

Financial statements essay sample



**ASSIGN
BUSTER**

- 1) Which of the following financial statements is divided into major categories of operation, investing, and financial activities?
- 2) If services are rendered on account, then
- 3) Using accrual accounting, expenses are recorded and reported only:
- 4) Stockholders' equity can be described as claims of
- 5) The Vintage Laundry Company purchases \$6, 500 worth of laundry supplies on June 2 and recorded the purchase as an asset. On June 30, an inventory of the laundry supplies indicated only \$2, 000 on hand. The adjusting entry that should be made by the company on June 30 is:
- 6) Use the following data to determine the total dollar amount of assets to be classified as current assets. Koonce Office Supplies Balance Sheet December 31, 2010
- 7) In horizontal analysis, each item is expressed as a percentage of the
- 8) Which of the following statements is true with respect to financial statement reporting for all cases when a company changes from on acceptable accounting method to another?
- 9) From an internal control standpoint, the asset most susceptible to improper diversion and use is
- 10) The reconciliation of the cash register tape with the cash in the register is an example of

- 11) Which of the following items on a bank reconciliation would require an adjusting entry on the company's books?
- 12) Why do pension and mutual funds invest in debt and equity securities?
- 13) Reed company acquires 80 Holmes 10%, 5 years, \$1, 000 bonds on January 1, 2012 for \$82, 000. This includes a brokerage commission of \$2, 000. The journal entry to record this investment includes a debit to
- 14) A company that owns more than 50% of the common stock of another company is known as the
- 15) Notes to the financial statements include which of the following:
- 16) If the retained earnings account increases from the beginning of the year to the end of the year, then
- 17) An investment by the stockholders in a business increases
- 18) Which one of the following is true?
- 19) A small company may be able to justify using a cash basis of accounting if they have:
- 20) Common stock is reported on the
- 21) On July 1 the Fisher Shoe Store paid \$15, 000 to Acme Realty for 6 months rent beginning July 1. Prepaid rent was debited for the full amount. If financial statements are prepared on July 31, the adjusting entry to be made by the fisher Shoe store is:

22) Using the following data to calculate the current ration. Koonce Office Supplies

Balance Sheet

December 31, 2012

23) When a change in depreciation method occurs

24) Which of the following would be considered a change in accounting principle?

25) A very small company would have the most difficulty in implementing which of the following internal control activities?

26) Deposits in transit

27) Notification by the bank that a deposited customer check was returned NSF requires that the company make the following adjusting entry:

28) Which of the following is a debt security

29) Reed company acquires 80 Holmes 10%, 5 year, \$1, 000 bonds on January 1, 2012 for \$82, 000. This includes a brokerage commission of \$2, 000. Assume Holmes pays interest semiannually and the July 1 entry was done correctly. The journal entry at December 31, 2012 would include a credit to

30) If a parent company has two wholly owned subsidiaries, how many legal and economic entities are there from the viewpoint of the shareholders of the parent company?

ACC 300 Final Exam

1) Which of the following financial statements is divided into major categories of operation, investing, and financial activities? The income statement

The Balance Sheet

The retained earnings statement

The statement of cash flows

2) If services are rendered on account, then

A. Assets will decrease

B. Liabilities will increase

C. Stockholders' equity will increase

D. Liabilities will decrease

3) Using accrual accounting, expenses are recorded and reported only: When they are incurred whether or not cash is paid

When they are incurred and paid at the same time

If they are paid before they are incurred

If they are paid after they are incurred

4) Stockholders' equity can be described as claims of

Creditors on total assets

Owners on total assets

Customers on total assets

Debtors on total assets

5) The Vintage Laundry Company purchases \$6,500 worth of laundry supplies on June 2 and recorded the purchase as an asset. On June 30, an inventory of the laundry supplies indicated only \$2,000 on hand. The adjusting entry that should be made by the company on June 30 is: Debit Laundry Supplies Expense, \$2,000; credit Laundry Supplies, \$2,000 Debit Laundry Supplies, \$4,500; credit Laundry Supplies Expense, \$4,500 Debit Laundry Supplies \$2,000; credit Laundry Supplies Expense, \$2,000 Debit Laundry Supplies Expense, \$4,500; credit Laundry Supplies, \$4,500

6) Use the following data to determine the total dollar amount of assets to be classified as current assets. Koonce Office Supplies

Balance Sheet

December 31, 2010

\$580,000

\$430,000

\$360,000

\$290,000

7) In horizontal analysis, each item is expressed as a percentage of the Net income amount

Stockholders' equity amount

Total assets amount

Base-year amount

8) Which of the following statements is true with respect to financial statement reporting for all cases when a company changes from on

acceptable accounting method to another? Comparability across periods is impaired

Only a footnote is required to report the change

Changes in both depreciation methods and inventory methods are reported retroactively Management must indicate that the accounting method change is preferable to the old method.

9) From an internal control standpoint, the asset most susceptible to improper diversion and use is Prepaid insurance

Cash

Buildings

Land

10) The reconciliation of the cash register tape with the cash in the register is an example of Other controls

Independent internal verification

Establishment of responsibility

Segregation of duties

11) Which of the following items on a bank reconciliation would require an adjusting entry on the company's books? An entry by the bank

Outstanding checks

A bank service charge

A deposit in transit

12) Why do pension and mutual funds invest in debt and equity securities?

They have excess cash

They want to generate earnings from investment income

They invest for strategic reasons

They invest for speculative reasons

13) Reed company acquires 80 Holmes 10%, 5 years, \$1, 000 bonds on January 1, 2012 for \$82, 000. This includes a brokerage commission of \$2, 000. The journal entry to record this investment includes a debit to Debt Investments for \$80, 000

Debt Investments for \$82, 000

Cash for \$82, 000

Stock Investments for \$80, 000

14) A company that owns more than 50% of the common stock of another company is known as the Charge company

Subsidiary company

Parent company

Management company

15) Notes to the financial statements include which of the following: An independent auditors report

Explanations of uncertainties

Short-form Income Statement

Subsidiary ledger for Accounts Receivable

16) If the retained earnings account increases from the beginning of the year to the end of the year, then Net income is less than dividends

A net loss is less than dividends

Additional investments are less than net losses

Net income is greater than dividends

17) An investment by the stockholders in a business increases Assets and stockholders' equity

Assets and liabilities

Liabilities and stockholders' equity

Assets only

18) Which one of the following is true?

Publicly traded U. S. companies must provide an annual report to their shareholders only when operating conditions change significantly An unqualified independent auditor's report must be included in the annual report Notes to the financial statements do not need to be included in the annual report because that information is only for internal users A management Discussion and Analysis section is required in annual reports to shareholders even when financial results are positive

19) A small company may be able to justify using a cash basis of accounting if they have: Sales under \$1, 000, 000

No accountants on staff

Few receivables and payables

All sales and purchases on account

20) Common stock is reported on the

Statement of cash flows

Retained earnings statement

Income statement

Balance sheet

21) On July 1 the Fisher Shoe Store paid \$15, 000 to Acme Realty for 6 months rent beginning July 1. Prepaid rent was debited for the full amount. If financial statements are prepared on July 31, the adjusting entry to be made by the fisher Shoe store is: Debit Rent Expense, \$15, 000; credit Prepaid Rent, \$2, 500

Debit Prepaid Rent, \$2, 500; credit Rent Expense, \$2, 500

Debit Rent Expense, \$2, 500; credit Prepaid Rent, \$2, 500

Debit Rent Expense, \$15, 000; credit Prepaid Rent, \$12, 500

22) Using the following data to calculate the current ration. Koonce Office Supplies

Balance Sheet

December 31, 2012

1. 81: 1

1. 44: 1

3. 07: 1

2. 69: 1

23) When a change in depreciation method occurs

Prior years' financial statements should be changed to reflect the newly adopted method The change should be reported in current and future years The cumulative effect of the change should be reflected on the income statement as of the beginning of the next year The cumulative effect of the

change in accounting principle should be classified as an extraordinary item on the income statement

24) Which of the following would be considered a change in accounting principle? Changing the estimated percentage used in calculating bad debt expense Changing the inventory costing methods used from FIFO to LIFO Changing the estimated useful life of a plant asset from 5 to 10 years Changing auditing firms to find a more liberal opinion

25) A very small company would have the most difficulty in implementing which of the following internal control activities? Separation of duties Limited access to assets Periodic independent verification Sound personnel procedures

26) Deposits in transit Have been recorded on the company's books but not yet by the bank Have been recorded by the bank but not yet by the company Have not been recorded by the bank or the company Are customers' checks that have not yet been received by the company

27) Notification by the bank that a deposited customer check was returned NSF requires that the company make the following adjusting entry: Accounts Receivable/ Cash Cash/ Account Receivable Miscellaneous Expense/ Accounts Receivable No adjusting entry is necessary

28) Which of the following is a debt security

IBM stock

Treasury stock

Treasury bills

Real Estate

29) Reed company acquires 80 Holmes 10%, 5 year, \$1, 000 bonds on January 1, 2012 for \$82, 000. This includes a brokerage commission of \$2, 000. Assume Holmes pays interest semiannually and the July 1 entry was done correctly. The journal entry at December 31, 2012 would include a credit to Interest Receivable for \$4, 000

Interest Revenue for \$8, 000

Accrued Expense for \$8, 000

Interest Revenue for \$4, 000