

المملكة العربية السعودية

وزارة التعليم

MINISTRY OF EDUCATION



لكل المهتمين و المهتمات
بدروس و مراجع الجامعية

هام

مدونة المناهج السعودية eduschool40.blog

13. A net loss will result during a time period when
- liabilities exceed assets.
 - drawings exceed investments.
 - expenses exceed revenues.
 - revenues exceed expenses.
14. If total liabilities increased by \$30,000 and owner's equity increased by \$20,000 during a period of time, then total assets must change by what amount and direction during that same period?
- \$50,000 decrease
 - \$10,000 decrease
 - \$10,000 increase
 - \$50,000 increase

Solution: $\$30,000 + \$20,000 = \$50,000$ increase

15. If total liabilities decreased by \$50,000 and owner's equity increased by \$30,000 during a period of time, then total assets must change by what amount and direction during that same period?
- \$80,000 decrease
 - \$20,000 decrease
 - \$20,000 increase
 - \$80,000 increase

Solution: $\$30,000 - \$50,000 = (\$20,000)$

16. The accounting equation for Quattro Enterprises is as follows:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owner's Equity</u>
\$120,000		\$60,000		\$60,000

If Quattro purchases office equipment on account for \$25,000, the accounting equation will change to

- | <u>Assets</u> | = | <u>Liabilities</u> | + | <u>Owner's Equity</u> |
|---------------|---|--------------------|---|-----------------------|
| a. \$120,000 | | \$60,000 | | \$60,000 |
| b. \$145,000 | | \$60,000 | | \$85,000 |
| c. \$145,000 | | \$72,500 | | \$72,500 |
| d. \$145,000 | | \$85,000 | | \$60,000 |

Solution: $\$120,000 + \$25,000 = \$145,000$; $\$60,000 + \$25,000 = \$85,000$

17. Collection of a \$1,000 Accounts Receivable
- increases an asset \$1,000; decreases an asset \$1,000.

Solution 29

(a) \$13,000 (b) \$17,000 (c) \$27,000

EXERCISES

Ex. 30

At the beginning of 2014, Hold Steady Company had total assets of \$520,000 and total liabilities of \$250,000. Answer each of the following questions.

1. If total assets increased \$60,000 and owner's equity decreased \$90,000 during the year, determine the amount of total liabilities at the end of the year.
2. During the year, total liabilities decreased \$75,000 and owner's equity increased \$50,000. Compute the amount of total assets at the end of the year.
3. If total assets decreased \$100,000 and total liabilities increased \$55,000 during the year, determine the amount of owner's equity at the end of the year.

Solution 30

1. Ending Total Liabilities = $(\$520,000 + \$60,000) - (\$520,000 - \$250,000 - \$90,000)$
= $\$580,000 - \$180,000 = \$400,000$
2. Ending Total Assets = $(\$250,000 - \$75,000) + (\$520,000 - \$250,000 + \$50,000)$
= $\$175,000 + \$320,000 = \$495,000$
3. Ending Owner's Equity = $(\$520,000 - \$100,000) - (\$250,000 + \$55,000)$
= $\$420,000 - \$305,000 = \$115,000$

Ex. 31

An analysis of the transactions made by White Stripes & Co., a law firm, for the month of July is shown below. Each increase and decrease in owner's equity is explained.

	<u>Cash</u> + <u>Payable</u> +	Accounts <u>Receivable</u> + <u>Owner's Capital</u>	Accounts <u>Supplies</u> +	Owner's Equity <u>Equipment</u> =
1. Investment	+\$15,000			+\$15,000
2.	- 2,000	+\$5,000	+\$3,000	
3.	- 750	+\$750		
4. 9 100 Service Revenue	+ 2,500	+\$6,600		+

21. Fat Possum's Service Shop started the year with total assets of \$330,000 and total liabilities of \$240,000. During the year, the business recorded \$630,000 in revenues, \$420,000 in expenses, and owner drawings of \$60,000.
- Owner's equity at the end of the year was
- \$90,000.
 - \$240,000.
 - \$300,000.
 - \$360,000.

Solution: $(\$330,000 - \$240,000) + (\$630,000 - \$420,000) - \$60,000 = \$240,000$

22. On January 1, 2014, Cat Power Company reported owner's equity of \$705,000. During the year, the owner withdrew cash of \$30,000. At December 31, 2014, the balance in owner's equity was \$825,000. What amount of net income or net loss would the company report for 2014?
- Net loss of \$30,000
 - Net income of \$90,000
 - Net income of \$120,000
 - Net income of \$150,000

Solution: $\$705,000 + X - \$30,000 = \$825,000$; $X = \$150,000$

23. Drugonaut Company buys a \$21,000 van on credit. The transaction will affect the
- income statement only.
 - balance sheet only.
 - income statement and owner's equity statement only.
 - income statement, owner's equity statement, and balance sheet.
24. International standards are referred to as
- IFRS.
 - GAAP.
 - IASB.
 - FASB.

25. U.S. standards are referred to as
- IFRS.
 - GAAP.
 - IASB.
 - FASB.

CHAPTER 1

ACCOUNTING IN ACTION

MULTIPLE CHOICE QUESTIONS

1. Accountants refer to an economic event as a
 - a. purchase.
 - b. sale.
 - c. transaction.
 - d. change in ownership.

2. The accounting process is correctly sequenced as
 - a. identification, communication, recording.
 - b. recording, communication, identification.
 - c. identification, recording, communication.
 - d. communication, recording, identification.

3. Which of the following would **not** be considered an external user of accounting data for the GHI Company?
 - a. Internal Revenue Service Agent.
 - b. Management.
 - c. Creditors.
 - d. Customers.

4. Ethics are the standards of conduct by which one's actions are judged as
 - a. right or wrong.
 - b. honest or dishonest.
 - c. fair or unfair.
 - d. all of these answer choices are correct.

5. The historical cost principle requires that when assets are acquired, they be recorded at
 - a. appraisal value.
 - b. cost.
 - c. market price.
 - d. book value.

6. GAAP stands for
 - a. Generally Accepted Auditing Procedures.
 - b. Generally Accepted Accounting Principles.
 - c. Generally Accepted Auditing Principles.
 - d. Generally Accepted Accounting Procedures.

7. The economic entity assumption requires that the activities

- a. of different entities can be combined if all the entities are corporations.
- b. must be reported to the Securities and Exchange Commission.
- c. of a sole proprietorship cannot be distinguished from the personal economic events of its owners.
- d. of an entity be kept separate from the activities of its owner.

8. A small neighborhood barber shop that is operated by its owner would likely be organized as a

- a. joint venture.
- b. partnership.
- c. corporation.
- d. proprietorship.

9. Liabilities

- a. are future economic benefits.
- b. are existing debts and obligations.
- c. possess service potential.
- d. are things of value used by the business in its operation.

10. Liabilities of a company would **not** include

- a. notes payable.
- b. accounts payable.
- c. salaries and wages payable.
- d. cash.

11. When an owner withdraws cash or other assets from a business for personal use, these withdrawals are termed

- a. depletions.
- b. consumptions.
- c. drawings.
- d. a credit line.

12. Sources of increases to owner's equity are

- a. additional investments by owners.
- b. purchases of merchandise.
- c. withdrawals by the owner.
- d. expenses.

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17. Collection of a \$1,000 Accounts Receivable
- increases an asset \$1,000; decreases an asset \$1,000.
 - increases an asset \$1,000; decreases a liability \$1,000.
 - decreases a liability \$1,000; increases owner's equity \$1,000.
 - decreases an asset \$1,000; decreases a liability \$1,000.

18. As of December 31, 2014, Calexico Company has assets of \$42,000 and owner's equity of \$20,000. What are the liabilities for Calexico Company as of December 31, 2014?
- \$22,000.
 - \$20,000.
 - \$42,000.
 - \$62,000.

Solution: $\$42,000 - \$20,000 = \$22,000$

19. Black Keys Company began the year with owner's equity of \$280,000. During the year, the company recorded revenues of \$375,000, expenses of \$285,000, and had owner drawings of \$30,000. What was Black Keys' owner's equity at the end of the year?
- \$280,000.
 - \$340,000.
 - \$370,000.
 - \$400,000.

Solution: $\$280,000 + (\$375,000 - \$285,000) - \$30,000 = \$340,000$

20. Centro-matic Company began the year with owner's equity of \$30,000. During the year, Centro-matic received additional owner investments of \$42,000, recorded expenses of \$120,000, and had owner drawings of \$8,000. If Centro-matic's ending owner's equity was \$112,000, what was the company's revenue for the year?
- \$160,000.
 - \$168,000.
 - \$202,000.
 - \$210,000.

Solution: $\$30,000 + \$42,000 + (X - \$120,000) - \$8,000 = \$112,000$; $X = \$168,000$

BRIEF EXERCISES

BE 27

Use the accounting equation to answer the following questions.

1. Picaresque Sails Co. has total assets of \$140,000 and total liabilities of \$45,000. What is owner's equity?
2. The Natenal Fun Center has total assets of \$225,000 and owner's equity of \$100,000. What are total liabilities?
3. Okkervil River Restaurant has total liabilities of \$50,000 and owner's equity of \$100,000. What are total assets?

Solution 27

1. $\$140,000 - \$45,000 = \$95,000$ owner's equity
2. $\$225,000 - \$100,000 = \$125,000$ total liabilities
3. $\$50,000 + \$100,000 = \$150,000$ total assets

BE 28

Balance sheet amounts as of December 31, 2014 for Matt Pond's Learning Service are listed below. Prepare a balance sheet in good form.

Accounts Payable	\$	400
Accounts Receivable		1,000
Cash	300	
Owner's Capital		?

Solution 28

MATT POND'S LEARNING SERVICE
Balance Sheet
December 31, 2014

<u>Assets</u>		<u>Liabilities and Owner's Equity</u>	
Cash	\$ 300	Accounts Payable	\$ 400
Accounts Receivable	<u>1,000</u>	Owner's, Capital	<u>900</u>
Total assets	<u>\$1,300</u>	Total liabilities and owner's equity	<u>\$1,300</u>

BE 29

Use the following information to calculate for the year ended December 31, 2014 (a) net income, (b) ending owner's equity, and (c) total assets.

Supplies	\$ 3,000	Revenues	\$25,000
Operating expenses	12,000	Cash	15,000
Accounts payable	9,000	Drawings	1,000
Accounts receivable	3,000	Notes payable	1,000
Beginning Capital	5,000	Equipment	6,000

25. U.S. standards are referred to as
- a. IFRS.
 - b. GAAP.
 - c. IASB.
 - d. FASB.

- 26 IFRS, compared to GAAP, tends to be more
- a. detailed.
 - b. rules-based.
 - c. principles-based.
 - d. full of disclosure requirements.

Answers to Multiple Choice Questions

Item	Ans.	Item	Ans.
1.	c	17.	a
2.	c	18.	a
3.	b	19.	b
4.	d	20.	b
5.	b	21.	b
6.	b	22.	d
7.	d	23.	b
8.	d	24.	a
9.	b	25.	b
10.	d	26.	c
11.	c		
12.	a		
13.	c		
14.	d		
15.	b		
16.	d		

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