

University of the Philippines Los Banos
College of Economics and Management
Department of Agribusiness Management

MGT 111

Assessment Quiz 1

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TEST I – TRUE or FALSE (1 pt. each)

1. The main objective of a not-for-profit business is not to make a profit.
2. A corporation is a business that is legally separate and distinct from its owners.
3. The role of accounting is to provide many different users with financial information to make economic decisions.
4. Proprietorships are owned by one owner and provide only services to their customers.
5. Only large companies such as Wal-Mart, JCP, General Motors, and the Bank of America can be organized as corporations.
6. Accounting information users need reports about the economic activities and condition of businesses.
7. Senior executives cannot be criminally prosecuted for the wrong doings they commit on behalf of the companies where they work.
8. The primary role of accounting is to determine the amount of taxes a business will be required to pay to taxing entities.
9. Managerial accounting information is used by external and internal users equally.
10. Financial accounting provides information to all users, while the main focus for managerial accounting is to provide information to the management.
11. Proper ethical conduct implies that you only consider what's in your best interest.
12. Some of the major fraudulent acts by senior executives started as what they considered to be small ethical lapses which grew out of control.
13. A business is an organization in where basic resources or inputs, like materials and labor, are assembled and processed to provide outputs in the form of goods or services to customers.
14. The cost concept is the basis for entering the exchange price into the accounting records.
15. The unit of measurement concept requires that economic data be recorded in a common unit of measurement.
16. If a building is appraised for \$85,000, offered for sale at \$90,000, and the buyer pays \$80,000 cash for it, the buyer would record the building at \$85,000.
17. Generally accepted accounting principles regulate how and what financial information is reported by businesses.
18. The accounting equation can be expressed as $\text{Assets} - \text{Liabilities} = \text{Owner's Equity}$.
19. The rights or claims to the assets of a business may be subdivided into rights of creditors and rights of owners.
20. The owner's rights to the assets rank ahead of the creditors' rights to the assets.
21. If the liabilities owed by a business total \$300,000 and owners' equity is equal to \$300,000, then the assets also total \$300,000.
22. If net income for a proprietorship was \$50,000, the owner withdrew \$20,000 in cash and the owner invested \$10,000 in cash, the capital of the owner increased by \$40,000.
23. An account receivable is a claim against a customer arising from a sale on account.
24. Paying an account payable increases liabilities and decreases assets.
25. Cash withdrawals by owners decrease assets and increase equity.
26. Expenses are assets that are used up during the process of earning revenue.
27. The excess of revenue over the expenses incurred in earning the revenue is called capital.
28. The principal financial statements of a proprietorship are the income statement, statement of owner's equity, and the balance sheet.
29. A statement of owner's equity reports the changes in the owner's equity for a period of time.
30. The financial statements of a proprietorship should include the owner's personal assets and liabilities.
31. The balance sheet represents the accounting equation.
32. Net income and net profit do not mean the same thing.

TEST II – MATCHING (1 pt. each)

Match the following business types with each business listed below . Each may be used more than once.

- a. Service firm
 - b. Manufacturing firm
 - c. Merchandising firm
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- 1. A tax preparation firm
 - 2. A law firm
 - 3. A health club and spa
 - 4. An automobile dealer
 - 5. A book publisher
 - 6. A hospital
 - 7. A supermarket
 - 8. A modular homebuilder
 - 9. A men's clothing store
 - 10. A dressmaking company

Match each of the following with the transactions below. Each may be used more than once.

- a. incurred a net loss
 - b. realized net income
 - c. Not enough information to choose (a) or (b).
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- 11. A business had revenues of \$825,000 and operating expenses of \$708,000.
 - 12. A business had revenues of \$430,000 and operating expenses of \$615,000.
 - 13. Land with an assessed value of \$400,000 for property tax purposes is acquired by a business for \$525,000. Ten years later, the land is sold for \$700,000.
 - 14. A company's ending owner's equity for the year is \$5,000 more than the beginning owner's equity.
 - 15. A company's cash account was \$25,000 at the beginning of the year and \$47,000 at the end of the year.

Match the following characteristics with the form of business entity that best describes it. Each may be used more than once.

- a. Proprietorship
 - b. Partnership
 - c. Corporation
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- 16. Owned by two or more individuals
 - 17. Organized as a separate legal taxable entity
 - 18. Easy and cheap to organize
 - 19. Often used as an alternative to a partnership
 - 20. Used by large business
 - 21. Has the ability to obtain large amounts of resources

Match the following characteristics with the financial statement it describes it.

- a. Income Statement
 - b. Balance Sheet
 - c. Statement of Owner's Equity
 - d. Statement of Cash Flows
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- 22. The first statement prepared
 - 23. Has three sections: operating, investing and financing
 - 24. Reports only revenues and expenses
 - 25. A formal presentation of the accounting equation

TEST III

- A. At the beginning of the year, Yates Company had total assets of \$500,000 and total liabilities of \$200,000. Answer the following questions viewing each situation as being independent of the others.
- (1) If total assets increased \$200,000 during the year, and total liabilities decreased \$75,000, what is the amount of owner's equity at the end of the year?
 - (2) During the year, total liabilities increased \$230,000 and owner's equity decreased \$90,000. What is the amount of total assets at the end of the year?
 - (3) If total assets decreased \$40,000 and owner's equity increased \$130,000 during the year, what is the amount of total liabilities at the end of the year?
- B. Analyze the transactions of a business organized as a proprietorship described below and indicate their effect on the basic accounting equation. Use a plus sign (+) to indicate an increase and a minus sign (–) to indicate a decrease.

	<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owner's Equity</u>
1. Received cash for services rendered.	_____		_____		_____
2. Purchased office equipment on credit.	_____		_____		_____
3. Paid employees' salaries.	_____		_____		_____
4. Received cash from customer in payment on account.	_____		_____		_____
5. Paid telephone bill for the month.	_____		_____		_____
6. Paid for office equipment purchased in transaction 2.	_____		_____		_____
7. Purchased office supplies on credit.	_____		_____		_____
8. Owner withdrew cash for personal expenses.	_____		_____		_____
9. Obtained a loan from the bank.	_____		_____		_____
10. Billed customers for services rendered.	_____		_____		_____