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1

Accounting activities:

1	2	3
identifying	recording	communicating

users of accounting data (end users):

Internal	External
Managers	investors
Company officers	creditors
The controller of a company	SEC
President of the company	tax authorities
production supervisors	labor unions
Merchandise inventory clerk	regulatory agencies

- 1-Accountants refer to an economic event as a
- purchase.
 - sale.
 - transaction.**
 - change in ownership.
- 2-The accounting process includes each of the following except
- communication.
 - convergence.**
 - identification.
 - recording.
- 3-Communication of economic events is the part of the accounting process that involves
- identifying economic events.
 - quantifying transactions into dollars and cents.
 - preparing accounting reports.**
 - recording and classifying information.
- 4-Which of the following events cannot be quantified into dollars and cents and recorded as an accounting transaction?
- The appointment of a new accounting firm to perform an audit.**
 - The purchase of a new computer.
 - The sale of store equipment.
 - Payment of income taxes.
- 5-Recording of economic events involves
- keeping a systematic, chronological diary of events.**
 - analyzing reported information.
 - explaining the meaning of reported data.
 - preparing accounting reports.
- 6-The accounting process involves all of the following except
- identifying economic events that are relevant to the business.
 - communicating financial information to users by preparing financial reports.
 - recording non-quantifiable economic events.**
 - analyzing and interpreting financial reports.
- 7-The accounting process is correctly sequenced as
- identification, communication, recording.
 - recording, communication, identification.
 - identification, recording, communication.**
 - communication, recording, identification.

8-Which of the following techniques is **not** used by accountants to interpret and report financial information?

- a. Graphs.
- b. Special memos for each class of external users.**
- c. Charts.
- d. Ratios.

9-Bookkeeping primarily involves which of the following parts of the accounting process?

- a. Identification.
- b. Communication.
- c. Recording.**
- d. Analysis.

10-Which of the following would **not** be considered an external user of accounting data for the GHI Company?

- a. Taxing authority representative.
- b. Management.**
- c. Creditors.
- d. Customers.

11-Which of the following would **not** be considered internal users of accounting data for a company?

- a. The president of a company.
- b. The controller of a company.
- c. Creditors of a company.**
- d. Salesmen of a company.

12-Which of the following is an external user of accounting information?

- a. Labor unions.**
- b. Finance directors.
- c. Company officers.
- d. Managers.

13-Which one of the following is **not** an external user of accounting information?

- a. Regulatory agencies.
- b. Customers.
- c. Investors.
- d. All of these answer choices are correct.**

14-Which of the following would **not** be considered an internal user of accounting data for GHI Company?

- a. President of the company.
- b. Production manager.
- c. Merchandise inventory clerk.
- d. President of the employees' labor union.**

15-Internal users of accounting information include all of following except the

- a. CEO of sony.
- b. Human resources department at Hundai.
- c. Marketing department at Braun.
- d. **Shareholders of Airbus.**

16-Internal users of accounting information include

- a. The shareholders of royal Dutch shell.
- b. the State Administration of Taxation of China.
- c. **the Chief Financial officer of Credit Suisse.**
- d. the International Accounting Standards Board.

17-External users of accounting information include all of following except

- a. the shareholders of Air Italy.
- b. **The management of Pirelli.**
- c. potential customers of Olivetti.
- d. All of these answer choices are correct.

18-External users of accounting information include the

- a. International Accounting standards board.
- b. **shareholders of Ferragamo.**
- c. Marketing department at Olivetti.
- d. CEO of Air Italy.

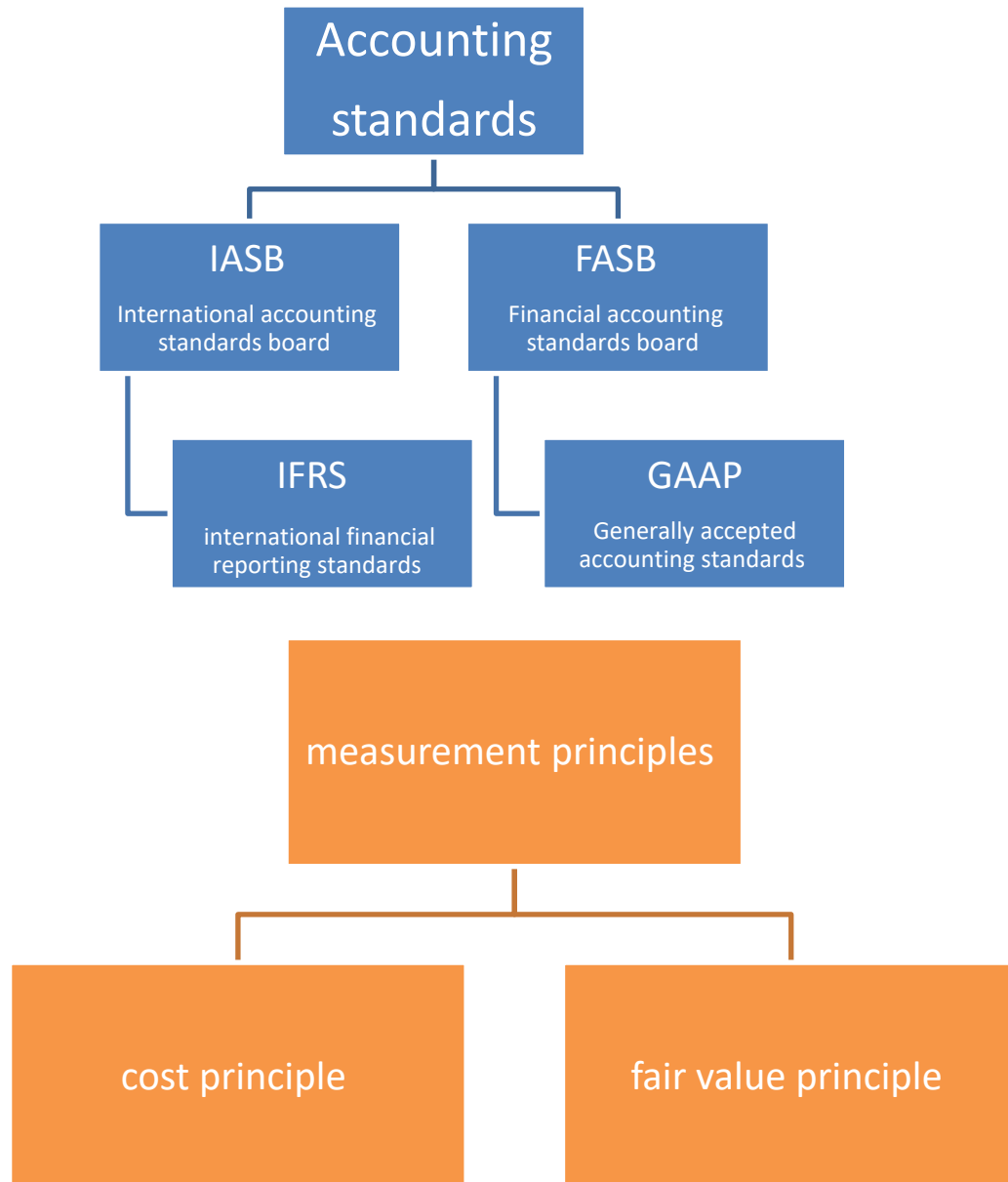
19-The origins of accounting are generally attributed to the work of

- a. Christopher Columbus.
- b. Abner Doubleday.
- c. **Luca Pacioli.**
- d. Leonardo da Vinci.

20-Financial accounting provides economic and financial information for each of the following **except**

- a. creditors.
- b. investors.
- c. **managers.**
- d. other external users.

2



cost principle: or historical cost principle means recording assets at their cost, when the assets was purchased.

fair value principle: means reporting the assets and liabilities at fair value.

Relevance: means that financial information is capable of making a difference in decision.

faithful representation: means that the numbers and descriptions match what really existed or happened.

Assumptions

1- monetary unit assumption: requires that companies include in the accounting records only transaction data that can be expressed in money terms.

2- economic entity assumption: this assumption requires that the activities of the entity be kept separate and distinct from the activities of its owners and all other economic entities.

economic entity forms:

1- proprietorship: a business owned by one person.

2- partnership: a business owned by two or more persons.

3- corporation: a business organized as a separate legal entity under corporation law and having ownership divided into transferable shares.

1-identify and analyze the principal elements in the situation. The final step in solving an ethical dilemma is to

- a. recognize an ethical situation.
- b. identify the alternatives and weigh the impact of each alternative on stakeholders.**
- c. recognize the ethical issues involved.

2-The first step in solving an ethical dilemma is to

- a. identify and analyze the principal elements in the situation.
- b. identify the alternatives.
- c. recognize an ethical situation and the ethical issues involved.**
- d. weigh the impact of each alternative on various stakeholders.

3-Ethics are the standards of conduct by which one's actions are judged as

- a. right or wrong.
- b. honest or dishonest.
- c. fair or unfair.
- d. All of these answer choices are correct.**

4-The historical cost principle requires that companies record assets at their

- a. appraisal value.
- b. cost.**
- c. market price.
- d. list price.

5-IFRS are determined by the

- a. Internal Accounting standards body.
- b. International Accounting Studies Board.
- c. International Accounting Standards Board.**
- d. International Auditors' Standards Body.

6-GAAP stands for

- a. Generally Accepted Auditing Procedures.
- b. Generally Accepted Accounting Principles.**
- c. Generally Accepted Auditing Principles.
- d. Generally Accepted Accounting Procedures.

7-The Duce Company has five plants nationwide that cost \$200 million. The current fair value of the plants is \$500 million. The plants will be recorded and reported as assets at

- a. \$200 million.**
- b. \$700 million.
- c. \$300 million.
- d. \$500 million.

8-Convergence refers to

- a.using the same accounting principles from one period to the next.
- b.use of the same accounting principles by all companies.
- c.the elimination of all accounting standard-setting bodies except the International Accounting Standards Board.
- d.the process of reducing the differences between IFRS and GAAP.**

9-The body that has the power to prescribe the accounting practices and standards used by most US companies is the

- a.FASB.**
- b.IASB.
- c.GAAP.
- d.IFRS.

10-The fair value principle

- a.is one of the two costing principles followed by the IASB.
- b.is more useful than the historical cost principle for valuing some assets.
- c.dictates that an asset should be valued at the price at which it could be sold.
- d.All of these answer choices are correct.**

11-Most assets should be valued at cost because fair values

- a.are not useful for decision-making.
- b.may not be representationally faithful.**
- c.are not relevant.
- d.may be higher or lower than historical cost.

12-Harrod's Inc. purchased land for £55,000 in 2004. At December 31, 2014, an appraisal determined the fair value of the land is £65,000. If Harrod's follows the historical cost principle, in the 2014 financial statements, the land will be reported at

- a.£55,000 on the statement of financial position.**
- b.£65,000 on the statement of financial position.
- c.£55,000 on the income statement.
- d.£65,000 on the income statement.

13-Bumi Corporation purchased an investment in the ordinary shares of another corporation for Rp250,000,000 in 2012. The shares are actively traded on the Indonesian Stock Exchange. The fair value of the investment at December 31, 2014 is Rp268,000,000. If the company follows the fair value principle, the investment will be reported in the 2014 financial statement at

- a.Rp250,000,000 on the statement of financial position.
- b.Rp268,000,000 on the statement of financial position.**
- c.Rp250,000,000 on the retained earnings statement.
- d.Rp268,000,000 on the retained earnings statement.

14-Asian Company purchased land for ₩92,000,000 in 2000. At December 31, 2014, an appraisal determined the fair value of the land is ₩106,000,000. The company has an investment in the ordinary shares of another company for which it paid ₩49,000,000 in 2012. The shares are actively traded on the South Korea Stock Exchange. The fair value of the investment at December 31, 2014 is ₩63,000,000. The land and investment will be reported on the December 31, 2014 statement of financial position at

- a. ₩92,000,000 and ₩49,000,000, respectively.
- b. ₩92,000,000 and ₩63,000,000, respectively.**
- c. ₩106,000,000 and ₩49,000,000, respectively.
- d. ₩106,000,000 and ₩63,000,000, respectively.

15-The proprietorship form of business organization

- a. must have at least three owners in most states.
- b. requires that the owner be personally liable for all debts of the business.
- c. combines the records of the business with the personal records of the owner.**
- d. is characterized by a legal distinction between the business as an economic unit and the owner.

16-The economic entity assumption requires that the activities

- a. of different entities can be combined if all the entities are corporations.
- b. must be reported to the Securities and Exchange Commission.
- c. of a sole proprietorship cannot be distinguished from the personal economic events of its owners.
- d. of an entity be kept separate from the activities of its owner.**

17-A business organized as a corporation

- a. is not a separate legal entity in most countries.
- b. requires that shareholders be personally liable for the debts of the business.
- c. is owned by its shareholders.**
- d. terminates when one of its original shareholders dies.

18-the partnership form of business organization

- a. is a separate legal entity.
- b. is a common form of organization for service-type businesses.**
- c. enjoys an unlimited life.
- d. has limited liability.

19-Which of the following is **not** an advantage of the corporate form of business organization?

- a. Limited liability of shareholders
- b. Transferability of ownership
- c. Unlimited personal liability for shareholders**
- d. Unlimited life

20-A small neighborhood barber shop that is operated by its owner would likely be organized as a

- a. joint venture.
- b. partnership.
- c. corporation.
- d. **proprietorship.**

21-John and Sam met at law school and decide to start a small law practice after graduation. They agree to split revenues and expenses evenly. The most common form of business organization for a business such as this would be a

- a. joint venture.
- b. **partnership.**
- c. corporation.
- d. proprietorship.

22-Which of the following is true regarding the corporate form of business organization?

- a. Corporations are the most prevalent form of business organization.
- b. Corporate businesses are generally smaller in size than partnerships and proprietor-ships.
- c. **The revenues of corporations are greater than the combined revenues of partnerships and proprietorships.**
- d. Corporations are separate legal entities organized exclusively under federal law.

23-A basic assumption of accounting that requires activities of an entity be kept separate from the activities of its owner is referred to as the

- a. stand alone concept.
- b. monetary unit assumption.
- c. corporate form of ownership.
- d. **economic entity assumption.**

24-The assumption that enables accounting to quantify (measure) economic events is the

- a. economic entity assumption.
- b. cost principle.
- c. historical cost principle.
- d. **monetary unit assumption.**

25-A business whose owners enjoy limited liability is a

- a. proprietorship.
- b. partnership.
- c. **corporation.**
- d. sole proprietorship.

3

The basic accounting equation

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

<u>The basic accounting equation</u>		
Assets	=	Liabilities + Equity
أصول		التزامات - ديون
Cash - inventory		Account Payable –
buildings - equipment		unearned revenues -debt
furniture - land – Supplies		-أي شي فيه payable
Accounts receivable –		
prepaid expense -		
prepayments		
		حصص الملكية

Brief Exercise (1):

Presented below is the **Basic Accounting Equation**. Determine the missing amounts:

1)	<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owners' Equity</u>
i)	\$110,000	=	\$70,000		???
ii)	???	=	\$44,000		\$55,000
iii)	\$210,000	=	???		\$30,000

2) If Nojoom Company's Total Assets are \$300,000, and the Liabilities are equal half of the Assets. What is the amount of Owner's Equity?

1-The common characteristic possessed by all assets is

- a. long life.
- b. great monetary value.
- c. tangible nature.
- d. future economic benefit.**

2-Equity is best depicted by the following:

- a. Assets = Liabilities.
- b. Liabilities + Assets.
- c. Residual equity + Assets.
- d. Assets – Liabilities.**

3-The basic accounting equation may be expressed as

- a. Assets – Equity = Liabilities.
- b. Assets – Liabilities = Equity.
- c. Assets = Liabilities + Equity.
- d. All of these answer choices are correct.**

4-Liabilities

- a. are future economic benefits.
- b. are existing debts and obligations.**
- c. possess service potential.
- d. are things of value used by the business in its operation.

5-The basic accounting equation **cannot** be restated as

- a. Assets – Liabilities = Equity.
- b. Assets – Equity = Liabilities.
- c. Equity + Liabilities = Assets.
- d. Assets + Liabilities = Equity.**

6-Liabilities of a company are owed to

- a. debtors.
- b. benefactors.
- c. creditors.**
- d. underwriters.

7-Equity can be described as

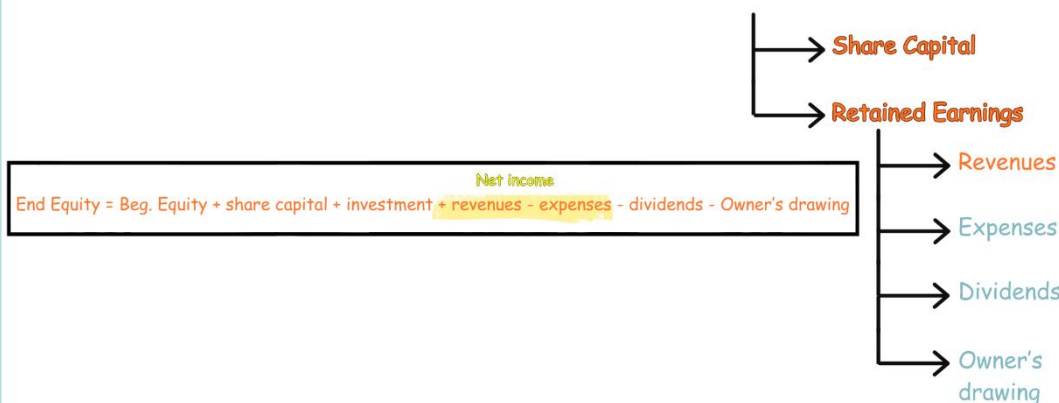
- a. creditorship claims on total assets.
- b. ownership claim on total assets.**
- c. benefactor's claim on total assets.
- d. debtor claims on total assets.

8-Equity is often referred to as

- a. residual equity.**
- b. leftovers.
- c. spoils.
- d. second equity.

4

Assets = Liabilities + Equity



Brief Exercise (4):

1. The Liabilities of Ikarus Company are \$100,000; Owners' Capital is \$70,000; Drawing are \$30,000; Revenues are \$40,000; and Expenses are \$10,000. What is the amount of Ikarus Company's Total Assets??
2. If the Revenues of Ikarus Company are \$70,000; the Assets are \$110,000; and the Expenses are \$30,000. Compute the amount of Net Income.

1-A dividend is

- a. **a distribution of the company's earnings to its shareholders.**
- b. equal to liabilities minus equity.
- c. equal to assets minus equity.
- d. equal to revenues less expenses.

2-When assets are distributed to the shareholders of a corporation, these distributions are termed

- a. depletions.
- b. consumptions.
- c. **dividends.**
- d. a credit line.

3-Equity is increased by

- a. dividends.
- b. **revenues.**
- c. expenses.
- d. liabilities.

4-Equity is decreased by

- a. assets.
- b. revenues.
- c. **expenses.**
- d. liabilities.

5-The equity section of a statement of financial position has two components:

- a. share capital and liabilities.
- b. assets and liabilities.
- c. **share capital and retained earnings.**
- d. share capital and assets.

6-Revenues are

- a. the cost of assets consumed during the period.
- b. **gross increases in equity resulting from business activities.**
- c. the cost of services used during the period.
- d. actual or expected cash outflows.

7-The retained earnings section of the statement of financial position is determined by

- a. assets, liabilities and share capital.
- b. revenues, expenses and share capital.
- c. share capital, dividends and residual equity.
- d. **revenues, expenses and dividends.**

5

Determine the missing amounts

Beginning of the year	
Total assets	97,000
Total liability	85,000
Total equity	A
Ending of the year	
Total assets	B
Total liability	120,000
Total equity	40,000
Changes during the year	
Additional investment	C
Dividends	24,000
Total revenue	215,000
Total expense	175,000

1-If total liabilities increased by \$6,000, then

- a. assets must have decreased by \$6,000.
- b. equity must have increased by \$6,000.
- c. assets must have increased by \$6,000, or equity must have decreased by \$6,000.**
- d. assets and equity each increased by \$3,000.

2-If total liabilities increased by ¥35,000 and equity increased by ¥10,000 during a period of time, then total assets must change by what amount and direction during that same period?

- a. ¥45,000 decrease
- b. ¥45,000 increase**
- c. ¥60,000 increase
- d. ¥70,000 increase

3-If total liabilities decreased by ¥35,000 and equity increased by ¥10,000 during a period of time, then total assets must change by what amount and direction during that same period?

- a. ¥45,000 increase
- b. ¥25,000 decrease**
- c. ¥25,000 increase
- d. ¥35,000 decrease

4-If total liabilities decreased by ¥35,000 and equity decreased by ¥10,000 during a period of time, then total assets must change by what amount and direction during that same period?

- a. ¥45,000 increase
- b. ¥25,000 increase
- c. ¥45,000 decrease**
- d. ¥25,000 decrease

5-Which of the following events is **not** a business transaction?

- a. Issuance of shares in exchange for cash
- b. Hired employees**
- c. Incurred utility expenses for the month
- d. Earned revenue for services provided

6-As of December 31, 2014, Sievers Company has assets of £90,000 and equity of £40,000. What are the liabilities for Sievers Company as of December 31, 2014?

- a. £50,000.**
- b. £20,000.
- c. £30,000.
- d. £40,000.

6

Brief Exercise (5): Identify Assets (A), Liabilities (L), and Owners' Equity (O.E):

A	Accounts Receivable (A/R)	
B	Equipment	
C	Owners' Capital (Investment)	
D	Notes Payable	
E	Salaries and Wages Expense	
F	Salaries and wages payable	
G	Drawings	

Brief Exercise (6):

Below are Five transactions. Mark each transaction as affecting (L) Liability, (I) Owners' Capital, (R) Revenue, (E) Expenses, or (D) Drawings:

A	Purchase equipment on credit	
B	Received cash for service performed	
C	Owner withdrew money for personal use	
D	Paid wages and salaries for employees	
E	Owner invested in the company	

Exercise (10): Analyze the Effect of Transactions on Assets, Liabilities, and Owners' Equity:

Thunder is a Computer Service Company. The company entered into the following transactions during May, 1999:

- 1- Purchased Computers for \$20,000 From Alpha Company on account.
- 2- Paid \$4000 cash for May rent on storage space.
- 3- Received \$17,000 cash from a customer for contracts billed in April.
- 4- Provided computer services to Vinus company for \$3,000 cash.
- 5- Paid NorthStar State Power Co. \$11,000 cash for Utility and Energy usage in May.
- 6- Thunder invested an additional \$29,000 in the company.
- 7- Paid Alpha Company for the computers purchase (Transaction 1).
- 8- Incurred advertisement expense for May of \$1,200 on account.

Instructions: Link the appropriate letter with the above appropriate transactions:

- A. Increase in Assets and Decrease in Assets
- B. Increase in Assets and increase in Owners' Equity
- C. Increase in Assets and decrease in Owners' Equity
- D. Decrease in Assets and decrease in Owners' Equity
- E. Increase in Assets and increase in Liabilities
- F. Increase in Liabilities and decrease in Owners' Equity
- G. Decrease in Assets and decrease in Liabilities

- 1-On February 1, Potter Company paid £900 for advertisements to run during the month of February. This transaction will
- decrease Cash and increase Advertising Expense by £900.**
 - increase Advertising Expense and increase Accounts Payable by £900.
 - decrease Accounts Payable and decrease Cash by £900.
 - decrease Cash and decrease Advertising Expense by £900.
- 2-An investment of cash by an owner of a business increases assets and
- increases liabilities.
 - increases equity.**
 - decreases equity.
 - decreases liabilities.
- 3-The purchase of supplies on account increases assets and
- also decreases assets so there is no net change.
 - increases liabilities.**
 - decreases equity.
 - increases equity.
- 4-A payment on account decreases
- assets and equity.
 - liabilities and equity.
 - assets and liabilities.**
 - assets, liabilities and equity.
- 5-McDonagal Inc. sold ordinary shares for £2,200,000. This transaction will increase
- Cash and increase Retained Earnings by £2,200,000.
 - Cash and increase Share Capital by £2,200,000.**
 - Service Revenue and increase Share Capital by £2,200,000.
 - Service Revenue and increase Cash by £2,200,000.
- 6-Collection of a \$500 accounts receivable
- increases an asset \$500; decreases an asset \$500.**
 - increases an asset \$500; decreases a liability \$500.
 - decreases a liability \$500; increases equity \$500.
 - decreases an asset \$500; decreases a liability \$500.
- 7-Revenues would **not** result from
- sale of merchandise.
 - issuance of ordinary shares.**
 - performance of services.
 - rental of property.
- 8-Sources of increases to equity are
- issuance of shares.**
 - purchases of merchandise.
 - dividends.
 - expenses.

7

FOTAMAT EXAMPLE

Fotamat is a girl who decided to start a business, small bakery. The cost of the business is as follows:

Cost of the shop: 30,000 KD	interior designing: 5000 KD
equipment: 2000 KD	advertising: 3000 KD

the total cost is 40,000 KD, but Fotamat has only 35,000 KD, so she decided to sum up the missing money by two ways:

- 1: 3000 kd loan from someone.
- 2: 2000 issue shares.

1-Liabilities of a company would **not** include

- a. notes payable.
- b. accounts payable.
- c. wages payable.
- d. **cash.**

2-The accounting equation for Gudgeyes Enterprises is as follows:

Equity	+	Liabilities	=	Assets
\$80,000		\$60,000		\$140,000

If Gudgeyes purchases office equipment on account for \$12,000, the accounting equation will change to

Equity	+	Liabilities	=	Assets
a. \$140,000	=	\$60,000	+	\$80,000
b. \$152,000	=	\$60,000	+	\$92,000
c. \$152,000	=	\$76,000	+	\$76,000
d. \$152,000	=	\$72,000	+	\$80,000

3-A company increases its share capital by

- a. **selling ordinary shares to its investors.**
- b. performing services for cash.
- c. selling goods on account.
- d. paying dividends to its shareholders.

4-If an individual asset is increased, then

- a. there must be an equal decrease in a specific liability.
- b. there must be an equal decrease in equity.
- c. **there must be an equal decrease in another asset.**
- d. None of these answer choices are correct.

5-If services are rendered for credit, then

- a. assets will decrease.
- b. liabilities will increase.
- c. **equity will increase.**
- d. liabilities will decrease.

6-If expenses are paid in cash, then

- a. assets will increase.
- b. liabilities will decrease.
- c. equity will increase.
- d. **assets will decrease.**

8

Ace. Inc. had the following transaction during June

- Performed services for \$4600 on account.
- Received cash on account \$7000.
- Paid \$7600 for repair expenses.
- Paid \$8100 to a supplier that it owed from the previous month.

What is the combined effect on cash of the June transactions? If the total affect in minus, please put minus sign before the answer

Reliable waterworks provides plumbing services . transactions of reliable waterworks during the first year of operationa are given below:

- The owner . steve Sharon . invested 22000\$ cash to from the business.
- Paid 5500\$ for equipment to be used for plumbing repairs.
- Borrowed 33000 from a local bank and deposited the money in the checking account.
- Paid 850\$ in rent for the year.
- Paid 400\$ for pluming supplies to be used on various job next year.
- Completed a plumbing repair for a law firm and received 60000\$.

Calculate the amount of total asset at the end of the first year:

- 1-Sao Paulo Company performed services on account for R\$160,000. This transaction will
- increase assets and liabilities by R\$160,000.
 - increase assets and equity by R\$160,000.**
 - increase liabilities and equity by R\$160,000.
 - have no effect on the accounting equation.
- 2-Benoit Corporation paid dividends totaling €295,000 to its shareholders. This transaction will decrease assets and
- decrease equity by €295,000.**
 - decrease liabilities by €295,000.
 - increase expenses by €295,000.
 - have no effect on the accounting equation.
- 3-Gafisa Inc. performed services for R\$195,000. The company collected R\$65,000 in cash. The balance will be collected in 30 days. Performing services for R\$195,000 will increase
- assets by R\$65,000 and equity by R\$130,000.
 - assets by R\$65,000, liabilities by R\$130,000 and equity by R\$195,000.
 - liabilities and equity by R\$195,000.
 - assets and equity by R\$195,000.**
- 4-On June 6, Wing Wah Inc. purchased supplies on account for HK\$60,000. On June 30, the company paid half of the balance due. The June 30 payment will
- decrease Cash and increase Supplies Expense by HK\$ 60,000.
 - increase Cash and decrease Accounts Receivable by HK\$30,000.
 - decrease Cash and decrease Accounts Payable by HK\$30,000.**
 - decrease Supplies and increase Supplies Expense by HK\$30,000.
- 5-On November 4, Vivo Company performed services on account for R\$295,000. On November 26, the company collected the balance due. The November 26 transaction will increase
- Cash and Accounts Payable by R\$295,000.
 - Accounts Receivable and Service Revenue by R\$295,000
 - Cash and decrease Accounts Receivable by R\$295,000**
 - Service Revenue and decrease Accounts Receivable by R\$295,000.
- 6-Freirs Company paid the monthly rent of €6,000. This transaction will
- increase Cash and decrease Rent Expense by €6,000.
 - decrease Cash and decrease Rent Expense by €6,000.
 - decrease Cash and increase Rent Expense by €6,000.**
 - have no effect on the accounting equation.
- 7-Vita Corporation performed services on account for €22,000. This transaction will
- increase Cash and increase Service Revenue by €22,000.
 - increase Accounts Receivable and increase Service Revenue by €22,000.**
 - decrease Accounts Payable and increase Cash by €22,000.
 - increase Cash and decrease Accounts Receivable by €22,000.

8**Financial statements:**

1- Income statement: $\text{Revenues} - \text{Expenses} = \text{net income} \setminus \text{loss.}$

2- Retained earnings statement:

$\text{beginning retained earning} + \text{net income or loss} - \text{Dividends} = \text{ending RE}$

3- statement of financial position (balance sheet):

$\text{Assets} = \text{Liabilities} + \text{Equity}$

4- statement of cash flows.

- أول شي نسوي income statement , لأن راح نحتاج النت انكم عشان نسوي قائمة ال RE
- اهني حظيت لكم بعض من الريفنيوز و الاكسبنسس. مرات بالسؤال يكونون أكثر مرات أقل حسب

Income statement		
Name of the company		
date		
Revenues		تحطون كل الريفنيوز الي عندكم تحت
Sales revenues	XX	بعض مع قيمهم
Service revenues	XX	
Total revenues	XX	
Expenses		تحطون كل المصاريف الي عندكم تحت
Rent expense	(XX)	بعض مع قيمهم
Advertising expense	(XX)	
Total expense	(XX)	
Net income/ Loss	XX	نطرح الريفنيوز من الاكسبنسس

- عقب نسوي قائمة Retained earnings , لان راح نحتاجها لمن نسوي statement of financial position

Retained earning statement		
Name of the company		
date		
Begging Retained earnings	XX	بتكون صفر اذا كانت هذي اول سنة عمل للبرنس
+ Net income/Loss	XX	
- Dividends (drawings)	(XX)	
Ending Retained earning	XX	

- بعدين نسوي .Statement of financial position
- اهني حظيت بعض الأصول و الديون, مرات بالسؤال يكون اكثر مرات اقل حسب.

Statement of financial position		
Name of the company		
date		
Assets		
Cash	XX	
Account receivables	XX	
Equipment	XX	
Supplies	XX	
Inventory	XX	
Prepaid expense	XX	
Total assets		XX
Liabilities and Equity		
<u>Liabilities</u>		
Account payable	XX	
Note payable	XX	
Debts	XX	
Wages and Salaries Payable	XX	
<u>Owner's equity</u>		
share capital	XX	
Retained earnings	XX	
Total liabilities and equity		XX

نجمع هنى كل الاصول

ناخذ الى طلعتها بالقائمة الى قبلها او يكون معطينا جاهز ال ending RE ال مفروض يساوي مجمع الاصول

- اذا بتحطون خانة total liabilities و total equity هم عادي يصير

1-Net income results when

- a. Assets > Liabilities.
- b. Revenues = Expenses.
- c. Revenues > Expenses.**
- d. Revenues < Expenses.

2-A statement of financial position shows

- a. revenues, liabilities, and equity.
- b. expenses, dividends and equity.
- c. revenues, expenses, and dividends.
- d. assets, liabilities, and equity.**

3-Retained earnings at the end of the period is equal to

- a. retained earnings at the beginning of the period plus net income minus liabilities.
- b. retained earnings at the beginning of the period plus net income minus dividends.**
- c. net income.
- d. assets plus liabilities.

4-An income statement

- a. summarizes the changes in equity for a specific period of time.
- b. reports the changes in assets, liabilities, and equity over a period of time.
- c. reports the assets, liabilities, and equity at a specific date.
- d. presents the revenues and expenses for a specific period of time.**

5-If the retained earnings account increases from the beginning of the year to the end of the year, then

- a. net income is less than dividends.
- b. net loss is less than dividends.
- c. the company must have sold shares.
- d. net income is greater than dividends.**

6-The statement of financial position is frequently referred to as

- a. an operating statement.
- b. the balance sheet.**
- c. the statement of cash flows.
- d. the statement of changes in equity.

7-All of the financial statements are for a period of time **except** the

- a. income statement.
- b. retained earnings statement.
- c. statement of financial position.**
- d. statement of cash flows.

8-The primary purpose of the statement of cash flows is to report

- a. a company's investing transactions.
- b. a company's financing transactions.
- c. information about cash receipts and cash payments of a company.**
- d. the net increase or decrease in cash.

9-The ending retained earnings amount is shown on

- a. the statement of financial position only.
- b. the retained earnings statement only.
- c. both the income statement and the retained earnings statement.
- d. both the statement of financial position and the retained earnings statement.**

Use the following information for questions 10–12.

Carla's Computer Repair Shop started the year with total assets of \$540,000 and total liabilities of \$360,000. During the year, the business recorded \$900,000 in computer repair revenues, \$510,000 in expenses, and the company paid dividends of \$90,000.

10-Equity at the end of the year was

- a. \$480,000.**
- b. \$450,000.
- c. \$570,000.
- d. \$390,000.

11-The net income reported by Carla's Computer Repair Shop for the year was

- a. \$300,000.
- b. \$390,000.**
- c. \$180,000.
- d. \$810,000.

12-Total equity changed by what amount from the beginning of the year to the end of the year?

- a. \$90,000.
- b. \$390,000.
- c. \$180,000.
- d. \$300,000.**

10**Problem (13):**

Deema Repair Co. started on May 1 by Deema. A summary of the financial information is presented below:

- 1- Deema invested \$30,000 in cash to start Deema Co.
- 2- The company Purchased land for the main office for \$20,000 cash.
- 3- Bought office supplies on account (or on credit) for \$500 and promised to pay within 30 days.
- 4- Earned revenue of \$5,500 in cash for providing a service to a customer.
- 5- Deema Co. performed a service for another company, and they promised to pay \$3,000 during this month.
- 6- Deema Co. paid \$3,200 in cash for the following expenses (Office Rent \$2,000 and \$1,200 Salaries).
- 7- Deema withdrew \$1,000 for personal use.
- 8- Deema Co. paid \$300 related to Transaction (3).
- 9- Collected \$2,000 from the customer in Transaction (5).

Instructions:

a) Prepare the tabular analysis of the transactions using the following column headings: [Cash .. A/R .. Supplies .. Land .. A/P .. Owners' Capital .. Drawings .. Revenues .. Expenses].

b) Prepare the Income Statement, Retained earnings statement and statement of financial position.

1-Benito Company began the year with equity of \$525,000. During the year, the company recorded revenues of \$750,000, expenses of \$570,000, and paid dividends of \$60,000. What was Benito's equity at the end of the year?

- a. \$765,000.
- b. \$645,000.**
- c. \$1,215,000.
- d. \$705,000.

2-Carter Company issued ordinary shares to Sam Carter in exchange for his investment of \$40,000 cash in the business. The company recorded revenues of \$370,000, expenses of \$320,000, and paid dividends of \$20,000. What was Carter's net income for the year?

- a. \$30,000.
- b. \$70,000.
- c. \$50,000.**
- d. \$90,000.

3-As of December 31, 2014, Thames Company reported assets of £6,480,000, liabilities of £1,920,000 and retained earnings of £3,315,000. Share capital reported on the December 31, 2014 statement of financial position is

- a. £1,245,000.**
- b. £1,395,000.
- c. £5,235,000.
- d. £9,795,000.

4-As of December 31, 2014, Deitrich Inc. had assets of €13,050,000, liabilities of €4,650,000, share capital of €3,300,000 and retained earnings of €5,100,000. Total equity as of that date is

- a. €3,300,000.
- b. €3,750,000.
- c. €8,400,000.**
- d. €13,050,000.

5-On January 11, 2014, Britannica Corporation sold ordinary shares to investors for £6,550,000. This transaction will increase assets and

- a. decrease liabilities by £6,550,000.
- b. decrease equity by £6,550,000.
- c. increase revenues by £6,550,000.
- d. increase equity by £6,550,000.**

6-Burgundy Inc. purchased supplies on account for €26,000. This transaction will

- a. increase liabilities and decrease equity by €26,000.
- b. increase assets and decrease equity by €26,000.
- c. increase assets and increase liabilities by €26,000.**
- d. have no effect on the accounting equation.

P1-3A

On May 1, Yoon Flying school a company that provides flying lessons was started with an investment of 45,000,000\$ cash in the business Following are the assets and liabilities of the company on May 31,2011 also the revenues and expenses for the month of May.

Cash	5600
Account Receivable	7200
Equipment	64000
Lesson revenue	7500
Advertising exp	500
Notes payable	30000
Rent expense	1200
repairs exp	400
Fuel exp	2500
Insurance exp	400
Account payable	800

No additional investments were made in May, but the company paid dividends of 1,500 during the month.

INSTRUCTIONS

A- Prepare the income statement and retained earnings statement for the month of May and statement of financial position of May 31.

B- Prepare an income statement and a retained earnings statement for May assuming the following data are not included above. (1) 900,000 of revenues was earned and bellied but not collected at May 31, (2) 1,500,000 a fuel expense was incurred but not paid.

1-Marilu Company began the year with equity of \$75,000. During the year, Marilu issued additional ordinary shares in exchange for cash of \$105,000, recorded expenses of \$300,000, and paid dividends of \$20,000. If Marilu's ending equity was \$230,000, what was the company's revenue for the year?

- a. \$350,000.
- b. \$370,000.**
- c. \$455,000.
- d. \$475,000.

2-Nguyen Company began the year with equity of \$434,000. During the year, Nguyen issued ordinary shares for \$588,000, recorded expenses of \$1,680,000, and paid dividends of \$112,000. If Nguyen's ending equity was \$1,062,000, what was the company's revenue for the year?

- a. \$1,720,000.
- b. \$1,832,000.**
- c. \$2,308,000.
- d. \$2,420,000.

3-If a corporation distributes cash to its shareholders, then

- a. there has been a violation of accounting principles.
- b. equity will increase.
- c. equity will decrease.**
- d. there will be a new liability showing the shareholders owe money to the business.

4-All of the following transactions increase revenue except the

- a. sale of additional ordinary shares by British Airways.**
- b. sale of clothing by the French Connection.
- c. performance of accounting services by PricewaterhouseCoopers.
- d. sale of petroleum by Royal Dutch Shell.

5-As of December 31, 2014, Dolce & Gabbana Inc. had assets of €7,600,000, share capital of €2,800,000 and retained earnings of €3,200,000. Total liabilities as of that date are

- a. €0.
- b. €1,600,000.**
- c. €4,800,000.
- d. €13,600,000.

6-On its December 31, 2014 statement of financial position, Adaro Corporation reported liabilities of Rp5,132,000,000, share capital of Rp2,662,000,000 and retained earnings of Rp4,202,000,000. Total assets as of December 31, 2014 are

- a. Rp1,732,000,000.
- b. Rp4,202,000,000.
- c. Rp6,864,000,000.
- d. Rp11,996,000,000.**

7-As of December 31, 2014, Oxford-welsh Inc. had assets of £6,520,000, liabilities of £1,980,000, and share capital of £2,820,000. Retained earnings as of that date are

- a. **£1,720,000.**
- b. £3,700,000.
- c. £4,540,000.
- d. £6,520,000.

8-Copper Company's equity at the beginning of August 2014 was \$750,000. During the month, the company earned net income of \$150,000 and paid dividends of \$50,000.

At the end of August 2014, what is the amount of equity?

- a. \$650,000
- b. \$750,000
- c. **\$850,000**
- d. \$950,000

9-On January 1, 2014, Affleck Company reported equity of \$470,000. During the year, the company paid dividends of \$20,000. At December 31, 2014, the amount of equity was \$520,000. What amount of net income or net loss would the company report for 2014?

- a. Net income of \$50,000
- b. Net loss of \$70,000
- c. Net income of \$30,000
- d. **Net income of \$70,000**

10-Equity is decreased by all of the following except

- a. **issuance of shares.**
- b. dividends.
- c. expenses.
- d. net losses.

11-During the year 2014, Diego Company earned revenues of \$90,000, had expenses of \$50,000, purchased assets with a cost of \$10,000 and paid dividends of \$6,000. Net income for the year is

- a. \$90,000.
- b. **\$40,000.**
- c. \$34,000.
- d. \$30,000.

12-During January, Bruni Corporation earned revenue of €90,000, incurred expenses of €44,000, and paid dividends of €6,000. The income statement will report net income for the month of

- a. €40,000.
- b. **€46,000.**
- c. €52,000.
- d. €90,000.

Use the following information for questions 13-15.

Stahl Consulting started the year with total assets of €80,000 and total liabilities of €20,000. During the year, the business recorded €64,000 in catering revenues and €32,000 in expenses. Stahl issued ordinary shares of €12,000 and paid dividends of €20,000 during the year.

13-The equity at the end of the year was

- a. **€84,000.**
- b. €72,000.
- c. €32,000.
- d. €8,000.

14-The net income reported by Stahl Consulting for the year was

- a. €64,000.
- b. €44,000.
- c. **€32,000.**
- d. €12,000.

15-Equity changed by what amount from the beginning of the year to the end of the year?

- a. €60,000
- b. €56,000
- c. **€24,000**
- d. €12,000

16-At October 1, Smithson Enterprises reported equity of \$210,000. During October, capital shares of \$12,000 were issued and the company earned net income of \$36,000. If equity at October 31 totals \$240,000, what amount of dividends were paid during the month?

- a. \$0
- b. **\$18,000**
- c. \$24,000
- d. \$30,000

17-At October 1, Smithson Enterprises reported equity of \$210,000. During October, capital shares of \$30,000 were issued and the company posted a net loss of \$18,000. If equity at October 31 totals \$210,000, what amount of dividends were paid during the month?

- a. \$0
- b. **\$12,000**
- c. \$18,000
- d. \$30,000

18-During June, Sing Tao Inc. sold ordinary shares for HK\$17,175,000, earned revenue of HK\$3,030,000, incurred expenses of HK\$1,545,000, and paid dividends of HK\$45,000. Net income for June is

- a. **HK\$1,485,000.**
- b. HK\$1,490,000.
- c. HK\$18,615,000.
- d. HK\$20,205,000.

19-During May, Brunhilde Company earned revenue of €212,000, incurred expenses of €136,000, of which €96,000 were on account, and paid dividends of €32,000. Net income (loss) for the month is

- a. (€40,000).
- b. €44,000.
- c. **€76,000.**
- d. €116,000

20-Bruni Corporation began operations on January 1, 2014. During January, Bruni earned revenue of €90,000, incurred expenses of €44,000, and paid dividends of €6,000. Retained earnings at the end the month is

- a. **€40,000.**
- b. €46,000.
- c. €52,000.
- d. €90,000.

Use the following information for questions 21–22.

Saira's Service Shop started the year with total assets of \$250,000 and total liabilities of \$200,000. During the year, the business recorded \$525,000 in revenues, \$275,000 in expenses, and paid dividends of \$50,000.

21-Equity at the end of the year was

- a. \$300,000.
- b. **\$250,000.**
- c. \$200,000.
- d. \$225,000.

22-The net income reported by Saira's Service Shop for the year was .

- a. \$200,000.
- b. **\$250,000.**
- c. \$150,000.
- d. \$475,000.

Use the following information for questions 23–24.

Metzger Company compiled the following financial information as of December 31, 2014:

Revenues 140,000	Dividends 10,000
Retained earnings (1/1/14) 70,000	Supplies 5,000
Equipment 80,000	Accounts payable 20,000
Expenses 125,000	Accounts receivables 15,000
Cash 35,000	Share capital ordinary 65,000

23-Metzger's assets on December 31, 2014 are

- a. €275,000.
- b. €210,000.
- c. €120,000.
- d. €135,000.**

24-Metzger's equity on December 31, 2014 is

- a. €110,000.
- b. €100,000.
- c. €140,000.**
- d. €125,000.

25-During October, Mica Inc. sold ordinary shares for €600,000, earned revenue of €66,000, incurred expenses of €36,000, and paid dividends of €3,000. Net income for the month is

- a. €27,000.
- b. €30,000.**
- c. €627,000.
- d. €630,000.

26-At October 1, Smithson Enterprises reported equity of \$210,000. During October, no capital shares were issued and the company earned net income of \$24,000. If equity at October 31 totals \$192,000, what amount of dividends were paid during the month?

- a. \$0
- b. \$6,000
- c. \$18,000
- d. \$42,000**

27-At October 1, Smithson Enterprises reported equity of \$210,000. During October, no capital shares were issued and the company posted a net loss of \$18,000. If equity at October 31 totals \$192,000, what amount of dividends were paid during the month?

- a. \$0
- b. \$6,000
- c. \$18,000
- d. \$63,000**

28-Mica Inc. began operations in October, 2014. During October, Mica sold ordinary shares for €600,000, earned revenue of €66,000, incurred expenses of €36,000, and paid dividends of €3,000. Equity at the end of the month is

- a. €27,000.
- b. €30,000.
- c. €627,000.**
- d. €630,000.

29-During March, Bindi Company earned revenue of €270,000 on account of which €178,000 had been collected by the end of the month. The company incurred expenses of €156,000. The company paid all of its expenses in cash as well as paying dividends of €46,000. Net income (loss) for the month is

- a. (€24,000).
- b. €22,000.
- c. €68,000.
- d. €114,000.**

30-Mica Inc. began operations in October, 2014. During October, Mica sold ordinary shares for €600,000, earned revenue of €66,000, incurred expenses of €36,000, and paid dividends of €3,000. Retained earnings at the end the month is

- a. €27,000.**
- b. €30,000.
- c. €627,000.
- d. €630,000.

Sing Tao Inc. began operations on June 2, 2014. During June, Sing Tao sold ordinary shares for HK\$17,175,000, earned revenue of HK\$3,030,000, incurred expenses of HK\$1,545,000, and paid dividends of HK\$45,000. Answer the next two questions.

31-Retained earnings at June 30, 2014

- a. HK\$1,440,000.**
- b. HK\$1,485,000.
- c. HK\$18,615,000.
- d. HK\$20,206,000.

32-Equity at the end of June is

- a. HK\$1,440,000.
- b. HK\$1,485,000.
- c. HK\$18,615,000.**
- d. HK\$20,205,000.

Use the following information for questions 33-37

O' Hara Company began operations on December 1, 2014. Presented below is selected information related to O' Hara Company at December 31, 2014.

Utilities Expense 12,000	Equipment 80,000
Accounts Receivable 54,000	Cash 28,000
Salaries and Wages Expense 94,000	Service Revenue 216,000
Notes payable 20,000	Rent expense 26,000
Dividends 30,000	Account payable 32,000
Share capital 56,000	

33-At December 31, 2014, assets total

- a. £108,000.
- b. £140,000.
- c. £162,000.**
- d. £194,000.

34-At December 31, 2014, liabilities total

- a. £32,000.
- b. £52,000.**
- c. £74,000.
- d. £82,000.

35-Net income for the month of December is

- a. £54,000.
- b. £84,000.**
- c. £112,000.
- d. £132,000.

36-Retained earnings at December 31, 2014 is

- a. £30,000.
- b. £44,000.
- c. £54,000.**
- d. £110,000.

37-Equity at December 31, 2014, is

- a. £296,000.
- b. £242,000.
- c. £186,000.
- d. £110,000.**

Use the following information for questions 38-42

El Greco Corporation began operations on January 1, 2014. Presented below is selected information related to El Greco at December 31, 2014.

Utilities expense 36,000	Equipment 290,000
Account receivable 82,000	Cash 84,000
Salaries and Wages Expense 242,000	Service revenue 648,000
Note payable 96,000	Rent expense 78,000
Dividends 90,000	Account payable 44,000
Salaries and wages payable 16,000	Share capital ordinary 168,000
Advertising expense 40,000	Supplies 30,000

38-The statement of financial position at December 31, 2014 reports total assets of

- a. €320,000.
- b. €404,000.
- c. €456,000.
- d. €486,000.**

39-The statement of financial position at December 31, 2014 reports total liabilities of

- a. €60,000.
- b. €120,000.
- c. €156,000.**
- d. €238,000.

40-Net income (loss) reported on the income statement for the month of December is

- a. €252,000.**
- b. €180,000.
- c. €162,000.
- d. €96,000.

41-Retained earnings reported on the statement of financial position at December 31, 2014 is

- a. €330,000.
- b. €252,000.
- c. €168,000.
- d. €162,000.**

42-The statement of financial position at December 31, 2014 reports equity of

- a. €420,000.
- b. €330,000.**
- c. €180,000.
- d. €162,000.