

Chapter 1

1. The purchase of an asset (like Equipment) on account will
- increase total liabilities and decrease total assets.
 - have no effect on total assets or total liabilities.
 - increase total assets and increase total liabilities.
 - increase total assets and increase owner's equity.
 - increase total assets and decrease owner's equity.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
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2. Which of the following equations is the fundamental accounting equation?
- $\text{Assets} - \text{Liabilities} = \text{Owner's Equity}$
 - $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$
 - $\text{Assets} + \text{Liabilities} = \text{Owner's Equity}$
 - $\text{Assets} - \text{Owner's Equity} = \text{Liabilities}$
 - $\text{Assets} + \text{Owner's Equity} = \text{Liabilities}$

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
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3. Amounts owed by a business are referred to as
- a. assets.
 - b. equities.
 - c. liabilities.
 - d. capital.
 - e. expenses.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
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4. When an owner withdraws cash from the business, it results in a decrease in:
- a. Cash and Accounts Receivable.
 - b. Cash and Contingent Liabilities.
 - c. Cash and Capital.
 - d. Cash and Accounts Payable.
 - e. Cash and Long-term Liabilities.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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5. Which of the following is *not* considered an account?

- a. Equipment
- b. Revenues
- c. Accounts Payable
- d. Cash
- e. Accounts Receivable

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

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KEYWORDS: Bloom's: Remembering

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6. If an owner invests his or her computer, printer, and cash in the business, there is an increase in:

- a. Cash and Accounts Payable.
- b. Computer Equipment, Accounts Payable, and Drawing.
- c. Cash and Drawing.
- d. Computer Equipment and Expenses.
- e. Computer Equipment, Cash, and Capital.

ANSWER: e

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

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7. The owner of a business invested \$5,000 in the business. What are the effects on the fundamental accounting equation?
- a. Assets increase \$5,000; liabilities, no effect; owner's equity increases \$5,000
 - b. Assets increase \$5,000; liabilities decrease \$5,000; owner's equity increases \$5,000
 - c. Assets increase \$5,000; liabilities increase \$5,000; owner's equity, no effect
 - d. Assets increase \$5,000; liabilities, no effect; owner's equity decreases \$5,000
 - e. Assets decrease \$5,000; liabilities, no effect; owner's equity increases \$5,000

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2

NATIONAL STANDARDS: United States - AACSB: Analytic

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8. The purchase of an asset for cash will
- a. increase total assets and decrease total liabilities.
 - b. have no effect on total assets or total liabilities.
 - c. increase total assets and increase total liabilities.
 - d. increase total assets and increase total owner's equity.
 - e. increase total assets and decrease total owner's equity.

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2

NATIONAL STANDARDS: United States - AACSB: Analytic

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9. Over a period of time, if total assets increase by \$27,000 and total liabilities increase by \$7,000, then owner's equity will be increased by
- \$7,000.
 - \$34,000.
 - \$27,000.
 - \$20,000.
 - none of these.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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10. When the rent for the business is paid with a check,
- Cash is decreased and Rent Expense is decreased.
 - Cash is decreased and Rent Income is increased.
 - Cash is decreased and Rent Expense is increased.
 - Cash is decreased and Accounts Payable is decreased.
 - Cash is increased and Rent Expense is decreased.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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11. A business received \$600 cash from charge customers to apply on account. The effect of the transaction is an increase in an asset and a(n)
- a. increase in revenue.
 - b. decrease in capital.
 - c. decrease in a liability.
 - d. decrease in an asset.
 - e. increase in capital.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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12. Which of the following is a form of revenue?
- a. A check paying a mortgage
 - b. A credit purchase invoice
 - c. Credit sales to charge customers
 - d. A cash purchase invoice
 - e. A check paying utilities

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
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13. The purchase of supplies for cash will
- increase Supplies and decrease Cash.
 - increase Supplies Expense and decrease Cash.
 - decrease Cash and increase Accounts Payable.
 - increase Supplies Expense and increase Accounts Payable.
 - decrease Cash and increase Capital.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
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14. Which of the following transactions does *not* include an increase to expenses?
- Received and paid the phone bill
 - Paid monthly rent
 - Received cash for services performed
 - Paid the week's wages
 - Bought advertising for cash

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Analytic
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15. The owner's right, claim, or financial interest is referred to as
- a. assets.
 - b. business entity.
 - c. equity.
 - d. revenues.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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16. Michael has \$120,000 invested in his business. The business owes creditors \$20,000. Determine the amount of assets in the business.
- a. \$140,000
 - b. \$120,000
 - c. \$100,000
 - d. \$20,000

ANSWER: a
RATIONALE: $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$
 $= \$20,000 + \$120,000 = \$140,000$
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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17. Rob Cougar Landscaping has assets of \$70,000 and equity of \$30,000. Determine the amount of liabilities in the business.
- a. \$100,000
 - b. \$50,000
 - c. \$40,000
 - d. None of the answers listed

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Analytic
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18. The deposit of cash by the owner in the name of the business would involve
- a. increasing an asset and increasing a liability.
 - b. increasing an asset and increasing owner's equity.
 - c. decreasing an asset and increasing owner's equity.
 - d. increasing an asset and increasing revenue.

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Analytic
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19. Clean and Fresh Laundromat has assets of \$120,000 and liabilities of \$35,000. Determine the amount of owner's equity.
- a. \$42,500
 - b. \$155,000
 - c. \$85,000
 - d. None of the answers listed

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Analytic
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20. When a business pays a creditor on account,
- a. total assets increase.
 - b. total assets decrease.
 - c. total liabilities increase.
 - d. owner's equity decreases.

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Analytic
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21. The borrowing of money will
- a. increase owner's equity.
 - b. decrease assets.
 - c. decrease liabilities.
 - d. increase liabilities.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Analytic
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22. Otto Company paid a credit on account, \$1,500. Which of the following is true in regards to the fundamental accounting equation?
- a. Assets increased by \$1,500.
 - b. Liabilities increased by \$1,500.
 - c. Liabilities decreased by \$1,500.
 - d. Owner's equity increased by \$1,500.
 - e. Owner's equity decreased by \$1,500.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
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23. The amounts that the business entity owes its creditors are referred to as
- a. assets.
 - b. liabilities.
 - c. owner's equity.
 - d. revenues.
 - e. expenses.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
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24. Which of the following is an example of an asset?
- a. Prepaid Insurance
 - b. Accounts Payable
 - c. Capital
 - d. Outstanding Rent

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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25. An example of a liability is
- a. Cash.
 - b. Prepaid Insurance.
 - c. Rent Expense.
 - d. Accounts Payable.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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26. Accounts Receivable is a(n)
- a. asset.
 - b. liability.
 - c. revenue.
 - d. expense.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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Chapter 1

27. Prepaid Insurance is a(n)

- a. asset.
- b. liability.
- c. revenue.
- d. expense.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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28. Accounts Payable is a(n)

- a. asset.
- b. liability.
- c. revenue.
- d. expense.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
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29. A one-owner business is called a
- a. corporation.
 - b. partnership.
 - c. sole-ownership.
 - d. sole-proprietorship.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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30. The _____ means that a business is separated from its owners.
- a. stand-alone entity concept
 - b. equity concept
 - c. separate entity concept
 - d. fair value concept
 - e. none of the answers listed

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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31. Bendada deposited \$25,000 in a bank account in the name of the business. Which of the following is true in regards to the fundamental accounting equation?
- a. Assets increase by \$25,000.
 - b. Liabilities increase by \$25,000.
 - c. Assets decrease by \$25,000.
 - d. Owner's Equity decreases by \$25,000.
 - e. Liabilities decrease by \$25,000.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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32. Newton Company bought equipment, paying cash, \$25,000. Which of the following is true in regards to the fundamental accounting equation?
- a. Total assets increased by \$25,000.
 - b. Total liabilities increased by \$25,000.
 - c. Total liabilities decreased by \$25,000.
 - d. Total Owner's Equity increased by \$25,000.
 - e. Total assets are unaffected.

ANSWER: e
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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33. Newton Company purchases equipment on account. What are the effects on the fundamental accounting equation?
- a. Assets increase; liabilities, no effect; owner's equity increases.
 - b. Assets increase; liabilities decrease; owner's equity increases.
 - c. Assets increase; liabilities increase; owner's equity decreases.
 - d. Assets increase; liabilities increase; owner's equity, no effect.
 - e. Assets increase; liabilities decrease; owner's equity, no effect.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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34. Petkus Company paid Perkins Products, a creditor, on account, \$7,500. What are the effects on the fundamental account equation?
- a. Assets increase \$7,500; liabilities, no effect; owner's equity increases \$7,500.
 - b. Assets decrease \$7,500; liabilities, no effect; owner's equity decreases \$7,500.
 - c. Assets increase \$7,500; liabilities decrease \$7,500; owner's equity, no effect.
 - d. Assets decrease \$7,500; liabilities decrease \$7,500; owner's equity, no effect.
 - e. Assets decrease \$7,500; liabilities increase \$7,500; owner's equity, no effect.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
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35. The liability account _____ is used for short-term liabilities or charge accounts, usually due within 30 days.
- Short-term Payable
 - Liability Payable
 - Accounts Payable
 - Accounts Receivable

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Remembering

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36. Jerry Frost invested equipment in his business having a fair market value of \$23,500. What are the effects on the fundamental accounting equation?
- Assets increase \$23,500; liabilities, no effect; owner's equity increases \$23,500.
 - Assets increase \$23,500; liabilities decrease \$23,500; owner's equity increases \$23,500.
 - Assets increase \$23,500; liabilities increase \$23,500; owner's equity, no effect.
 - Assets decrease \$23,500; liabilities, no effect; owner's equity decreases \$23,500.
 - Assets decrease \$23,500; liabilities, no effect; owner's equity increases \$23,500.

ANSWER: a

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Applying

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Chapter 1

37. Which of the following is true?

- a. Double-entry accounting requires that each transaction be recorded in at least one account.
- b. Every transaction is recorded as an increase and/or decrease in two or more accounts.
- c. Double-entry accounting requires that each transaction be recorded in only two accounts.
- d. After a transaction has been recorded it is acceptable for the accounting equation to be out of balance.

ANSWER: b

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
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KEYWORDS: Bloom's: Understanding

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38. Which of the following represents the costs that relate to earning revenue?

- a. Owner's Equity
- b. Expenses
- c. Drawing
- d. Assets

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-3 - LO: 1-3

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Remembering

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Chapter 1

39. When a company pays salaries to an assistant,
- a. assets increase.
 - b. expenses increase.
 - c. liabilities increase.
 - d. owner's equity increase.

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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40. Professional Fees is a(n)
- a. asset.
 - b. liability.
 - c. revenue.
 - d. expense.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 1

41. Wages Expense is a(n)
- a. asset.
 - b. liability.
 - c. revenue.
 - d. expense.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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42. The purchase of office equipment on account would involve a(n)
- a. increasing an asset and increasing a liability.
 - b. decreasing an asset and increasing an asset.
 - c. decreasing an asset and increasing an expense.
 - d. increasing an asset and increasing an expense.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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Chapter 1

43. Expenses are recorded
- when they are paid.
 - when they are incurred.
 - in advance or when they are due.
 - none of the answers listed.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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44. Expenses incurred by a business results in:
- a decrease in its liabilities.
 - a decrease in the owner's equity.
 - an increase in the drawing.
 - an increase in the assets.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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Chapter 1

45. The effect of expenses on the fundamental accounting equation is a(n)
- a. increase to assets.
 - b. decrease to owner's equity.
 - c. increase to liabilities.
 - d. increase to owner's equity.

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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46. The _____ is the official list of accounts for the business.
- a. chart of accounts
 - b. account list
 - c. account title
 - d. fundamental accounting equation

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 1

47. Ott Company sold services for cash. What are the effects on the fundamental accounting equation?
- a. Assets increase; liabilities, no effect; owner's equity increases.
 - b. Assets decrease; liabilities, no effect; owner's equity increases.
 - c. Assets increase; liabilities, no effect; owner's equity decreases.
 - d. Assets increase; liabilities, increase; owner's equity, no effect.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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48. Jamie's Lighting Company paid rent for the month, \$2,500. What are the effects on the fundamental accounting equation?
- a. Assets increase \$2,500; liabilities, no effect; owner's equity increases \$2,500.
 - b. Assets decrease \$2,500; liabilities, no effect; owner's equity increases \$2,500.
 - c. Assets decrease \$2,500; liabilities, decrease \$2,500; owner's equity, no effect.
 - d. Assets decrease \$2,500; liabilities, no effect; owner's equity decreases \$2,500.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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Chapter 1

49. Graves Company bought supplies on credit, \$1,800. What are the effects on the fundamental accounting equation?
- a. Assets increase \$1,800; liabilities, no effect; owner's equity increases \$1,800.
 - b. Assets decrease \$1,800; liabilities, no effect; owner's equity decreases \$1,800.
 - c. Assets, no effect; liabilities, increase \$1,800; owner's equity decreases \$1,800.
 - d. Assets increase \$1,800; liabilities, increase \$1,800; owner's equity, no effect.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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50. Magna Company paid \$2,400 for a 6-month liability insurance policy. At the time of payment, this transaction should be recorded as
- a. Insurance Expense, \$2,400.
 - b. Prepaid Insurance, \$2,400.
 - c. Insurance Expense, \$400.
 - d. Prepaid Insurance, \$400.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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Chapter 1

51. Azure Company would record its rent bill for the month, which amounts to \$920, as a(n):
- a. increase in cash.
 - b. decrease in accounts payable.
 - c. increase in expenses.
 - d. decrease in drawing.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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52. The account _____ is used to record amounts due from charge customers.
- a. cash
 - b. accounts payable
 - c. accounts receivable
 - d. revenue

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 1

53. Pidcoke Company sold services on account, \$23,000. This transactions should be recorded as a(n)
- a. increase to cash.
 - b. decrease to revenue.
 - c. increase to accounts receivable.
 - d. increase to accounts payable.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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54. When a company receives cash on account from a credit customer, the company should record a(n)
- a. increase to Accounts Receivable.
 - b. decrease to Cash.
 - c. increase to Revenue.
 - d. decrease to Accounts Receivable.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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Chapter 1

55. A(n) _____ is money paid directly to the owner.
- a. expense
 - b. capital investment
 - c. withdrawal
 - d. none of the answers listed

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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56. D. Hoffman withdrew \$20,000 for personal use from his business. This transaction should be recorded as a(n):
- a. increase in liabilities.
 - b. increase in revenue.
 - c. decrease in expenses.
 - d. decrease in owner's equity.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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Chapter 1

57. The expanded accounting equation is
- a. $\text{assets} = \text{liabilities} + \text{capital} + \text{drawing} + \text{revenue} - \text{expenses}$
 - b. $\text{assets} = \text{liabilities} - \text{capital} + \text{drawing} - \text{revenue} + \text{expenses}$
 - c. $\text{assets} = \text{liabilities} + \text{capital} - \text{drawing} + \text{revenue} - \text{expenses}$
 - d. $\text{assets} + \text{capital} = \text{liabilities} - \text{drawing} + \text{revenue} - \text{expenses}$

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4

NATIONAL STANDARDS: United States - AACSB: Reflective Thinking

STATE STANDARDS: United States - AK - ACBSP: GAAP
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KEYWORDS: Bloom's: Understanding

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Chapter 1

58. Harry Dental Clinic has the following accounts and balances:

Cash, \$2,000
Accounts Receivable, \$1,250
Professional Equipment, \$10,200
Office Equipment, \$5,500
Accounts Payable, \$3,500
P. Palmer, Capital, \$10,000
P. Palmer, Drawing, \$1,000
Professional fee earned, \$18,000
Rent Expense, \$12,350
Wage Expense, \$1,200

What is the amount of assets in the accounting equation?

- a. \$10,250
- b. \$12,350
- c. \$18,950
- d. \$16,530

ANSWER:

c

RATIONALE:

Assets = Cash + Accounts Receivable + Professional Equipment + Office Equipment
Assets = \$2,000 + \$1,250 + \$10,200 + \$5,500 = \$18,950

POINTS:

1

DIFFICULTY:

Moderate

QUESTION TYPE:

Multiple Choice

HAS VARIABLES:

False

LEARNING OBJECTIVES:

CACC.NSMB.13.1-2 - LO: 1-2
CACC.NSMB.13.1-4 - LO: 1-4

NATIONAL STANDARDS:

United States - AACSB: Reflective Thinking

STATE STANDARDS:

United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement

KEYWORDS:

Bloom's: Applying

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Chapter 1

59. Palmer Hand Clinic has the following accounts and balances:

Cash, \$2,350
Accounts Receivable, \$280
Professional Equipment, \$1,200
Office Equipment, \$6,700
Accounts Payable, \$4,380
P. Palmer, Capital, \$2,000
Income from Services, \$6,000
Rent Expense, \$1,850

What is the amount of owner's equity?

- a. \$6,150
- b. \$2,000
- c. \$8,000
- d. \$4,150

ANSWER: a

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
CACC.NSMB.13.1-4 - LO: 1-4

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Applying

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Chapter 1

60. Palmer Hand Clinic has the following accounts and balances:

Cash, \$2,350
Accounts Receivable, \$280
Professional Equipment, \$1,200
Office Equipment, \$6,700
Accounts Payable, \$4,380
P. Palmer, Capital, \$2,000
Income from Services, \$6,000
Rent Expense, \$1,850

What is the amount of liabilities?

- a. \$6,230
- b. \$1,850
- c. \$4,380
- d. \$6,150

ANSWER: c

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
CACC.NSMB.13.1-4 - LO: 1-4

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Applying

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Chapter 1

61. Capital represents the owner's investment, or equity, in a business.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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62. Accounts Receivable is considered an asset.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
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Chapter 1

63. Assets are things of value owned by a business entity.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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64. Liabilities represent amounts owed to creditors.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 1

65. In the fundamental accounting equation, assets are added to liabilities.

- a. True
- b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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66. Both sides of the fundamental accounting equation must always be equal.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 1

67. The fundamental accounting equation would remain in balance if equal amounts were added to both sides of the equation.
- a. True
 - b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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68. Double-entry accounting means that, for each transaction, an amount must be added to or subtracted from each side of the equation.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 1

69. Business transactions are expressed in terms of money.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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70. Equipment is listed as an asset because it is used up in a relatively long period of time.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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Chapter 1

71. The liability created when supplies are bought on account is called an account payable.
- a. True
 - b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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72. Every transaction is recorded in terms of increases and/or decreases in two or more accounts.
- a. True
 - b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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Chapter 1

73. An owner can invest cash or other assets of value in the business.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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74. The first step in analyzing a transaction is to determine what accounts are involved.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 1

75. An exchange of assets has no effect on the totals of the accounting equation.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Understanding
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76. The owner's Drawing account is listed with the other expenses of a business.

- a. True
- b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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Chapter 1

77. A withdrawal by the owner is recorded as a deduction from assets and an increase in expenses.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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78. When a business receives cash, it is always recorded as an increase to Cash and a decrease to an Expense.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: True / False
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
CACC.NSMB.13.1-4 - LO: 1-4
NATIONAL STANDARDS: United States - AACSB: Analytic
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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Chapter 1

79. List and explain the four items under the umbrella of owner's equity, including whether it increases or decreases overall equity.

ANSWER: Investment – Owner provides an asset to business (increase)
Revenue – Amounts earned by business (increase)
Expenses – Costs of doing business (decrease)
Drawing – Owner withdraws from business (decrease)

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Subjective Short Answer

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
CACC.NSMB.13.1-3 - LO: 1-3

NATIONAL STANDARDS: United States - AACSB: Communication

STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Understanding

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80. What is the fundamental accounting equation, including examples of each item of the equation?

ANSWER:

Assets	=	Liabilities	+	Owner's Equity
↓		↓		↓
Cash		Accounts Payable		Owner, Capital
Accounts Receivable				Owner, Drawing
Prepaid Insurance				

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Subjective Short Answer

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1

NATIONAL STANDARDS: United States - AACSB: Communication

STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Understanding

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Chapter 1

81. Explain the separate entity concept, including why it is important to accounting.

ANSWER: This concept means that a business is separated from its owners, creditors, and customers. The business is treated as a separate economic or accounting entity.

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Subjective Short Answer

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2

NATIONAL STANDARDS: United States - AACSB: Communication

STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Understanding

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82. T. Richter established her own business, called Richter's Self-Storage. Use the account headings presented below in the expanded accounting equation to record the monthly transactions.

	Assets	=
Cash + Accounts Receivable + Supplies + Prepaid Insurance + Office Equipment		

Liabilities	+	Owner's Equity
Accounts Payable		T. Richter, Capital – T. Richter, Drawing + Revenue – Expenses

- Deposited \$12,000 in a bank account in the name of the business.
- Bought office equipment on account from Molly Company, \$3,100.
- Paid rent for the month, \$2,400.
- Bought supplies for cash, \$450.
- Paid wages, \$980.
- Received cash for storage services, \$3,600.
- Received and paid the utility bill, \$252.
- Paid Lar's Graphics for advertising, \$428. (The bill was not previously recorded.)
- Paid for a one-year liability insurance policy, \$835.
- Billed customers for storage services on account, \$3,370.
- Received cash for storage services, \$2,300.
- Paid wages, \$990.
- Paid Molly Company \$1,100 as partial payment on the office equipment bought in transaction b.
- Richter withdrew \$1,200 for personal use.

Instructions:

- Record the transactions in columnar form, write plus and minus signs, and show the balance after each transaction to be sure that the equation remains in balance.
- Write the proof of totals at the bottom to show that one side of the equation equals the other side.

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ANSWER:

Assets				=	>			
Accounts					Prepaid	Office		
Cash	+	Receivable	+	Supplies	Insurance	Equipment	=	
a.		+12,000						>
b.						+ 3,100	=	>
Bal.		12,000				+ 3,100	=	>
c.		-2,400						>
Bal.		9,600				+ 3,100	=	>
d.		-450	+	450				>
Bal.		9,150	+	450		+ 3,100	=	>
e.		-980						>
Bal.		8,170	+	450		+ 3,100	=	>
f.		+3,600						>
Bal.		11,770	+	450		+ 3,100	=	>
g.		-252						>
Bal.		11,518	+	450		+ 3,100	=	>
h.		-428						>
Bal.		11,090	+	450		+ 3,100	=	>
i.		-835			835			>
Bal.		10,255	+	450	+ 835	+ 3,100	=	>
j.		+3,370						>
Bal.		10,255	+	3,370	+	835	+	3,100
k.		+2,300						>
Bal.		12,555	+	3,370	+	835	+	3,100
l.		-990						>
Bal.		11,565	+	3,370	+	835	+	3,100
m.		-1,100						>
Bal.		10,465	+	3,370	+	835	+	3,100
n.		-1,200						>
Bal.		9,265	+	3,370	+	835	+	3,100
<				Liabilities	+	Owner's Equity		
<				Accounts	T. Richter,	T. Richter,		
<				Payable	+	Capital	-	Drawing
<				a.	+	12,000	+	Revenue
<				b.				-
<				Bal.		3,100	+	12,000
<				c.				(Rent)
<				Bal.		3,100	+	12,000
<				d.				
<				Bal.		3,100	+	12,000
<				e.				(Wages)
<				Bal.		3,100	+	12,000
<				f.				
<				Bal.		3,100	+	12,000
<				g.				
<				Bal.		3,100	+	12,000
<				h.				
<				Bal.		3,100	+	12,000
<				i.				
<				Bal.		3,100	+	12,000
<				j.				
<				Bal.		3,100	+	12,000
<				k.				
<				Bal.		3,100	+	12,000
<				l.				
<				Bal.		3,100	+	12,000
<				m.				
<				Bal.		3,100	+	12,000
<				n.				
<				Bal.		3,100	+	12,000

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< f.							+3,600	
< Bal.	3,100	+	12,000			+	3,600	– 3,380
< g.							(Utilities)	+252
< Bal.	3,100	+	12,000			+	3,600	– 3.632
< h.							(Advert.)	+428
< Bal.	3,100	+	12,000			+	3,600	– 4,060
< i.								
< Bal.	3,100	+	12,000			+	3,600	– 4,060
< j.							+3,370	
< Bal.	3,100	+	12,000			+	6,970	– 4,060
< k.							+2,300	
< Bal.	3,100	+	12,000			+	9,270	– 4,060
< l.							(Wages)	+990
< Bal.	3,100	+	12,000			+	9,270	– 5,050
< m.	–1,100							
< Bal.	2,000	+	12,000			+	9,270	– 5,050
< n.					–1,200			
< Bal.	2,000	+	12,000	–	–1,200	+	9,270	– 5,050

Left Side of Equals Sign:

Cash	\$ 9,265
Accounts Receivable	3,370
Supplies	450
Prepaid Insurance	835
Office Equipment	<u>3,100</u>
	<u>\$17,020</u>

Right Side of Equals Sign:

Accounts Payable	\$ 2,000
T. Richtor, Capital	12,000
T. Richtor, Drawing	–1,200
Revenue	9,270
Expenses	<u>–5,050</u>
	<u>\$17,020</u>

POINTS: 1

DIFFICULTY: Challenging

QUESTION TYPE: Subjective Short Answer

HAS VARIABLES: False

LEARNING OBJECTIVES: CACC.NSMB.13.1-4 - LO: 1-4

NATIONAL STANDARDS: United States - AACSB: Analytic

STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement

KEYWORDS: Bloom's: Applying

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83. On September 1 of this year, B. Rourk established Rourk Delivery Service. During the month, the company had the following transactions:

- B. Rourk invested \$24,000 in the business (increase Cash; increase B. Rourk, Capital).
- Bought two used delivery vans from The Van Lot for \$20,000 and paid \$5,000 as a down payment (increase Delivery Equipment, \$20,000; decrease Cash, \$5,000; increase Accounts

Chapter 1

- Payable, \$15,000).
- c. Received \$2,500 in cash for delivery services (increase Cash; increase Delivery Service Income).
 - d. Received bill from *Central News* for advertising, \$350 (increase Advertising Expense; decrease Cash).
 - e. Billed Hager Surgical Supply for delivery services provided, \$620 (increase Accounts Receivable; increase Delivery Service Revenue).
 - f. Received and paid telephone bill, \$100 (decrease Cash; decrease Telephone Expense).
 - g. Rourk invested in his business office equipment having a fair market value of \$960 (increase Office Equipment; decrease Cash).
 - h. Received and paid bill for gas and oil, \$150 (decrease Cash; increase Maintenance Expense).
 - i. Paid \$350 to *Central News* to pay account in full (increase Advertising Expense; increase Cash).
 - j. Received \$2,900 cash for delivery services performed (increase Cash; increase Delivery Service Revenue).
 - k. Rourk withdrew \$1,100 for personal use (decrease Cash; increase Wages Expense).
 - l. Received \$400 from Hager Surgical Supply to apply on account (increase Cash; increase Delivery Service Revenue).
 - m. Paid wages to part-time employee, \$800 (increase Wages Expense; decrease Cash).

Instructions:

Find six errors that were made in recording the transactions, and state how they should have been recorded.

ANSWER:

- (1) Transaction d should have been recorded as an increase to Accounts Payable, not a decrease to Cash.
- (2) Transaction f should have been recorded as a decrease to Cash and an increase to Telephone Expense.
- (3) Transaction g should have been recorded as an increase to B. Rourk, Capital, not a decrease to Cash.
- (4) Transaction i should have been recorded as a decrease to Accounts Payable and a decrease to Cash, not an increase to Advertising Expense or an increase to Cash.
- (5) Transaction k should have been recorded as an increase to B. Rourk, Drawing, not an increase to Wages Expense.
- (6) Transaction l should have been recorded as a decrease to Accounts Receivable, not an increase to Delivery Service Revenue.

POINTS:

1

DIFFICULTY:

Challenging

QUESTION TYPE:

Subjective Short Answer

HAS VARIABLES:

False

LEARNING OBJECTIVES:

CACC.NSMB.13.1-4 - LO: 1-4

NATIONAL STANDARDS:

United States - AACSB: Analytic

STATE STANDARDS:

United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement

KEYWORDS:

Bloom's: Analyzing

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3/5/2014 6:47 PM

Chapter 1

84. J. Scott established his own business, called Live Long Medicos. Using the fundamental accounting equation, record the transactions provided below:

Assets	=	Liabilities	+	Owners Equity	Accounts Used
--------	---	-------------	---	---------------	---------------

- Owner deposited \$15,000 in a bank account in the name of the business.
- Company bought equipment worth \$3,250, paying cash.
- J. Scott invested personal equipment with fair market value of \$5,400 in the business.
- Company bought supplies worth \$1,250 on account from a creditor.
- Company paid \$750 to the creditor from transaction d.
- Owner paid \$1,000 for personal expenses.

Instructions:

- Record the transactions in columnar form, write plus and minus signs, and show the balance after each transaction to be sure that the equation remains in balance. List the account titles needed to record each transaction.
- Write the proof of totals at the bottom to show that one side of the equation equals the other side.

ANSWER:

	Assets	=	Liabilities	+	Owners Equity	Accounts Used
a)	+15,000	=			+15,000	Cash, J. Scott, Capital
b)	-3,250	=				Cash
	+3,250	=				Equipment
Bal.	15,000	=			15,000	
c)	+5,400	=			+5,400	Equipment, J. Scott, Capital
	20,400	=			20,400	
d)	+1,250	=	+1,250			Supplies, Accounts Payable
	21,650		1,250		20,400	
e)	-750	=	-750			Cash, Accounts Payable
	20,900		500		20,400	
f)	Not a business transaction, no entry					

Assets	=	Liabilities	+	Owners Equity
20,900	=	500	+	20,400
20,900	=			20,900

POINTS:

1

DIFFICULTY:

Moderate

QUESTION TYPE:

Subjective Short Answer

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HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-2 - LO: 1-2
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: Recording Transactions
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Applying
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Match the terms below with the correct definitions.

- a. Creditor
- b. Fundamental accounting equation
- c. Expenses
- d. Accounts
- e. Owner's equity
- f. Accounts receivable
- g. Asset
- h. Cash
- i. Business entity

DIFFICULTY: Easy
QUESTION TYPE: Matching
HAS VARIABLES: False
LEARNING OBJECTIVES: CACC.NSMB.13.1-1 - LO: 1-1
CACC.NSMB.13.1-2 - LO: 1-2
CACC.NSMB.13.1-3 - LO: 1-3
NATIONAL STANDARDS: United States - AACSB: Reflective Thinking
STATE STANDARDS: United States - AK - ACBSP: GAAP
United States - AK - AICPA-FN: Measurement
KEYWORDS: Bloom's: Remembering
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85. Costs that relate to the earning of revenue

ANSWER: c
POINTS: 1

86. Assets minus liabilities

ANSWER: e
POINTS: 1

87. Represents amount owed by charge customers

ANSWER: f
POINTS: 1

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88. One to whom money is owed

ANSWER: a

POINTS: 1

89. A business enterprise, separate and distinct from the person who supplies its assets (economic unit in itself)

ANSWER: i

POINTS: 1

90. Something a company owns of value

ANSWER: g

POINTS: 1

91. Categories under the main headings Assets, Liabilities, Owner's Equity

ANSWER: d

POINTS: 1

92. Company's asset account from which bills are paid

ANSWER: h

POINTS: 1

93. Expresses the relationship between assets, liabilities, and owner's equity

ANSWER: b

POINTS: 1