

**Pool Canvas**

Add, modify, and remove questions. Select a question type from the Add Question drop-down list and click **Go** to add questions. Use Creation Settings to establish which default options, such as feedback and images, are available for question creation.

Add [Creation Settings](#)

Name Chapter 1--The Role of Accounting in Business

Description

Instructions

[◀ Add Question Here](#)

Question 1 **0 points**

Question The objective of most businesses is to maximize profits.

Answer
 True
 False

[◀ Add Question Here](#)

Question 2 **0 points**

Question A limited liability company combines attributes of a partnership and a corporation.

Answer
 True
 False

[◀ Add Question Here](#)

Question 3 **0 points**

Question A partnership is owned by two or more individuals.

Answer
 True
 False

[◀ Add Question Here](#)

Question 4 **0 points**

Question Manufacturing businesses change basic inputs into products that are sold to individual customers.

Answer
 True
 False

[◀ Add Question Here](#)

Question 5 **0 points**

Question Merchandising businesses produce products rather than provide services to customers.

Answer
 True
 False

[◀ Add Question Here](#)

Question 6 **0 points**

Question A corporation is a business that is legally separate and distinct from its owners.

Answer
 True
 False

[◀ Add Question Here](#)

Question 7 **0 points**

Question The popularity of the sole proprietorship is due to the ease and low cost of organizing.

Answer
 True
 False

[◀ Add Question Here](#)

Question 8 **0 points**

Question A primary disadvantage of corporations is that the financial resources available to them are limited.

Answer
 True
 False

[◀ Add Question Here](#)

Question 9 **0 points**

Question The ownership of a proprietorship is divided into shares of stock owned by its stockholders.

Answer
 True
 False

[◀ Add Question Here](#)

Question 10 **0 points**

Question All merchandising businesses are organized as corporations.

Answer
 True
 False

[◀ Add Question Here](#)

Question 11 ▾	True/False	0 points	Modify	Remove
Question Stockholders of a corporation are its internal stakeholders.				
Answer True ✓ False				
◀ Add Question Here				
Question 12 ▾	True/False	0 points	Modify	Remove
Question John Deere is a leading manufacturer of agricultural machinery in the world producing products that serve unique market needs. Therefore, John Deere is an example of a company that uses a <i>premium-price</i> emphasis to attract customers.				
Answer ✓ True False				
◀ Add Question Here				
Question 13 ▾	True/False	0 points	Modify	Remove
Question Companies using a <i>low-cost</i> emphasis provide products and services that compete on features other than price.				
Answer True ✓ False				
◀ Add Question Here				
Question 14 ▾	True/False	0 points	Modify	Remove
Question A business stakeholder has an interest in the economic performance of a business.				
Answer ✓ True False				
◀ Add Question Here				
Question 15 ▾	True/False	0 points	Modify	Remove
Question The basic type of stock issued to owners is called common stock.				
Answer ✓ True False				
◀ Add Question Here				
Question 16 ▾	True/False	0 points	Modify	Remove
Question Assets are acquired through investing activities when resources are purchased.				
Answer ✓ True False				
◀ Add Question Here				
Question 17 ▾	True/False	0 points	Modify	Remove
Question Creditors have preference to assets behind stockholders if a business fails.				
Answer True ✓ False				
◀ Add Question Here				
Question 18 ▾	True/False	0 points	Modify	Remove
Question A liability is a legal obligation to repay the amount borrowed according to the terms of the borrowing agreement.				
Answer ✓ True False				
◀ Add Question Here				
Question 19 ▾	True/False	0 points	Modify	Remove
Question Accounting is thought to be the "language of business" because business information is communicated to stakeholders.				
Answer ✓ True False				
◀ Add Question Here				
Question 20 ▾	True/False	0 points	Modify	Remove
Question The branch of accounting related to the management's financial decisions is known as financial accounting.				
Answer True ✓ False				
◀ Add Question Here				
Question 21 ▾	True/False	0 points	Modify	Remove
Question The stockholders' equity of a company should equal the sum of its total assets and total liabilities.				
Answer True ✓ False				
◀ Add Question Here				
Question 22 ▾	True/False	0 points	Modify	Remove
Question The balance sheet represents the accounting equation.				
Answer ✓ True False				
◀ Add Question Here				

Question 23	Multiple Choice	0 points	Modify	Remove	
<p>Question What is the primary objective of most businesses?</p> <p>Answer ✓ To maximize profits To pay dividends to stockholders To provide a benefit to society To manufacture a quality product</p>					◀ Add Question Here
Question 24	Multiple Choice	0 points	Modify	Remove	
<p>Question Which of the following would <i>not</i> be an example of a merchandising business?</p> <p>Answer ✓ The Walt Disney Company JCPenney Amazon.com Wal-Mart</p>					◀ Add Question Here
Question 25	Multiple Choice	0 points	Modify	Remove	
<p>Question Which of the items below is <i>not</i> a business organization form?</p> <p>Answer ✓ Venture entrepreneurship Proprietorship Partnership Corporation</p>					◀ Add Question Here
Question 26	Multiple Choice	0 points	Modify	Remove	
<p>Question Which of the following types of business is popular for its ease and low cost of organizing?</p> <p>Answer Not-for-profit Corporation Partnership ✓ Proprietorship</p>					◀ Add Question Here
Question 27	Multiple Choice	0 points	Modify	Remove	
<p>Question Which of the following is true in regards to a limited liability company?</p> <p>Answer It is organized as a corporation. It can elect to be taxed as a partnership. It provides tax and liability advantages to the owners. ✓ All are correct.</p>					◀ Add Question Here
Question 28	Multiple Choice	0 points	Modify	Remove	
<p>Question Under a <i>premium-price</i> emphasis, a business designs products that possess _____ for which customers are willing to pay a premium price.</p> <p>Answer ✓ unique attributes high costs high demand longer warranties</p>					◀ Add Question Here
Question 29	Multiple Choice	0 points	Modify	Remove	
<p>Question Which of the following is <i>not</i> a characteristic of a corporation?</p> <p>Answer Corporations are organized as a separate legal taxable entity. Ownership is divided into shares of stock. Corporations experience an ease in obtaining large amounts of resources by issuing stock. ✓ A corporation can elect to be taxed as a partnership.</p>					◀ Add Question Here
Question 30	Multiple Choice	0 points	Modify	Remove	
<p>Question An entity that is organized according to state or federal statutes and in which ownership is divided into shares of stock is a:</p> <p>Answer proprietorship. ✓ corporation. partnership. governmental unit.</p>					◀ Add Question Here
Question 31	Multiple Choice	0 points	Modify	Remove	
<p>Question A <i>low-cost</i> emphasis strives to provide:</p> <p>Answer ✓ no-frills, standardized products and services. products and services that provide unique market needs. products and services that provide prestige and image for customers. products and services that compete on features other than price.</p>					◀ Add Question Here
Question 32	Multiple Choice	0 points	Modify	Remove	

Question Which of the following businesses use a *premium-price* emphasis?

- Answer**
- Value City Furniture selling furniture at affordable prices
 - Tommy Hilfiger selling products that have a unique image
 - Wal-Mart reselling standardized products
 - Southwest Airlines providing standardized services

[◀ Add Question Here](#)

Question 33 ▾

Multiple Choice

0 points

[Modify](#)

[Remove](#)

Question Motel 6, a company that helps customers find budget motels across the nation, is an example of a business using which of the following?

- Answer**
- Low-cost emphasis
 - Outreach emphasis
 - Customer emphasis
 - Premium-price emphasis

[◀ Add Question Here](#)

Question 34 ▾

Multiple Choice

0 points

[Modify](#)

[Remove](#)

Question Which of the following are business stakeholders?

- Answer**
- Stockholders
 - Suppliers
 - Customers
 - All of these

[◀ Add Question Here](#)

Question 35 ▾

Multiple Choice

0 points

[Modify](#)

[Remove](#)

Question _____ is an example of internal stakeholders.

- Answer**
- Managers
 - Creditors
 - Stockholders
 - Suppliers

[◀ Add Question Here](#)

Question 36 ▾

Multiple Choice

0 points

[Modify](#)

[Remove](#)

Question Which of the following is *not* an example of a capital market stakeholder?

- Answer**
- Banks
 - Owners
 - Suppliers
 - Stockholders

[◀ Add Question Here](#)

Question 37 ▾

Multiple Choice

0 points

[Modify](#)

[Remove](#)

Question Capital market stakeholders have an interest in the company because:

- Answer**
- they provide incentives for the company to market their products.
 - they are part of the Marketing Department that is responsible for promoting the products or services to increase the business profits.
 - they help market their products to customers or find vendors to supply needed inputs.
 - they provide major financing for the business.

[◀ Add Question Here](#)

Question 38 ▾

Multiple Choice

0 points

[Modify](#)

[Remove](#)

Question Who has the first preference to assets in case a business fails?

- Answer**
- Stockholders
 - Long-term creditors
 - Customers
 - Employees

[◀ Add Question Here](#)

Question 39 ▾

Multiple Choice

0 points

[Modify](#)

[Remove](#)

Question Governments have an interest in the economic performance of business because of:

- Answer**
- tax collections.
 - community involvement from the business.
 - business incentives.
 - all of these.

[◀ Add Question Here](#)

Question 40 ▾

Multiple Choice

0 points

[Modify](#)

[Remove](#)

Question Managers are evaluated primarily on the business's:

- Answer**
- tax collections.
 - growth.
 - economic performance.
 - all of these.

[◀ Add Question Here](#)

Question 41 ▾

Multiple Choice

0 points

[Modify](#)

[Remove](#)

Question When a business borrows money, it incurs a(n):

Answer

- tax.
- liability.
- receivable.
- additional equity.

[◀ Add Question Here](#)

Question 42 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question When a product is sold, the cost of the product sold is often called:

Answer

- cost of goods sold.
- selling cost.
- period cost.
- retained cost.

[◀ Add Question Here](#)

Question 43 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question A note payable requires payment of the amount borrowed plus:

Answer

- interest.
- tax.
- overhead.
- dividend.

[◀ Add Question Here](#)

Question 44 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Shares of ownership are evidenced by issuing:

Answer

- shares payable.
- commercial paper.
- shares of stock.
- notes payable.

[◀ Add Question Here](#)

Question 45 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The resources a business owns are called:

Answer

- assets.
- liabilities.
- earnings.
- stockholders' equity.

[◀ Add Question Here](#)

Question 46 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The purchase of factory equipment would be an example of which type of business activity?

Answer

- Financing
- Investing
- Operating
- All of these

[◀ Add Question Here](#)

Question 47 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is an intangible asset?

Answer

- Patent
- Cash
- Land
- Equipment

[◀ Add Question Here](#)

Question 48 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Rights to payments from customers are:

Answer

- liabilities.
- prepaid expenses.
- accounts receivable.
- accounts payable.

[◀ Add Question Here](#)

Question 49 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is considered an asset until consumed?

Answer

- Accounts payable
- Prepaid expense
- Accounts receivable
- Stockholders' equity

[◀ Add Question Here](#)

Question 50 ▾ **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question _____ is the increase in assets from selling products and services.

Answer

- Revenue
- Liabilities

Products
Stockholders' Equity

[◀ Add Question Here](#)

Question 51 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question Cash collected from sales during the normal course of business would be an example of which type of business activity?

Answer Operating
 Investing
 Financing
 None of these

[◀ Add Question Here](#)

Question 52 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question Costs incurred in operating a business are also known as:

Answer revenues.
 expenses.
 liabilities.
 dividends.

[◀ Add Question Here](#)

Question 53 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question Debts owed by a business are referred to as:

Answer accounts receivable.
 equities.
 stockholders' equity.
 liabilities.

[◀ Add Question Here](#)

Question 54 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question Cash investments made by the stockholders of the business are reported on the statement of cash flows in the:

Answer financing activities section.
 investing activities section.
 operating activities section.
 supplemental statement.

[◀ Add Question Here](#)

Question 55 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question Financing activities involve obtaining _____ to operate a business.

Answer products
 customers
 business incentives
 funds

[◀ Add Question Here](#)

Question 56 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question Reporting the financial condition of a business at a point in time and the changes in the financial condition of a business over a period of time are the two major objectives of:

Answer tax accounting.
 union contracts.
 managerial accounting.
 financial accounting.

[◀ Add Question Here](#)

Question 57 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question The role of accounting in business is best defined as:

Answer an information system that provides reports to stakeholders about the economic activities and condition of a business.
 a method of forecasting the future profitability of a company.
 the policies, procedures, and strategies used in a business.
 transaction analysis.

[◀ Add Question Here](#)

Question 58 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question A list of assets, liabilities, and owners' equity as of a specific date is a(n):

Answer income statement.
 balance sheet.
 statement of cash flows.
 retained earnings statement.

[◀ Add Question Here](#)

Question 59 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question Given the following list of accounts, calculate Total Assets:

Accounts Receivable	\$ 5,000
Capital Stock	20,000
Cash	19,300

Equipment	15,400
Fees Earned	44,400
Miscellaneous Expense	18,200
Rent Expense	4,150
Retained Earnings	6,550
Wages Expense	13,900
Answer	\$84,100
	\$59,700
	\$46,250
	✓ \$39,700

[◀ Add Question Here](#)[Modify](#) [Remove](#)Question 60 ▾ **Multiple Choice** **0 points****Question** Which of the following is an appropriate representation of the accounting equation?

- Answer**
- Assets + Liabilities = Stockholders' equity
 - ✓ Assets = Liabilities + Stockholders' equity
 - Assets = Liabilities
 - Assets = Liabilities + Retained earnings

[◀ Add Question Here](#)[Modify](#) [Remove](#)Question 61 ▾ **Multiple Choice** **0 points****Question** Use the following information to determine Total Stockholders' Equity:

Total Assets	\$ 50,000
Total Liabilities	15,000
Total Stockholders' Equity	x
Total Retained Earnings	13,000
Answer	\$52,000
	\$50,000
	✓ \$35,000
	\$22,000

[◀ Add Question Here](#)[Modify](#) [Remove](#)Question 62 ▾ **Multiple Choice** **0 points****Question** A summary of the cash receipts and cash payments for a specific period of time is a(n):

- Answer**
- income statement.
 - balance sheet.
 - ✓ statement of cash flows.
 - retained earnings statement.

[◀ Add Question Here](#)[Modify](#) [Remove](#)Question 63 ▾ **Multiple Choice** **0 points****Question** The portion of a corporation's net income retained in the business is called:

- Answer**
- interest earnings.
 - dividends.
 - tax expense.
 - ✓ retained earnings.

[◀ Add Question Here](#)[Modify](#) [Remove](#)Question 64 ▾ **Multiple Choice** **0 points****Question** The debt created by a business when it makes a purchase on account is referred to as an:

- Answer**
- ✓ account payable.
 - account receivable.
 - asset.
 - expense payable.

[◀ Add Question Here](#)[Modify](#) [Remove](#)Question 65 ▾ **Multiple Choice** **0 points****Question** If there was no beginning retained earnings, net income of \$20,000, and ending retained earnings of \$6,000, how much were dividends?

- Answer**
- \$10,000
 - \$4,000
 - \$6,000
 - ✓ \$14,000

[◀ Add Question Here](#)[Modify](#) [Remove](#)Question 66 ▾ **Multiple Choice** **0 points****Question** During 2012, Smith Corporation had an increase in total assets of \$70,000 and an increase in total liabilities of \$90,000. Assuming that capital stock increased by \$5,000 and no dividends were paid, calculate Smith's net income or net loss for 2012.

- Answer**
- Net loss of \$15,000
 - Net loss of \$20,000
 - ✓ Net loss of \$25,000
 - Net income of \$15,000

[◀ Add Question Here](#)[Modify](#) [Remove](#)Question 67 ▾ **Multiple Choice** **0 points**

Question The financial statement that presents a summary of the revenues and expenses of a business for a specific period of time, such as a month or an year, is called a(n):

- Answer**
- prior period statement.
 - statement of retained earnings.
 - income statement.
 - balance sheet.

[◀ Add Question Here](#)

Question 68 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which statement is normally prepared first?

- Answer**
- Income statement
 - Balance sheet
 - Statement of cash flows
 - Retained earnings statement

[◀ Add Question Here](#)

Question 69 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question A summary of revenue and expenses for a specific period of time is a(n):

- Answer**
- income statement.
 - balance sheet.
 - statement of cash flows.
 - retained earnings statement.

[◀ Add Question Here](#)

Question 70 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Gilbert, Inc. had the following account balances at September 30, 2010. What is Gilbert's net income for the month of September?

Accounts Payable	\$ 5,000
Capital Stock	10,000
Cash	14,300
Equipment	15,400
Fees Earned	54,400
Miscellaneous Expense	18,200
Rent Expense	4,150
Retained Earnings	6,550
Wages Expense	13,900
Answer	\$32,450
	\$27,450
	\$6,550
	<input checked="" type="checkbox"/> \$18,150

[◀ Add Question Here](#)

Question 71 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Browning, Inc. had revenues of \$234,000, expenses of \$175,000, and dividends of \$30,000 during 2012. Which of the following statements is correct?

- Answer**
- Net income for 2012 totaled \$29,000.
 - Net income for 2012 totaled \$59,000.
 - Total retained earnings increased by \$59,000 during 2012.
 - Total retained earnings decreased by \$30,000 during 2012.

[◀ Add Question Here](#)

Question 72 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question A summary of changes in the earnings retained by the corporation for a specific period of time is known as a(n):

- Answer**
- income statement.
 - balance sheet.
 - statement of cash flows.
 - retained earnings statement.

[◀ Add Question Here](#)

Question 73 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Heedy Company had the following account balances in 2011 and 2012, respectively. Assuming dividends of \$20,000 were paid in 2012, how much was net income?

	2012	2011
Capital Stock	\$ 42,000	\$ 40,000
Retained Earnings	x	210,000
Total Stockholders' Equity	\$ 314,000	\$ 250,000

- Answer**
- \$62,000
 - \$82,000
 - \$272,000
 - \$252,000

[◀ Add Question Here](#)

Question 74 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Including all relevant data a reader needs to understand the financial condition and performance of a business refers to which concept?

- Answer**
- Adequate disclosure concept
 - Going concern concept

Objectivity concept
Business entity concept

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 75 ▾ **Multiple Choice** **0 points**

Question The "rules" of accounting are called:

- Answer**
- income tax regulations.
 - SEC regulations.
 - Internet rules.
 - ✓ Generally Accepted Accounting Principles.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 76 ▾ **Multiple Choice** **0 points**

Question Which principle determines the amount initially entered into the records for purchases?

- Answer**
- ✓ Cost principle
 - Going concern concept
 - Business entity concept
 - Objectivity concept

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 77 ▾ **Multiple Choice** **0 points**

Question Recording revenue when a sale is made most directly relates to which concept?

- Answer**
- Going concern concept
 - Periodicity concept
 - ✓ Matching concept
 - Adequate disclosure concept

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 78 ▾ **Multiple Choice** **0 points**

Question Expressing financial data as if a business will continue operating for an indefinite period time refers to which concept?

- Answer**
- Business entity concept
 - ✓ Going concern concept
 - Objectivity concept
 - Adequate disclosure concept

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 79 ▾ **Multiple Choice** **0 points**

Question Due to various fraudulent business practices and accounting coverups in the early 2000s, Congress enacted the Sarbanes-Oxley Act of 2002. The act was responsible for establishing a new oversight board for public accountants called the:

- Answer**
- Generally Accepted Accounting Practices for Public Accountants Board.
 - ✓ Public Company Accounting Oversight Board.
 - Congressional Accounting Oversight Board.
 - Financial Accounting Standards Board.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 80 ▾ **Essay** **0 points**

Question Name the three different types of businesses that operate for profit and their respective characteristics.

- Answer**
- (1) **Manufacturing:** These businesses change basic inputs into products to sell to individual customers.
 - (2) **Merchandising:** These businesses sell products to individual customers, but do not make the products. The products are purchased from other businesses and resold to customers.
 - (3) **Service:** These businesses do not make or sell products. They provide services for fees.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 81 ▾ **Essay** **0 points**

Question Name and describe the three forms of businesses and their advantages and disadvantages (if any).

- Answer**
- (1) **Proprietorship:** owned by one individual
Advantages: ease and low cost of organizing
Disadvantages: the financial resources available to this type of business are limited to the owners' resources and to borrowing
 - (2) **Corporation:** organized under state or federal statutes as a separate legal entity
Ownership is divided into shares of stock
Advantages: ability to obtain large amounts of resources by issuing stock
Disadvantages: dividend distributions from corporations are taxed twice
 - (3) **Partnership:** owned by two or more individuals
Advantages: provides for pooling of talent
Disadvantages: may outgrow its ability to finance operations

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 82 ▾ **Essay** **0 points**

Question For each of the following companies, identify whether it is a service, merchandising, or manufacturing business.

A.	Dillards
B.	Time Warner Cable
C.	Kohl's
D.	Ford Motor Co.
E.	Applebee's
F.	Sylvania
G.	Best Buy
H.	GAP
I.	H & R Block

Answer

Yevin Temporary Services Income Statement For the Year Ended December 31, 2011		
Revenues:		
Service Revenue		\$1,500
Expenses:		
Salaries Expense	\$550	
Insurance Expense	60	
Supplies Expense	40	
Total Expenses		650
Net income		\$ 850

[Add Question Here](#)

Question 89

Essay

0 points

[Modify](#)[Remove](#)

Question Fill in the missing amounts of the following balance sheet:

Bruce Company Balance Sheet December 31, 2010		
Assets		
Cash		\$ 3,600
Accounts Receivable		2,700
Supplies		(a)
Inventory		5,000
Equipment		7,500
Land		9,300
Total Assets		\$30,100
Liabilities		
Accounts Payable	\$ 700	
Notes Payable	(b)	
Total Liabilities		\$(c)
Stockholders' Equity		
Common Stock	\$19,500	
Retained Earnings	3,300	
Total Stockholders' Equity		\$22,800
Total Liabilities and Stockholders' Equity		\$(d)

Answer

- a) \$2,000
b) \$6,600
c) \$7,300
d) \$30,100

[Add Question Here](#)

Question 90

Essay

0 points

[Modify](#)[Remove](#)

Question Three different companies--A, B, and C--have the same balance sheet at the beginning and the end of a year. These are summarized below:

	Total Assets	Total Liabilities
Beginning of the year	\$ 500,000	\$250,000
End of the year	\$1,200,000	\$350,000

Given the data above and the additional information for each company below, determine the net income (loss) for each company.

Company A No additional investment was made by stockholders, and no dividends were paid.
Company B Stockholders invested an additional \$200,000, and no dividends were paid.
Company C Stockholders invested \$450,000, and dividends of \$50,000 were paid.

Answer

Company A Net income \$600,000
Company B Net income \$400,000
Company C Net income \$200,000

[Add Question Here](#)

Question 91

Essay

0 points

[Modify](#)[Remove](#)

Question Classify the following as an asset, liability, revenue, or expense.

- (1) Unearned revenue
- (2) Office equipment
- (3) Wages payable
- (4) Salary expense
- (5) Dividends payable
- (6) Art fees earned
- (7) Prepaid rent
- (8) Accounts receivable
- (9) Income tax expense
- (10) Office supplies

Answer

- (1) Liability
- (2) Asset
- (3) Liability
- (4) Expense
- (5) Liability
- (6) Revenue
- (7) Asset
- (8) Asset
- (9) Expense
- (10) Asset

[◀ Add Question Here](#)

Question 92 ▾ Essay

0 points

[Modify](#)[Remove](#)**Question** Match the following items with the appropriate financial statement:

- Income statement
 - Balance sheet
 - Retained earnings statement
 - Statement of cash flows
-
- Cash
 - Salary expense
 - Unearned revenue
 - Depreciation expense
 - Capital stock
 - Cash flows from operating activities
 - Accounts receivable
 - Beginning balance of retained earnings
 - Notes payable
 - Accounts payable
 - Changes in current assets and current liabilities
 - Total expenses

- Answer**
- Balance sheet
 - Income statement
 - Balance sheet
 - Income statement
 - Balance sheet
 - Statement of cash flows
 - Balance sheet
 - Retained earnings statement
 - Balance sheet
 - Balance sheet
 - Statement of cash flows
 - Income statement

[◀ Add Question Here](#)

Question 93 ▾ Essay

0 points

[Modify](#)[Remove](#)

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,	2008	2007	2006
<small>(In millions except per share data)</small>			
NET OPERATING REVENUES	\$ 31,944	\$ 28,857	\$ 24,088
Cost of goods sold	11,374	10,406	8,164
GROSS PROFIT	20,570	18,451	15,924
Selling, general and administrative expenses	11,774	10,945	9,431
Other operating charges	350	254	185
OPERATING INCOME	8,446	7,252	6,308
Interest income	333	236	193
Interest expense	438	456	220
Equity income (loss) — net	(874)	608	102
Other income (loss) — net	(28)	173	195
INCOME BEFORE INCOME TAXES	7,439	7,873	6,578
Income taxes	1,632	1,892	1,498
NET INCOME	\$ 5,807	\$ 5,981	\$ 5,080
BASIC NET INCOME PER SHARE	\$ 2.51	\$ 2.59	\$ 2.16
DILUTED NET INCOME PER SHARE	\$ 2.49	\$ 2.57	\$ 2.16
AVERAGE SHARES OUTSTANDING	2,315	2,313	2,348
Effect of dilutive securities	21	18	2
AVERAGE SHARES OUTSTANDING ASSUMING DILUTION	2,336	2,331	2,350

Refer to Notes to Consolidated Financial Statements.

Question

Review Coke-Cola's financial statements and answer the following questions:

- How are Coke's numbers reported (in what denomination)?
- What is Coke's net operating revenue for 2008?
- What is Coke's cost of goods sold for 2008?
- What is Coke's net income 2008?
- What is Coke's percent of interest expense to net operating revenue on its 2008 income statement?
- What is Coke's percent of increase in net operating revenue from 2007 to 2008?

- Answer**
- In millions of dollars
 - \$31,944,000,000
 - \$11,374,000,000
 - \$5,807,000,000
 - $438/31,944 = 1.37\%$
 - $(31,944 - 28,857)/28,857 = 10.7\%$

[◀ Add Question Here](#)

Question 94 ▾ Essay

0 points

[Modify](#)[Remove](#)

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31, (In millions except par value)	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,701	\$ 4,093
Marketable securities	278	215
Trade accounts receivable, less allowances of \$51 and \$56, respectively	3,090	3,317
Inventories	2,187	2,220
Prepaid expenses and other assets	1,920	2,260
TOTAL CURRENT ASSETS	12,176	12,105
INVESTMENTS		
Equity method investments:		
Coca-Cola Hellenic Bottling Company S.A.	1,487	1,549
Coca-Cola FEMSA, S.A.B. de C.V.	877	996
Coca-Cola Amatil Limited	638	806
Coca-Cola Enterprises Inc.	—	1,637
Other, principally bottling companies and joint ventures	2,314	2,301
Other investments, principally bottling companies	463	488
TOTAL INVESTMENTS	5,779	7,777
OTHER ASSETS	1,733	2,675
PROPERTY, PLANT AND EQUIPMENT — net	8,326	8,493
TRADEMARKS WITH INDEFINITE LIVES	6,059	5,153
GOODWILL	4,029	4,256
OTHER INTANGIBLE ASSETS	2,417	2,810
TOTAL ASSETS	\$ 40,519	\$ 43,269
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,205	\$ 6,915
Loans and notes payable	6,066	5,919
Current maturities of long-term debt	465	133
Accrued income taxes	252	258
TOTAL CURRENT LIABILITIES	12,988	13,225
LONG-TERM DEBT	2,781	3,277
OTHER LIABILITIES	3,401	3,133
DEFERRED INCOME TAXES	877	1,890
SHAREOWNERS' EQUITY		
Common stock, \$0.25 par value; Authorized — 5,600 shares; Issued — 3,519 and 3,519 shares, respectively	880	880
Capital surplus	7,966	7,378
Reinvested earnings	38,513	36,235
Accumulated other comprehensive income (loss)	(2,674)	626
Treasury stock, at cost — 1,207 and 1,201 shares, respectively	(24,213)	(23,375)
TOTAL SHAREOWNERS' EQUITY	20,472	21,744
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	\$ 40,519	\$ 43,269

Refer to Notes to Consolidated Financial Statements.

Question

Review Coke-Cola's financial statements and answer the following questions:

- (1) What is Coke's percent of current assets to total assets on its December 31, 2008 balance sheet?
- (2) What is Coke's percentage of current liabilities to total stockholders' equity on its December 31, 2008 balance sheet?
- (3) What is the percentage increase in cash and cash equivalents from 2007 to 2008?
- (4) What percentage did total assets decrease from 2007 to 2008?

Answer	(1)	$12,176/40,519 = 30.05\%$
	(2)	$12,988/20,472 = 63.44\%$
	(3)	$(4,701 - 4,093)/4,093 = 14.85\%$
	(4)	$(40,519 - 43,269)/43,269 = (6.36\%)$

[◀ Add Question Here](#)

Question 95 ▾

Essay

0 points

[Modify](#)

[Remove](#)

Question On May 31, 2012, Deana's Services Company had account balances as follows:

Accounts payable	\$ 9,900
Accounts receivable	26,950
Cash	11,390
Fees earned	70,800
Insurance expense	1,475
Land	74,400
Miscellaneous expense	1,510
Prepaid insurance	2,000
Rent expense	8,000
Salary expense	35,300
Dividends	15,100
Supplies	950
Supplies expense	825
Utilities expense	3,800
Capital stock	81,000
Retained earnings (beginning balance on May 1, 2012)	20,000

Present, in good form, (a) an income statement for May, (b) a statement of retained earnings for May, and (c) a balance sheet as of May 31.

Answer (a)

Deana's Services Company
Income Statement
For the Month Ended May 31, 2012

Fees earned	\$70,800
Operating expenses:	
Salary expense	\$35,300
Rent expense	8,000
Utilities expense	3,800
Supplies expense	825
Insurance expense	1,475
Miscellaneous expense	1,510
Total operating expenses	<u>50,910</u>
Net income	<u>\$19,890</u>

(b)

Deana's Services Company
Statement of Retained Earnings
For the Month Ended May 31, 2012

Retained earnings, May 1, 2012		\$20,000
Net income for the month		<u>19,890</u>
Subtotal		39,890
Less dividends		<u>15,100</u>
Retained earnings, May 31, 2012		<u>\$24,790</u>

(c)

Deana's Services Company
Balance Sheet
May 31, 2012

	<u>Assets</u>		<u>Liabilities</u>	
Cash	\$ 11,390		Accounts payable	\$ 9,900
Accounts receivable	26,950			
Prepaid insurance	2,000		<u>Stockholders' Equity</u>	
Supplies	950		Capital stock	81,000
Land	<u>74,400</u>		Retained earnings	<u>24,790</u>
			Total stockholders' equity	105,790
Total assets	<u>\$115,690</u>		Total liabilities and stockholders' equity	<u>\$115,690</u>

[◀ Add Question Here](#)

Question 96 ▾

Essay

0 points

[Modify](#)

[Remove](#)

Question Match each statement with the appropriate accounting concept. (Some items may not be used. Others may be used more than once.)

- a. Accounting period concept
- b. Adequate disclosure concept
- c. Business entity concept
- d. Cost concept
- e. Going concern concept
- f. Matching concept
- g. Objectivity concept
- h. Unit of measure concept

- (1) Owners' transactions are separate from business transactions.
- (2) Financial statements are prepared at the end of each year.
- (3) Land purchased for \$50,000, 10 years ago, is reported on the Balance Sheet at \$50,000.
- (4) December rent expense paid in January is reported with the December revenues.
- (5) All transactions are recorded and reported in dollars.
- (6) Providing a summary of significant accounting policies
- (7) Assumes that IBM will continue as a corporation forever
- (8) The length of time left on debt obligations is shown.

Answer

- (1)c
(2)a
(3)d
(4)f
(5)h
(6)b
(7)e
(8)b

[◀ Add Question Here](#)

OK