

Homework 7

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Chapter 13

1. A limited liability company (LLC) **limits financial exposure of its owners.**
2. Which of the following business organizations limit the liability of some or all of their owners to the extent of their investment in the company?
 - **corporations and limited partnerships**
3. Accounting practices and procedures used to prepare financial statements are called: **GAAP**
4. The U.S. federal government body that receives corporations' annual reports is the **SEC**
5. Which of the following are not included in an annual report?
 - **projections of the future stock price**
6. Net income is **profits remaining after income taxes are paid**
7. The current liabilities of a business may include **notes payable**
8. All of the following accounts are considered to be fixed assets on the balance sheet *except*: **depreciation**
9. What would be recorded in the *common stock par value account* on the balance sheet if 20,000 shares are issued at a par value of \$2 and the market value is \$5?
 - $20000 * 2 = 40000$
10. The financial statement that provides a snapshot view of the financial condition of a business at a point in time is the **balance sheet**
11. Financial and physical items owned by a business.
 - **Assets**
12. Creditors' claims on a firm, which are the financial obligations of the business.
 - **liabilities**
13. Cash and all other assets that are expected to be converted into cash within one year.
 - **current assets**
14. Devaluing a physical asset over the period of its expected life.
 - **Depreciation**
15. Shareholder wealth is measured as: **common stock price times number of shares outstanding**
16. The goal of a business should be **maximization of the owners' wealth**
17. SEC: **Securities and Exchange Commission**