1. Which of the following best describes the objective of financial accounting?
   a. To capture information about the activities of a company so that it can be reported to decision makers inside the business.
   b. To capture information about the activities of a company so that it can be reported to decision makers outside the business.
   c. To capture information about employee activities of a company so that it can be reported to managers.
   d. To capture information about investors, so a company can decide who to sell stock to.

2. 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>

3. 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

4. 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 (A) +578; Cash (A) -578
   b. Cash (A) +578; Utilities Expense (E) +578
   c. Prepaid utilities (A) +578; Accounts Payable (L) +578
   d. Utilities Expense (E) +578; Accounts Payable (L) +578

5. Which of the following is a disadvantage of incorporation?
   a. Ability to raise capital
   b. Double taxation of earnings
   c. Ease of ownership
   d. Limited liability of stockholder
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. Which of the following is false regarding GAAP?
   a. GAAP stands for Generally Accepted Accounting Principles
   b. GAAP is a set of rules of accounting created by the Financial Accounting Standards Board for use in the United States
   c. The main goal of GAAP is to ensure companies produce financial information that is useful in decision making
   d. All are true of GAAP

8. Apple’s financials for 2019 consisted of the following:

<table>
<thead>
<tr>
<th>Assets</th>
<th>$10,000,000</th>
<th>BRE</th>
<th>$2,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td>$4,000,000</td>
<td>Dividends</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>CC</td>
<td>$2,000,000</td>
<td>Revenues</td>
<td>$7,000,000</td>
</tr>
</tbody>
</table>

What are Apple’s expenses for 2019?
   a. $12,000,000
   b. $2,000,000
   c. $(4,000,000)
   d. $6,000,000

9. ABC.com paid for advertising for the year on January 1, 2018. Under the accrual method, when would they record expenses?
   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

10. How does the balance sheet connect to the Statement of Cash Flows?
    a. The Cash on the balance sheet is equal to the ending Cash reported on the statement of cash flows.
    b. The Cash on the balance sheet is equal to beginning Cash reported on the statement of cash flows.
    c. The balance sheet and the statement of cash flows are not connected
    d. Both a and b
11. Which of the following is NOT a qualitative characteristic of accounting information?
   a. Timely
   b. Understandability
   c. Comparability
   d. Profitability

12. A company exchanges $35,000 in cash and $20,000 in common stock for a new piece of land worth $100,000 and finances the rest. What is the transaction analysis?
   a. Cash (A) +35,000; Common Stock (SE) +20,000;
      Land (A) +100,000; N/P (L) +45,000
   b. Cash (A) -35,000; Common Stock (SE) -20,000;
      Land (A) +100,000; A/P (L) -45,000
   c. Cash (A) -35,000; Land (A) +100,000;
      Common Stock (SE) +20,000; N/P (L) +45,000
   d. Cash (A) -35,000; Land (A) +100,000;
      Common Stock (SE) +20,000; A/P (L) +45,000

13. The 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

14. Which of the following is NOT an activity in the Statement of Cash Flows?
   a. Operating
   b. Managing
   c. Investing
   d. Financing

15. Which of the following provides additional information about the financial condition of the company such as effective tax rate, accounting methods, and accounting rules?
   a. Balance Sheet
   b. Supplemental Information to the Financial Statements
   c. Notes to the Financial Statements
   d. Rates, Methods, and Rules

16. Which of the following does NOT directly increase stockholder’s equity when it increases?
   a. Contributed Capital
   b. Retained Earnings
   c. Common Stock
   d. Dividends
17. 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

18. 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. At the end of the year
   c. They must pay when the goods or services are provided
   d. In the next period

19. Total current assets, total current liabilities, and total stockholders’ equity can all be found on:
   a. Classified Balance Sheet
   b. Balance Sheet
   c. Income Statement
   d. Classified Income Statement

20. Purchased equipment for $20,000. Paid 3,550 in cash and signed a note for the remainder. What is the transaction analysis?
   a. Equipment (A) +20,000; Cash (A) -3,550; N/P (L) +16,450
   b. Equipment (A) -20,000; Cash (A) +3,550; N/P (L) -16,450
   c. Equipment (A) +20,000; Cash (A) -3,550; A/P (L) +16,450
   d. Equipment (A) -20,000; Cash (A) +3,550; A/P (L) -16,450

21. Walmart owes their suppliers $45,000. They decided to pay $18,500 off using cash. What is the transaction analysis?
   a. Cash (A) +45,000; A/P (L) +45,000
   b. Cash (A) -18,500; A/P (L) +45,000; N/P (L) -26,500
   c. Cash (A) -18,500; A/P (L) -18,500
   d. Cash (A) -18,500; N/P (L) -18,500

22. Which of the following is not a limitation of the income statement?
   a. Does not indicate the amount of cash the company is generating
   b. Does not directly measure the change in the value of a company
   c. Uses estimates to measure income
   d. All of the above are limitations of the income statement
23. Which of the following journal entries is correct regarding formatting?

Supplies worth $3,000 is used up

a. Supplies Expense 3,000
    Supplies 3,000
b. Supplies 3,000
    Supplies Expense 3,000
c. Supplies Liability 3,000
    Supplies 3,000
d. Supplies Expense 3,000
    Supplies 3,000

24. What does the current ratio of 1.4 mean for a company?
   a. For every $1 of assets they have $4 of liabilities
   b. The company has the ability to cover their current liabilities with their current assets
   c. For every $1 of liabilities they have $4 of assets
   d. Both A and C
   e. Both B and C

25. Cy’s Equipment sells computers for $200,000 and receives $35,000 of cash with the rest loaned to the purchaser.
   a. Cash (A) -35,000; Equipment (A) +200,000; N/P (L) -165,000
   b. Cash (A)+35,000; Equipment (A) -200,000; N/P (L) + 165,000
   c. Cash (A) +35,000; Equipment (A) -200,000; N/R (A) +165,000
   d. Cash (A) +35,000; Equipment (A) -200,000; A/R (A) +165,000
**ADDITIONAL PROBLEM:**

Farm & Fleet purchases $35,000 of inventory. They decide not to pay until the end of the credit period. What is the transaction analysis, journal entry, and effect on the accounting equation?

Transaction Analysis:

Journal Entry:

Effect on the Accounting Equation:

*Now, what would the transaction analysis be when Farm & Fleet PAYS off their credit?*