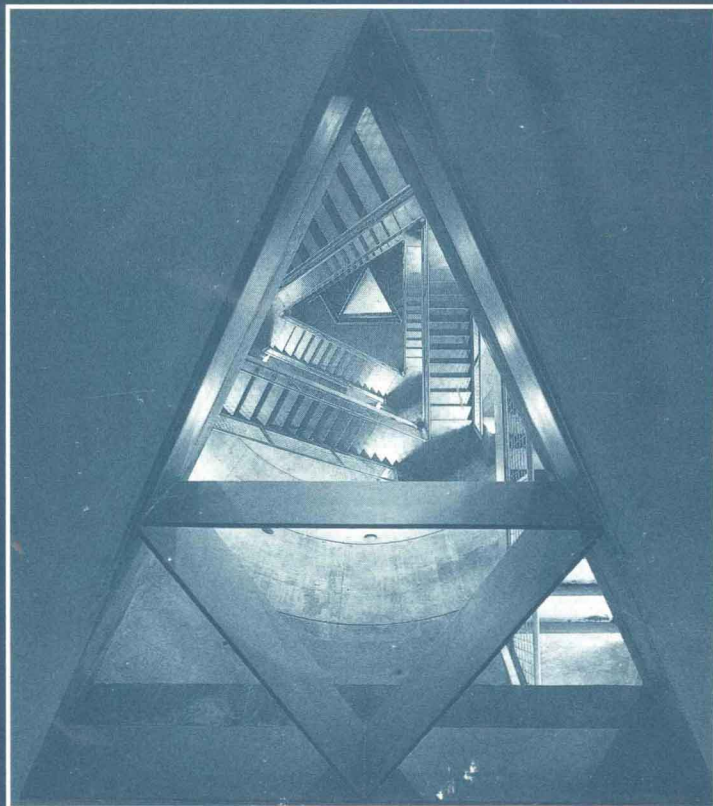


STUDY GUIDE B  
*to Accompany*



FINANCIAL & MANAGERIAL ACCOUNTING  
A CORPORATE APPROACH  
CHAPTERS 1-14, 27, AND 28



NEEDLES • ANDERSON • JULIUS

# **Study Guide B**

## **to Accompany**

- **Financial & Managerial Accounting:  
A Corporate Approach,  
Chapters 1–14, 27, and 28**

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# **Study Guide B**

## **to Accompany**

**Financial & Managerial Accounting:  
A Corporate Approach,  
Chapters 1–14, 27, and 28**

## To the Student

This self-study guide is designed to help you improve your performance in your first accounting course. You should use it in your study of *Financial & Managerial Accounting: A Corporate Approach*, Fourth Edition, by Needles, Anderson, and Caldwell.

### Reviewing the Chapter

This section of each chapter summarizes in a concise but thorough manner the essential points related to the chapter's learning objectives. Each integrated learning objective is restated and all key terms are covered in this section. Where applicable, a summary of journal entries introduced in the chapter also is presented.

### Self-Test

The Self-Test within each chapter reviews the basic concepts taught in the chapter and helps you to prepare for the examination your teacher will give based on the learning objectives assigned and taught in class.

### Testing Your Knowledge

Each chapter contains a matching quiz of key terms, a short-answer section, true-false statements, and multiple-choice questions to test your understanding of the learning objectives and vocabulary in the chapter. This Study Guide also contains nine crossword puzzles to test your knowledge of key terms.

### Applying Your Knowledge

An important goal in learning accounting is the ability to work exercises and problems. In this section of each chapter, you can test your ability to apply two or three of the new principles introduced in the chapter to "real-life" accounting situations.

### Specimen Financial Statements

The financial report section from the 1994 Annual Report of the Coca-Cola Company is provided as a real example of the financial statements of a major corporation. This complete set of financial statements together with management's discussion and analysis, notes to the financial statements, report of the independent auditors, and other information are provided for you to see the end product of the accounting process. They can be used by instructors and students for discussion and illustration of the concepts, techniques, and statements presented in Chapters 1–14 and 27–28 of *Financial & Managerial Accounting: A Corporate Approach*.

### Answers

The study guide concludes with answers to all questions, exercises, problems, and crossword puzzles. All answers are cross-referenced to the learning objectives in the chapter.

B.E.N.  
H.R.A.  
E.H.J.

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# CHAPTER 1 USES OF ACCOUNTING INFORMATION AND THE FINANCIAL STATEMENTS

## REVIEWING THE CHAPTER

**Objective 1: Define *accounting*, identify business goals and activities, and describe the role of accounting in making informed decisions.**

1. **Accounting** is an information system that measures, processes, and communicates financial information about an identifiable economic entity. It provides information that is essential for decision making. **Bookkeeping**, a small but important aspect of accounting, is the mechanical and repetitive recordkeeping process.
2. A **business** is an economic unit that sells goods and services at prices that will provide an adequate return to its owners. For a business to survive, management must make satisfactory earnings to hold investment capital (called **profitability**) and must keep sufficient funds on hand to pay debts as they fall due (called **liquidity**). The company also has other goals, such as improving its products and expanding operations. It is management that directs the company toward these goals by making decisions.
3. Businesses pursue their goals by engaging in financing, investing, and operating activities.
  - a. **Financing activities** are needed to obtain funding for the business, and include such activities as issuing stocks and bonds and repaying creditors.
  - b. **Investing activities** consist of spending the funds raised, and include activities such as buying and selling land, buildings, and equipment.
  - c. **Operating activities** involve the everyday sale of goods and services as well as the related everyday activities.
4. A distinction is usually made between **management accounting**, which focuses on information for internal users, and **financial accounting**, which involves the preparation, reporting, analysis, and interpretation of accounting information in reports for external users. These reports are called **financial statements**.
5. The **computer** is an electronic tool that rapidly collects, organizes, and communicates vast amounts of information. The computer does not take the place of the accountant. However, the accountant must understand how it operates because it is an integral part of the accounting information system.
6. A **management information system (MIS)** is an information network that takes in all major functions (called *subsystems*) of a business. The accounting information system is the financial hub of the management information system.

**Objective 2: Identify the many users of accounting information in society.**

7. There are basically three groups that use accounting information: management, outsiders with a direct financial interest, and outsiders with an indirect financial interest.
  - a. As already stated, **management** steers a business toward its goals by making the business's



important decisions. Specifically, it must ensure that the business is adequately financed, productive assets are obtained, goods and services are produced and marketed, employees are managed, and pertinent information is provided to decision makers.

- b. Present or potential investors and present or potential creditors are considered outside users with a direct financial interest in a business. Most businesses publish financial statements that report their profitability and financial position. Investors use these financial statements to assess the strength or weakness of the company, whereas creditors examine the financial statement to determine the company's ability to repay debts on time.
- c. Society as a whole, through government officials and public groups, can be viewed as an accounting information user with an indirect financial interest in a business. Specifically, such users include tax authorities, regulatory agencies, and other groups (such as labor unions, economic planners, and financial analysts).

8. The **Securities and Exchange Commission (SEC)** is an agency of the federal government set up by the U.S. Congress to protect the public by regulating the issuing, buying, and selling of stocks.

9. Managers within government and within not-for-profit organizations such as hospitals, universities, professional organizations, and charities also make extensive use of financial information.

### **Objective 3: Explain the importance of business transactions, money measure, and separate entity to accounting measurement.**

- 10. To make an accounting measurement, the accountant must answer the following basic questions:
  - a. What is measured?
  - b. When should the measurement be made?
  - c. What value should be placed on what is measured?
  - d. How should what is measured be classified?
- 11. Accounting is concerned with measuring transactions of specific business entities in terms of money.
  - a. **Business transactions** are economic events that affect the financial position of a business. Business transactions can involve an exchange of value (for example, sales, borrowings, and

purchases) or a nonexchange (for example, the physical wear and tear on machinery, and losses due to fire or theft).

- b. The **money measure** concept states that business transactions should be measured in terms of money. Financial statements are normally prepared in terms of the monetary unit of the business's country (dollars, pesos, etc.). When transactions occur between countries with differing monetary units, the amounts must be translated from one currency to another, using the appropriate **exchange rate**.
- c. For accounting purposes, a business is treated as a **separate entity**, distinct from its owners, creditors, and customers.

### **Objective 4: Describe the corporate form of business organization.**

- 12. The three basic forms of business organization are sole proprietorships, partnerships, and corporations. Accountants recognize each form as an economic unit separate from its owners. A **sole proprietorship** is a business owned by one person, a **partnership** is a business owned by two or more persons, and a **corporation** is a business owned by stockholders but managed by a board of directors.
- 13. The corporation is the dominant form of American business because it makes possible the accumulation of large quantities of capital. The stockholders of a corporation are at risk only to the extent of their investment, and ownership (evidenced by **shares of stock**) can be transferred without affecting operations.
  - a. Before a corporation may do business, it must apply for and obtain a charter from the state. The state must approve the **articles of incorporation**, which describe the basic purpose and structure of the proposed corporation.
  - b. Management of a corporation consists of the board of directors, who determine corporate policy, and the officers, who carry on the daily operations. The board is elected by the stockholders, and the officers are appointed by the board.
  - c. Some specific duties of the board of directors are to (a) declare dividends, (b) authorize contracts, (c) determine executive salaries, (d) arrange major loans with banks, and (e) appoint an **audit committee** to serve as a channel of communication between the corporation and the independent auditors. Management's primary means of reporting the corporation's fi-



nancial position and results of operations is its annual report.

**Objective 5: Define *financial position*, state the accounting equation, and show how they are affected by simple transactions.**

14. Every transaction affects a firm's financial position. **Financial position** is shown by a balance sheet, so called because the two sides or parts of the balance sheet must always equal each other. In a sense, the balance sheet presents two ways of viewing the same business: the left side shows the assets (resources) of the business, whereas the right side shows who provided the assets. Providers consist of owners (listed under "owners' equity") and creditors (represented by the listing of "liabilities"). Therefore, it is logical that the total dollar amount of assets must equal the total dollar amount of liabilities and owners' equity. This is the **accounting equation**. It is formally stated as

$$\text{Assets} = \text{liabilities} + \text{owners' equity}$$

Other correct forms are

$$\text{Assets} - \text{liabilities} = \text{owners' equity}$$

$$\text{Assets} - \text{owners' equity} = \text{liabilities}$$

15. **Assets** are the economic resources of a business. Examples of assets are cash, accounts receivable, inventory, buildings, equipment, patents, and copyrights.
16. **Liabilities** are debts of the business. Examples of liabilities are money borrowed from banks, amounts owed to creditors for goods bought on credit, and taxes owed to the government.
17. **Owners' equity** represents the claims by the owners of a business to the assets of the business. It equals the residual interest in assets after deducting the liabilities. Because it is equal to assets minus liabilities, owners' equity is said to equal the **net assets** of the business.
18. The owners' equity of a corporation is called **stockholders' equity** and consists of contributed capital and retained earnings. **Contributed capital** represents the amount invested by the owners, whereas **retained earnings** (broadly) represent the accumulation of the profits and losses of a company since its inception, less total dividends declared. **Dividends** are distributions of assets to stockholders from past earnings; they appear in the statement of retained earnings.

19. Retained earnings are affected by three types of transactions. **Revenues**, which result when services have been provided, increase retained earnings. **Expenses**, which represent costs of doing business, decrease retained earnings, as do dividends. When revenues exceed expenses, a **net income** results. When expenses exceed revenues, however, a **net loss** has been suffered.
20. Every transaction changes the balance sheet in some way. In practice, companies do not prepare a new balance sheet after each transaction. However, it is important for accounting students to understand the effect of each transaction on the parts of the balance sheet.
21. Although every transaction changes the balance sheet, the accounting equation always remains in balance. In other words, dollar amounts may change, but assets must always equal liabilities plus owners' equity.
22. **Accounts** are used by accountants to accumulate amounts produced from like transactions.

**Objective 6: Identify the four basic financial statements.**

23. Accountants communicate information through financial statements. The four principal statements are the income statement, statement of retained earnings, balance sheet, and statement of cash flows.
24. Every financial statement has a three-line heading. The first line gives the name of the company. The second line gives the name of the statement. The third line gives the relevant dates (the date of the balance sheet or the period of time covered by the other three statements).
25. The **income statement**, whose components are revenues and expenses, is perhaps the most important financial statement. Its purpose is to measure the business's success or failure in earning an income over a given period of time.
26. The **statement of retained earnings** is a labeled calculation of the changes in retained earnings (defined in paragraph 18) during the accounting period. Retained earnings at the beginning of the period is the first item on the statement, followed by an addition for net income or a deduction for net loss and a deduction for dividends declared. The ending retained earnings figure that results is transferred to the stockholders' equity section of the balance sheet.

27. The **balance sheet** shows the financial position of a business as of a certain date. The resources owned by the business are called assets; debts of the business are called liabilities; and the owners' financial interest in the business is called stockholders' equity. The balance sheet is also known as the *statement of financial position*.
28. The **statement of cash flows** shows much information that is not present in the balance sheet or income statement. This statement discloses all the business's operating, investing, and financing activities during the accounting period. As discussed, in part, in paragraph 3, operating activities consist mainly of receipts from customers and payments to suppliers and others in the ordinary course of business. Investing activities might include selling a building or investing in stock. Financing activities might include issuing stock or paying dividends. The statement will indicate the net increase or decrease in cash during the period.

**Objective 7: State the relationship of generally accepted accounting principles (GAAP) to financial statements and the independent CPA's report, and identify the organizations that influence GAAP.**

29. Accounting theory provides the reasoning behind and framework for accounting practice. **Generally accepted accounting principles (GAAP)** are the set of guidelines and procedures that constitute acceptable accounting practice at a given time. The set of GAAP changes continually as business conditions change and practices improve.
30. The financial statements of publicly held corporations are audited by licensed professionals, called **certified public accountants (CPAs)**, to ensure the quality of those statements. Before an **audit** can take place, however, the CPA must be independent of the client (without financial or other ties). On completion of the audit, the CPA reports on whether or not the audited statements "present fairly, in all material respects" and are "in conformity with generally accepted accounting principles."
31. The **Financial Accounting Standards Board (FASB)** is the authoritative body for development of GAAP. This group is separate from the AICPA and issues Statements of Financial Accounting Standards.
32. The **American Institute of Certified Public Accountants (AICPA)** is the professional association of CPAs. Its senior technical committees help influence accounting practice.
33. The Securities and Exchange Commission (SEC) is an agency of the federal government. It has the legal power to set and enforce accounting practices for companies whose securities are traded by the general public.
34. The **Governmental Accounting Standards Board (GASB)** was established in 1984 and is responsible for issuing accounting standards for state and local governments.
35. The **International Accounting Standards Committee (IASC)** is responsible for developing worldwide accounting standards. To date, it has approved more than thirty such standards, which have been translated into six languages.
36. The **Internal Revenue Service (IRS)** enforces and interprets the set of rules that govern the assessment and collection of federal income taxes.

**Objective 8: Define ethics and describe the ethical responsibilities of accountants.**

37. **Ethics** is a code of conduct that applies to everyday life. **Professional ethics** is the application of a code of conduct to the practice of a profession. The accounting profession has developed such a code, intended to guide the accountant in carrying out his or her responsibilities to the public. In short, the accountant must act with integrity, objectivity, independence, and due care.
- a. **Integrity** means that the accountant is honest, regardless of consequences.
  - b. **Objectivity** means that the accountant is impartial in performing his or her job.
  - c. **Independence** is the avoidance of all relationships that could impair the objectivity of the accountant, such as owning stock in a company he or she is auditing.
  - d. **Due care** means carrying out one's responsibilities with competence and diligence.
38. The **Institute of Management Accountants (IMA)** has adopted a code of professional conduct of competence, confidentiality, integrity, and objectivity.

## SELF-TEST

Test your knowledge of the chapter by choosing the best answer for each of the following items.

1. Which of the following is an important reason for studying accounting?
  - a. Accounting information is useful in making economic decisions.
  - b. Accounting plays an important role in society.
  - c. The study of accounting can lead to a challenging career.
  - d. All of the above are important reasons for studying accounting.
2. Which of the following groups uses accounting information for planning a company's profitability and liquidity?
  - a. Management
  - b. Investors
  - c. Creditors
  - d. Economic planners
3. Economic events that affect the financial position of a business are called
  - a. separate entities.
  - b. business transactions.
  - c. money measures.
  - d. financial actions.
4. Which of the following forms of organization is not treated as a separate economic unit in accounting?
  - a. Sole proprietorship
  - b. Committee
  - c. Partnership
  - d. Corporation
5. If a company has liabilities of \$19,000 and owners' equity of \$57,000, its assets are
  - a. \$38,000.
  - b. \$76,000.
  - c. \$57,000.
  - d. \$19,000.
6. The payment of a liability
  - a. increases both assets and liabilities.
  - b. increases assets and decreases liabilities.
  - c. decreases assets and increases liabilities.
  - d. decreases both assets and liabilities.
7. The balance sheet is related to the income statement in the same way that a
  - a. point in time is related to a period of time.
  - b. period of time is related to a point in time.
  - c. point in time is related to another point in time.
  - d. period of time is related to another period of time.
8. Expenses and dividends appear, respectively, on the
  - a. balance sheet and income statement.
  - b. income statement and balance sheet.
  - c. statement of retained earnings and balance sheet.
  - d. income statement and statement of retained earnings.
9. Generally accepted accounting principles
  - a. define accounting practice at a point in time.
  - b. are similar in nature to the principles of chemistry or physics.
  - c. rarely change.
  - d. are not affected by changes in the ways businesses operate.
10. Independence is an important characteristic of the following in performing audits of financial statements:
  - a. Government accountants
  - b. Certified management accountants
  - c. Certified public accountants
  - d. Accounting educators

## TESTING YOUR KNOWLEDGE

### Matching\*

Match each term with its definition by writing the appropriate letter in the blank.

- |   |   |
|---|---|
| _____ 1. Accounting                                       | a. A debt of a business   |
| _____ 2. Bookkeeping                                      | b. A business owned by stockholders but managed by a board of directors   |
| _____ 3. Computer   | c. A distribution of earnings to stockholders   |
| _____ 4. Management information system (MIS)              | d. The standard that all business transactions should be measured in terms of money                                     |
| _____ 5. Management accounting                            | e. The statement that shows the financial position of a company on a certain date                                       |
| _____ 6. Financial accounting                             | f. The repetitive recordkeeping process   |
| _____ 7. Accounting equation                              | g. An economic resource of a business   |
| _____ 8. Dividend   | h. An information system that measures, processes, and communicates economic information                                |
| _____ 9. Certified public accountant (CPA)                | i. A business owned and managed by two or more persons  |
| _____ 10. Sole proprietorship                             | j. An expert accountant licensed by the state   |
| _____ 11. Partnership                                     | k. Representation on the balance sheet of stockholders' investments in a corporation                                    |
| _____ 12. Corporation                                     | l. The statement that shows a company's profit or loss over a certain period of time                                    |
| _____ 13. Generally accepted accounting principles (GAAP) | m. The statement that discloses the operating, investing, and financing activities during the period                    |
| _____ 14. Balance sheet                                   | n. The branch of accounting concerned with providing external users with financial information needed to make decisions |
| _____ 15. Income statement                                | o. An electronic tool that processes information rapidly  |
| _____ 16. Statement of retained earnings                  | p. The balance sheet section that represents the owners' economic interest in a company                                 |
| _____ 17. Statement of cash flows                         | q. The statement that shows the changes in the Retained Earnings account during the period                              |
| _____ 18. Separate entity                                 | r. The information network that links a company's functions together  |
| _____ 19. Money measure                                   | s. Assets = liabilities + owners' equity  |
| _____ 20. Asset   | t. The accounting concept that treats a business as distinct from its owners, creditors, and customers                  |
| _____ 21. Liability                                       | u. The guidelines that define acceptable accounting practice at a given point in time                                   |
| _____ 22. Owners' equity                                  | v. A business owned and managed by one person   |
| _____ 23. Contributed capital                             | w. The branch of accounting concerned with providing managers with financial information needed to make decisions       |

*\*Note to student:* The matching quiz might be completed more efficiently by starting with the definition and searching for the corresponding term.

### Short Answer

Use the lines provided to answer each item.

1. On the lines that follow, insert the correct heading for the annual income statement of Alpha Corporation on June 30, 19xx.

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2. Briefly distinguish between bookkeeping and accounting.

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3. Briefly define the terms below, all of which relate to the accountant's Code of Professional Conduct.

a. Integrity \_\_\_\_\_

\_\_\_\_\_

b. Objectivity \_\_\_\_\_

\_\_\_\_\_

c. Independence \_\_\_\_\_

\_\_\_\_\_

d. Due care \_\_\_\_\_

\_\_\_\_\_

4. What three broad groups use accounting information?

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5. What two objectives must be met for a company to survive?

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6. List the four principal financial statements and state briefly the purpose of each.

#### *Statement*

a. \_\_\_\_\_

\_\_\_\_\_

b. \_\_\_\_\_

\_\_\_\_\_

c. \_\_\_\_\_

\_\_\_\_\_

d. \_\_\_\_\_

\_\_\_\_\_

#### *Purpose*

a. \_\_\_\_\_

\_\_\_\_\_

b. \_\_\_\_\_

\_\_\_\_\_

c. \_\_\_\_\_

\_\_\_\_\_

d. \_\_\_\_\_

\_\_\_\_\_

### True-False

Circle T if the statement is true, F if it is false. Please provide explanations for false answers, using the blank lines at the end of the section.

- T F 1. Financial position can best be determined by referring to the income statement.
- T F 2. The IRS is responsible for interpreting and enforcing GAAP.
- T F 3. One form of the accounting equation is assets – liabilities = owners' equity.
- T F 4. Revenues have the effect of increasing owners' equity.
- T F 5. The existence of Accounts Receivable on the balance sheet indicates that the company has one or more creditors.
- T F 6. When expenses exceed revenues, a company has suffered a net loss.
- T F 7. The measurement stage of accounting involves preparation of the financial statements.
- T F 8. Dividends appear as a deduction in the income statement.
- T F 9. The current authoritative body dictating accounting practice is the FASB.
- T F 10. A sole proprietor is personally liable for all debts of the business.
- T F 11. The statement of cash flows would disclose whether or not land was purchased during the period.
- T F 12. The statement of retained earnings links a company's income statement to its balance sheet.

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- T F 13. The IASC is responsible for setting guidelines for state and local governments.
- T F 14. A corporation is managed directly by its stockholders.
- T F 15. Generally accepted accounting principles are not like laws of math and science; they are guidelines that define correct accounting practice at the time.
- T F 16. Net assets equal assets plus liabilities.
- T F 17. The major sections of a balance sheet are assets, liabilities, owners' equity, revenues, and expenses.
- T F 18. A business transaction must always involve an exchange of money.
- T F 19. A management information system deals not only with accounting, but with other activities of a business as well.
- T F 20. The income statement is generally considered to be the most important financial statement.
- T F 21. A business should be understood as an entity that is separate and distinct from its owners, customers, and creditors.
- T F 22. Economic planners are accounting information users with a direct financial interest.
- T F 23. The essence of an asset is that it is expected to benefit future operations.

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### Multiple Choice

Circle the letter of the best answer.

1. Which of the following accounts would *not* appear on the balance sheet?
  - a. Wages Expense
  - b. Common Stock
  - c. Notes Receivable
  - d. Wages Payable
2. Companies whose stock is publicly traded must file financial statements with the
  - a. FASB.
  - b. GASB.
  - c. SEC.
  - d. AICPA.
3. One characteristic of a corporation is
  - a. unlimited liability of its owners.
  - b. the ease with which ownership is transferred.
  - c. ownership by the board of directors.
  - d. dissolution upon the death of an owner.
4. Which of the following statements does *not* involve a distinct period of time?
  - a. Income statement
  - b. Balance sheet
  - c. Statement of cash flows
  - d. Statement of retained earnings
5. The principal purpose of an audit by a CPA is to
  - a. express an opinion on the fairness of a company's financial statements.
  - b. detect fraud by a company's employees.
  - c. prepare the company's financial statements.
  - d. assure investors that the company will be profitable in the future.
6. Collection on an account receivable will
  - a. increase total assets and increase total stockholders' equity.
  - b. have no effect on total assets, but will increase total stockholders' equity.
  - c. decrease both total assets and total liabilities.
  - d. have no effect on total assets, liabilities, or stockholders' equity.
7. In a partnership,
  - a. profits are always divided equally among partners.
  - b. management consists of the board of directors.
  - c. no partner is liable for more than a proportion of the company's debts.
  - d. dissolution results when any partner leaves the partnership.
8. Which of the following is *not* a major heading in the balance sheet or income statement?
  - a. Accounts Receivable
  - b. Stockholders' Equity
  - c. Liabilities
  - d. Revenues
9. Payment of a liability will
  - a. decrease total liabilities and decrease total stockholders' equity.
  - b. decrease total assets and increase total stockholders' equity.
  - c. decrease total assets and decrease total liabilities.
  - d. have no effect on total assets, liabilities, or stockholders' equity.
10. The purchase of an asset for cash will
  - a. increase total assets and increase total stockholders' equity.
  - b. increase total assets and increase total liabilities.
  - c. increase total assets and decrease total liabilities.
  - d. have no effect on total assets, liabilities, or stockholders' equity.
11. Which of the following is *not* an activity listed in the statement of cash flows?
  - a. Investing Activities
  - b. Funding Activities
  - c. Operating Activities
  - d. Financing Activities



## APPLYING YOUR KNOWLEDGE

### Exercises

1. Lindlay Steel, Inc., always publishes annual financial statements. This year, however, it has suffered a huge loss and is trying to keep this fact a secret by refusing anyone access to its financial statements. Why might each of the following nevertheless insist on seeing Lindlay's statements?

- a. Potential investors in Lindlay
  - b. The Securities and Exchange Commission
  - c. The bank, which is considering a loan request by Lindlay
  - d. Present stockholders of Lindlay
  - e. Lindlay's management
2. Randi Corporation had assets of \$100,000 and liabilities of \$70,000 at the beginning of the year. During the year assets decreased by \$15,000 and stockholders' equity increased by \$20,000. What is the amount of liabilities at year end?
- \$ \_\_\_\_\_

3. Following are the accounts of Acme TV Repair Corporation as of December 31, 19xx.

Accounts Payable	\$ 1,300
Accounts Receivable	1,500
Building	10,000
Cash	?
Common Stock	14,500
Equipment	850
Land	1,000
Retained Earnings	3,000
Truck	4,500

Using this information, prepare a balance sheet *in good form*. (You must derive the dollar amount for Cash.)

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**Acme TV Repair Corporation**  
**Balance Sheet**  
**December 31, 19xx**

---

*Assets*

*Liabilities*

*Stockholders' Equity*

---

4. Following are the transactions for Johnson Paints, Inc., for the first month of operations.
- Walt and Carol Johnson invested \$20,000 cash in the newly formed business.
  - Purchased paint supplies and equipment for \$650 cash.
  - Purchased a company truck on credit for \$5,200.
  - Received \$525 for painting a house.
  - Paid one-half of the amount due on the truck previously purchased.
  - Billed a customer \$150 for painting his garage.
  - Paid \$250 for one month's rental of the office.
  - Received full payment from the customer whose garage was painted (transaction f).

- Performed a service for \$20. The customer said he would pay next month.
- The company declared and paid a \$200 cash dividend.

In the form below, show the effect of each transaction on the balance sheet accounts by putting the dollar amount, along with a plus or minus sign, under the proper account. Determine the balance in each account at month's end. As an example, transaction **a** already has been recorded.

Transaction	Assets				Liabilities	Stockholders' Equity	
	Cash	Accounts Receivable	Supplies and Equipment	Trucks	Accounts Payable	Common Stock	Retained Earnings
a	+\$20,000					+\$20,000	
b							
c							
d							
e							
f							
g							
h							
i							
j							
Balance at end of month							