1. Which of the following is not considered to be a liability?
A) accounts payable
B) unearned revenue
C) wages payable
D) cost of goods sold

2. A company paid $60,000 for a parcel of land to use in its business on July 31, 2015. On July 31, 2017 the land was appraised by a realtor at $95,000 and a buyer has offered $75,000 to purchase the land. On its July 31, 2017 balance sheet the company should include this land at which amount?
A) $60,000
B) $75,000
C) $95,000
D) Somewhere between $75,000 and $95,000

3. The measurement rules used to develop the information in the financial statements are called:
A) FASB
B) SEC
C) GAAP
D) AICPA

4. What is the effect of a purchase of equipment on credit on the accounting equation?
A) assets increase and liabilities decrease
B) Assets increase and liabilities increase
C) No effect on assets, liabilities, or stockholders equity
D) Assets increase and stockholders equity increases

5. What are the categories of cash flows that appear on the statement of cash flows?
A) operating, investing, and financing
B) investing, financing, and service
C) operating, production, and internal
D) financing, production, and growth
6. Brown Corporation reported the following amounts at the end of the first year of operations: contributed capital $20,000; total revenues $95,000; total assets $85,000, no dividends, and total liabilities $35,000. Stockholders equity and total expenses would be:

<table>
<thead>
<tr>
<th>Stockholders Equity</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) $60,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>B) $80,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>C) $50,000</td>
<td>$65,000</td>
</tr>
<tr>
<td>D) $70,000</td>
<td>$85,000</td>
</tr>
</tbody>
</table>

7. Primary responsibility for the information in a corporation’s financial statements rests with
A) the shareholders of the corporation
B) the managers of the corporation
C) the Securities and Exchange Commission
D) the certified public accountant who audited the financial statements

8. What is the ultimate effect of a credit sale (sale on account) on the accounting equation?

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
<th>Stockholders Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) increase</td>
<td>no effect</td>
<td>increase</td>
</tr>
<tr>
<td>B) increase</td>
<td>no effect</td>
<td>decrease</td>
</tr>
<tr>
<td>C) decrease</td>
<td>decrease</td>
<td>no effect</td>
</tr>
<tr>
<td>D) no effect</td>
<td>decrease</td>
<td>increase</td>
</tr>
</tbody>
</table>

9. At the end of the year, Thomas Corporation has total liabilities of $45,000, retained earnings of $52,000, and total contributed capital of $72,000. What is the amount of TOTAL ASSETS at year-end?
A) $45,000
B) $97,000
C) $124,000
D) $169,000

10. One of the disadvantages of a corporation when compared to a partnership is that
A) the stockholders have limited liability
B) the stockholders are treated as a separate legal entity from the corporation
C) the corporation and its stockholders are subject to double taxation of dividends
D) the corporation provides continuity of life
11. Which of the following is **NOT** a current asset?
A) equipment  
B) cash  
C) inventory  
D) accounts receivable

12. The primary objective of financial reporting is to:
A) provide accurate historical information  
B) provide useful information to external decision makers  
C) provide operating information to managers  
D) meet legal requirements

13. Which of the following accounts increases with a DEBIT?
A) contributed capital  
B) cash  
C) sales revenue  
D) accounts payable

**Use the following information to answer the next two questions**

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets, 12-31-15</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Liabilities, 12-31-15</td>
<td>$400,000</td>
</tr>
<tr>
<td>Contributed Capital, 12-31-15</td>
<td>$300,000</td>
</tr>
<tr>
<td>Dividends for 2015</td>
<td>$50,000</td>
</tr>
<tr>
<td>Operating Expenses in 2015</td>
<td>$140,000</td>
</tr>
</tbody>
</table>

14. How much was ending retained earnings on December 31, 2015?
A) $800,000  
B) $500,000  
C) $450,000  
D) $310,000

15. If beginning retained earnings on January 1, 2015 were $400,000, how much was sales revenue for 2015?
A) $190,000  
B) $240,000  
C) $290,000  
D) $310,000
16. A debit entry will cause the balance in an account to increase, except for:
   A) retained earnings
   B) cash
   C) rent expense
   D) dividends

17. A company purchased new equipment for $75,000, paying $65,000 in cash and putting the rest on account. How does this transaction affect the accounting equation?
   A) assets increase by $75,000; liabilities increase $10,000; SE increases $65,000
   B) assets increase $10,000 and liabilities increase $10,000
   C) assets decrease $65,000 and liabilities increase $10,000
   D) liabilities increase $10,000 and SE decreases $10,000

18. Recording expenses in the same accounting period as the related revenues are recorded is required by which accounting principle?
   A) internal controls
   B) matching
   C) monetary unit
   D) time period

19. On February 12 a business sold a gift card to a customer shopping for a Valentine’s Day gift. The business should record revenue:
   A) On Feb. 12 when the gift card is sold and cash is received
   B) On March 3 when the gift card is used
   C) 50% in February and 50% in March
   D) None of the above

20. ABC Corporation has decided to issue stock. Issuing stock is considered a
   A) business activity
   B) operating activity
   C) investing activity
   D) financing activity

21. According to the Revenue Recognition Principle, when would revenue be recognized if cash was received in a period after goods or services are provided?
   A) In the current period
   B) In the next period
   C) At the end of the year
   D) They must pay when the goods or services are provided
22. LuluLemon recorded a transaction that decreased accounts receivables by $23,100 and increased cash by $23,100. Which of the following best describes that transaction?
A) LuluLemon paid insurance costs of $23,100 for the next six months  
B) LuluLemon had customers pay $23,100 off on their account balance  
C) LuluLemon paid employees wages of $23,100  
D) LuluLemon sold $23,100 of stock to investors

23. What are the effects on the accounting equation if Patchwork received a bill of $578 for utilities in January that they will pay in February?
A) Prepaid utilities +578; Cash -578  
B) Cash +578; Utilities Expense +578  
C) Prepaid utilities +578; Accounts Payable +578  
D) Utilities Expense +578; Accounts Payable +578

24. ABC.com paid for advertising for the year on January 1, 2012. Under the accrual method, when would they record the expense?
A) When cash is paid  
B) When the expense is incurred  
C) When customers see the advertising  
D) When customers that saw the advertising use their website

25. The balance sheet is the company's financial position at a ________?
A) Period of time  
B) Annual Report  
C) Point of Time  
D) Financial Year