to them at any point in time.

The owners' rights are equal to the creditors' rights.

The total of everything owned by a business must always equal the total of what the business owes to creditors and owners.





Identify which of the following lists of accounts would belong on the statement of owner's equity.



Owner's Capital and Cash

Service Revenue and Wages Expense

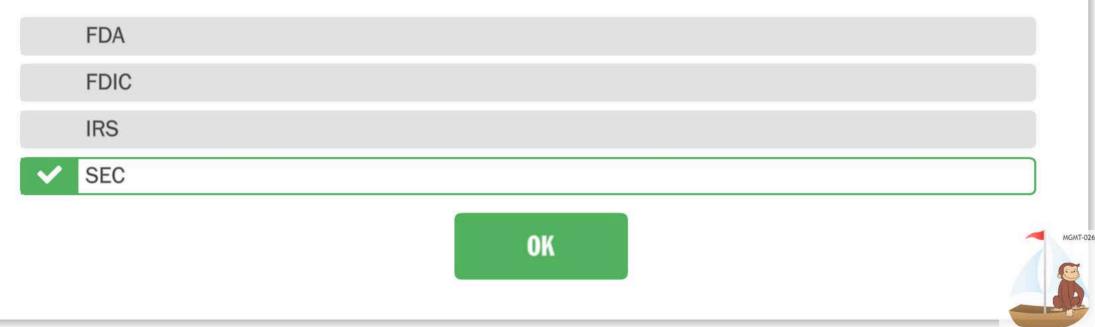
Owner's Withdrawal and Account Payable

Owner's Capital and Owner's Withdrawal



Which organization has the authority to create Generally Accepted Accounting Principles?





Which of the following correctly depicts the accounting equation?

✓ Your answer is correct.

Assets + Liabilities = Equity

Liabilities = Assets + Equity

Assets = Liabilities + Equity

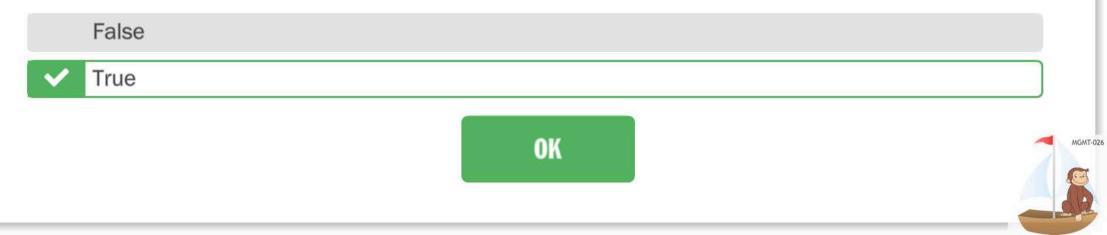
Equity = Assets + Liabilities



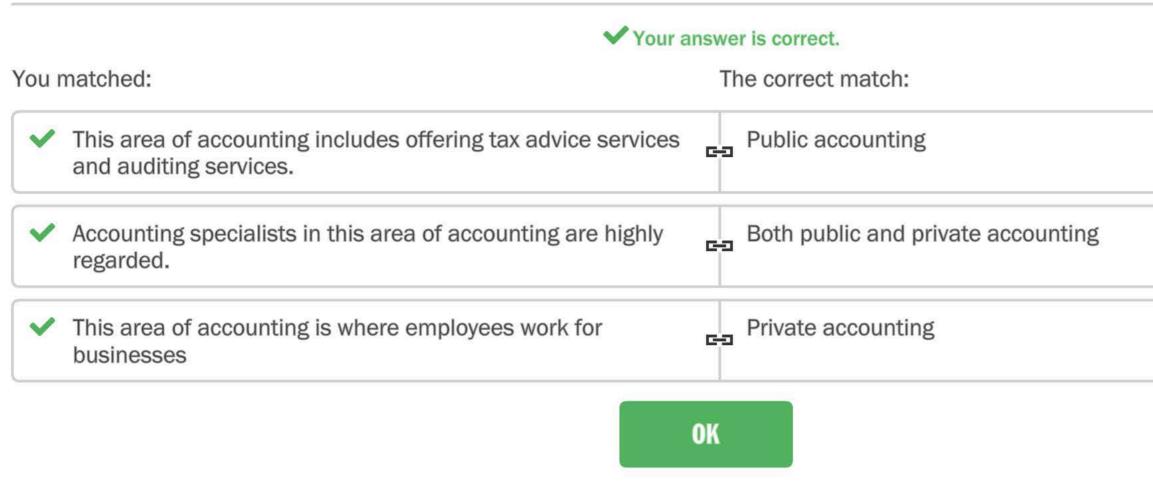


True or false: Both U.S. GAAP and IFRS include similar guidance for accounting.

✓ Your answer is correct.



Match the statements on the left with whether they apply to private accounting, public accounting or both.



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MGMT-026
MGM1-026
CAVO

What are Generally Accepted Accounting Principles?

✓ Your answer is correct.

They regulate what companies must do in order to be publicly traded.

They regulate all privately owned businesses and are designed to promote strong ethical conduct.

They define the minimum requirements for becoming a CPA.

They are the concepts and rules that govern financial accounting practice.





Select the statement that best defines "return" when used in business and accounting.

✓ Your answer is correct.

Return is the uncertainty we have about an investment.

Return is the income received from an investment.

Return is the cost of buying an investment.



исит-ог

True or false: Return on assets is computed as Net Income divided by Total Assets.



