

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:

✓ Your answer is correct.

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

OK



The correct answer is shown.

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.

✓ Your answer is correct.

OK



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

✓ Your answer is correct.

You 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

OK



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.

OK



Which statements below define equity? (Check *all that apply*.)

✓ Your answer is correct.

✓ Claims of the owner(s) on the assets of the business.

They are resources owned by the business.

It is the total dollar amount of debt owed to creditors of the business.

✓ It is the accumulated revenues and owner's investments less the accumulated expenses and withdrawals since the company began.

✓ Equity is equal to assets minus liabilities.

OK



The correct answer is shown.

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.

✓ Your answer is correct.

OK



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.

OK



The correct answer is shown.

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.

✓ Your answer is correct.

OK



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.

OK



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.

OK



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

✓ Your answer is correct.

✓ 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.

OK



The correct answer is shown.

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

✓ Your answer is correct.

OK



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.

OK



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.

OK



The correct answer is shown.

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).

✓ Your answer is correct.

Supplies costing \$1,000 were purchased.

Only \$400 was paid out in cash.

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

OK



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

OK



The correct answer is shown.

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.

✓ Your answer is correct.

OK



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.

OK



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.

✓ If expenses increase, then total equity decreases.

OK



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

✓ Your answer is correct.

✓ Wages Payable

✓ Notes Payable

✓ Taxes Payable

Accounts Receivable

Owner's Capital

Cash

Owner's Withdrawals

✓ Accounts Payable

OK



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

OK



The correct answer is shown.

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.

✓ Your answer is correct.

OK



The correct answer is shown.

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**.

✓ Your answer is correct.

OK



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

OK



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

✓ Your answer is correct.

You matched:

The correct match:

✓ Balance Sheet



Reports the balance of assets, liabilities and owner's equity at a point in time

✓ Income Statement



Reports the revenues and expenses incurred by a business for a period of time

✓ Statement of Owner's Equity



Reports the changes in equity during a period of time

✓ Statement of Cash Flows



Identifies the cash inflows and outflows over a period of time

OK



Describe the order in which a company prepares financial statements.

✓ Your answer is correct.

✓ 1 Income Statement

✓ 2 Statement of Owner's Equity

✓ 3 Balance Sheet

✓ 4 Statement of Cash Flows

OK



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.

OK



The correct answer is shown.

Net income is calculated using the following formula:

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

✓ Your answer is correct.

OK



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.

OK



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 records, summarizes and reports business transactions.

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

OK



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.

OK



The correct answer is shown.

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.

✓ Your answer is correct.

OK



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

✓ Your answer is correct.

You matched:

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

OK



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

OK



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.

OK



The correct answer is shown.

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.

✓ Your answer is correct.

OK



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

✓ Your answer is correct.

Lenders



Officers

Customers



Managers

OK



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

✓ Your answer is correct.



internal and external

customers and government

sales staff and management

top management and lower management

OK



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.

OK



Identify the main sections on a statement of cash flows. (Check all that apply.)

✓ 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

OK



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.

OK



The correct answer is shown.

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

✓ Your answer is correct.

OK



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

OK



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

OK



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.

✓ Your answer is correct.

OK



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

✓ Your answer is correct.

✓ 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.

OK



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.

✓ Your answer is correct.

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

OK



The Dodd-Frank Act was passed to: Select *all* that apply.

✓ Your answer is correct.

✓ protect the taxpayer

protect the company

✓ promote accountability and transparency

increase complexity of financial statements

✓ protect consumers

OK



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

✓ Your answer is correct.

Managers

Human resource managers

✓ Regulators

Controllers

OK



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

OK



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

✓ Your answer is correct.



True

False

OK



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

OK



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.)

✓ Your answer is correct.

✓ Wages Expense

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.

✓ Your answer is correct.

OK



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.

OK



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.

OK



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

✓ Your answer is correct.

Sales

✓ Taxation

✓ Managerial

Mechanical

✓ Financial

OK



A creditor:

✔ Your answer is correct.

is the owner of the business

is the customer of the business

✔ loans money or other resources to a business

borrow money from a business

OK



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

✓ Your answer is correct.

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

OK



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.

✓ Your answer is correct.

\$14,300

\$6,300



\$13,700

OK



An internal user of accounting information is: (Check all that apply.)

✓ Your answer is correct.

✓ a user who is directly involved in managing and operating an organization.

a customer.

✓ a marketing manager.

a user who is not directly involved with running a business.

✓ a human resource manager.

OK



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.)

✓ Your answer is correct.

✓ investments, withdrawals

assets, liabilities

revenues, expenses

OK



The correct answer is shown.

Complete the following statement regarding risk analysis.

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

✓ Your answer is correct.

OK



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

✓ Your answer is correct.

✓ 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?

✓ Your answer is correct.

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.

OK



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

✓ Your answer is correct.

Owner's Capital and Cash

Service Revenue and Wages Expense

Owner's Withdrawal and Account Payable

✓ Owner's Capital and Owner's Withdrawal

OK



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

✔ Your answer is correct.

FDA

FDIC

IRS



SEC

OK



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

OK



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

✓ Your answer is correct.

False



True

OK



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

✓ Your answer is correct.

You matched:

The correct match:

✓ This area of accounting includes offering tax advice services and auditing services.



Public accounting

✓ Accounting specialists in this area of accounting are highly regarded.



Both public and private accounting

✓ This area of accounting is where employees work for businesses



Private accounting

OK



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.

OK



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.

OK



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

✓ Your answer is correct.



False

True

OK

