

# [Financial accounting chapter 4](https://assignbuster.com/financial-accounting-chapter-4/)

Income StatementReports revenues and expenses and calculates net income or net loss for the time periodStatement of Retained EarningsShows how retained earnings changed during the period due to net income (or net loss) and dividendsBalance SheetReports assets, liabilities, and stockholders' equity as of the LAST DAY of the periodClassified Balance SheetA balance sheet that places each asset and each liability into a specific categoryCurrent AssetsAn asset that is expected to be converted to cash, sold, or used up during the next 12 months, or within the business's normal operating cycleOperating CycleThe time span when cash is used to acquire goods and services, the goods and services are sold to customers, then the business collects the cash from customersLong-Term AssetAn asset that will not be converted to cash or used up within the business's operating cycle or one year, whichever is greaterWhat three categories are long-term assets made up of? Long-term investments, plant assets, and intangible assetsLong-Term InvestmentsInvestments in bonds or stocks in which the company intends to hold the investment for longer than one yearPlant AssetsLong-lived, tangible asset, such as land, buildings, and equipment, used in the operation of a businessWhat's used in operating plant assets? Land, building, furniture, and equipmentPlant assets are also called what? Fixed assets OR property, plant, and equipmentHow are plant assets presented? In order of liquidityIntangible AssetsAn asset with no physical form that is valuable because of the special rights it carriesWhat are some examples of tangible assets? Patents, copyrights, and trademarksCurrent LiabilitiesA liability that must be paid with cash or with goods and services within one year or within the business's operating cycleWhat accounts are considered current liabilities? Accounts payable, notes payable (due within one year), salaries payable, interest payable, and unearned revenueHow are current liabilities listed? By the order that they are dueLong-Term LiabilitiesA liability that does not need to be paid within one year or within the business's operating cycleWhat account is considered a long-term liability? Notes payableStockholders' EquityRepresents the stockholders' claims to the assets of the businessWhat accounts are included in income statements? ONLY revenue and expense accountsThe revenues and expenses will be transferred to the income statement from where? The adjusted trial balance sectionWhat accounts are included in balance sheets? Assets, liabilities, and equity accounts EXCEPT revenue and expense accountsHow do you compute net income (net loss)? Total revenues - total expensesWhen does a net loss occur? When expenses exceed revenuesWhat does the closing process consist of? Journalizing and posting the closing entries to set revenues, expenses, income summary, and dividends balances to zero for the next periodWhen does the closing process occur? At the end of the periodTemporary AccountAn account that relates to a particular accounting period and is closed at the end of the periodWhat is another name for a temporary account? Nominal accountPermanent AccountAn account that is not closed at the end of the periodClosing EntriesEntries that transfer the revenues, expenses, and dividends to the retained earnings account to prepare the company's books for the next periodIncome SummaryA temporary account into which revenues and expenses are transferred prior to their final transfer intoWhat is the first step of closing temporary accounts? Make the revenue accounts equal zero via the income summary accountIn the first step of closing temporary accounts, what account is debited and what account is credited? Service revenue is debited, income summary is creditedWhat is the second step of closing temporary accounts? Make expense accounts equal zero via the income summary accountIn the second step of closing temporary accounts, what account is debited and what account is credited? Income summary will be debited, each expense will be creditedWhat is the third step of closing temporary accounts? Make the income summary amount equal zero via the retained earnings accountIn the third step of closing temporary accounts, what account is debited and what account is credited? Income summary is debited, retained earnings is creditedWhat is the fourth step of closing temporary accounts? Make the dividends equal zero via the retained earnings accountIn the fourth step of closing temporary accounts, what account is debited and what account is credited? Retained earnings is debited, dividends is creditedOnce the closing entries are recorded and posted, what does the accounting cycle end with? A post-closing trial balancePost-Closing Trial BalanceA list of accounts and their balances at the end of the periodWhat accounts appear on the post-closing trial balance? Assets, liabilities, common stock, and retained earnings (only permanent accounts)Accounting CycleThe process by which companies produce their financial statements for a specific periodWhat do steps 1-3 of the accounting cycle consist of? Journalizing transactions and posting to the accountsWhat do steps 4-10 of the accounting cycle consist of? Adjusting the accounts, preparing financial statements, and closing the accountsCurrent RatioMeasures the company's ability to pay current liabilities from current assetsWhat is the current ratio equation? Current ratio = total current assets / total current liabilitiesWhy does a company prefer to have a high current ratio? Because that means it has plenty of current assets to pay its current liabilitiesAn increased current ratio means what? Improvement in a company's ability to pay its current debtsA decreased current ratio means what? Deterioration in a company's ability to pay its current debtsWhen is a current ratio considered low and risky? 1. 00Reversing EntriesSpecial journal entries that ease the burden of accounting transactions in a later periodWhat are reversing entries used in conjunction with? Accrual-type adjustments ONFINANCIAL ACCOUNTING CHAPTER 4 SPECIFICALLY FOR YOUFOR ONLY$13. 90/PAGEOrder NowTags:

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