



Comm 217 - chapter 1 - smart book questions

Financial Accounting (Concordia University)



Scan to open on Studocu

COMM 217 - CHAPTER 1 - SMARTBOOK QUESTIONS

1. Investors in shares of a company increase their wealth by receiving dividends and by _____.
 - an increase in the market value of their shares
2. Companies typically prepare _____ financial statements each accounting period
-4
3. A statement of financial position shows which of the following elements?
 - Assets, liabilities, shareholder's equity
4. Which of these line items appear on a statement of financial position?
 - same assets, liabilities, shareholder's equity, cash, inventories, accounts payable, contributed capital, retained earnings, accounts receivable, cash
5. The statement of the financial position of a corporation reports _____.
 - only the results of the business's activities
6. Most investors hope to get _____ from their investments in a company's shares in addition to a higher price for the shares.
 - dividends
7. Four statements include: statement of financial position, statement of earnings, statement of changes in equity and statement of cash flows.
8. The heading of a statement of financial position for a company that has been in business for years and has a June 30 year end might include which of the following? (Check all that apply.)
 - The title "Statement of Financial Position"
 - The name of the business
 - At June 30, 2019
9. A statement of financial position shows
 - assets, liabilities, and shareholders' equity at a single point in time
 - A statement of financial position shows balances at a point in time; it does not show the changes in the balances during the period. The income statement, statement of retained earnings and statement of cash flows explain the changes in the statement of financial position during the period.

10. Which of these line items appear on a statement of financial position? (Check all that apply.)
-accounts receivable, cash, retained earnings, contributed capital.
11. Mauricio, the owner of Pizza Aroma, spent \$2,500 of his own money to take his family on a vacation to Disney World. Pizza Aroma's financial statements will report _____. -nothing about his trip
12. True or false: The accounting equation is $\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$. -true
13. Which of these headings and accounts would be found on a company's statement of financial position? (Check all that apply.)
-Shareholders' equity, Liabilities, Assets, Cash, Retained earnings
14. The purpose of a statement of financial position is to report the _____ accounts. (Check all that apply) - liability, SE, assets
- Which of these line items appear on a statement of financial position? (Check all that apply.) -inventories, accounts payable, cash
15. The statement of the financial position of a corporation reports _____. -only the results of the business's activities
16. Which of the following are "assets"? -land, cash, equipment (not retained earnings or common shares!)
17. At December 31, Aloe, Inc.'s assets equal \$8,000 and shareholders' equity equals \$5,000. Liabilities must equal \$ 3000
18. Every asset on the statement of financial position is initially measured _____ - at the total cost incurred to acquire the asset including the cost of installation.
19. The purpose of a statement of financial position is to report the _____. - financial position of a business at a particular point in time
20. Which of the following are "liabilities"? -notes payable, accounts payable

21. The sum of which two elements equals shareholders' equity? (check all that apply) - retained earnings, contributed capital
22. Which of these headings and accounts would be found on a company's statement of financial position? (Check all that apply.) - Assets, Shareholders' equity, Retained earnings, Cash, Liabilities
23. A financial statement heading notes that it was prepared: "For the Year Ended December 31, 2019." This would be the: (Check all that apply.)

- statement of cash flows.
- statement of retained earnings.
- income statement.

24. Which of the following statements are *true*? (Check all that apply.)
- Retained earnings increase when a company earns and keeps its profit.
 - Contributed capital increases when owners give a company money in exchange for common shares.
25. The statement of changes in equity is: one of the four financial statements usually prepared by profit-making organizations.
26. A company owns an economic resource that will provide it with future benefits. This economic resource is _____. - an asset
27. The classifications used to categorize cash inflows and outflows on the statement of cash flows includes cash flows from operating (CFO), investing (CFI) and financing activities CFF)
28. Net income: on the income statement causes retained earnings to increase on the statement of retained earnings.
29. The notes to the financial statements are an integral part of the financial statements and provide a more complete understanding of the company.
30. Which of the following line items appear on an income statement?
- sales revenue, cost of goods sold, income tax expense
31. What information appears on the statement of retained earnings?

-Dividends, ending balance of retained earnings, beginning balance of retained earnings, net income

32. Matching

- a) Purchase of equipment - negative cash flow - investing activity
 - b) Sale of equipment - positive cash flow - investing activity
 - c) Borrow from a bank - positive cash flow - financing activity
 - d) Purchase inventory - negative cash flow - operating activity
 - e) Paid dividends - negative cash flow - financing activity
 - f) Collected cash from customers - positive cash flow - operating activity
- When purchased - negative cash flow
When received - positive cash flow

33. Which of these line items appears on *both* the income statement and the statement of retained earnings? - net income

34. The notes to financial statements _____.

- along with the financial statements provide a more complete picture of a company's financial health
- are an integral part because the financial statements do not contain all the necessary details
- provide supplemental information about the financial condition of a company

35. Matching

- a) Income statement: reports the primary measure of economic performance during the accounting period
- b) Balance sheet: reports the financial position at a point in time
- c) Statement of retained earnings: reports the way that net income and the distribution of dividends have affected the financial position of a company during the accounting period
- d) Statement of cash flows: reports receipts and payments during the accounting period

36. An income statement includes which of the following items: expenses, revenues, net income

37. The measurement rules applied in computing numbers on the financial statements are referred to as IFRS/GAAP

38. Which of the following may be included in the heading of the statement of retained earnings for Xoff, Inc. (Check all that apply.)

- Statement of Retained Earnings
- Xoff, Inc.
- For the year ended December 31, 2018

39. Which group was given the primary responsibility of writing Canadian generally accepted accounting principles? - Accounting Standards Board (AcSB)

40. True or false: The primary responsibility for the information in the financial statements lies with the outside independent auditors. - false, The primary responsibility for the information in the financial statements lies with management.

41. The line item "net income" appears on the _____. - income statement & statement of retained earnings

42. Which of the financial statements report activity that occurred during the accounting period? (Check all that apply.) - cash flows, income statement, retained earnings

43. IFRS are _____. guidelines for the measurement rules used to develop the information in financial statements

44. Common forms of business organization include _____. Corporation, partnership, sole proprietorship

45. For Canadian publicly accountable enterprises, the Accounting Standards Board (AcSB) has determined that they must prepare their financial statements in accordance with - International Financial Reporting Standards (IFRS)

46. An accountant who is employed by an accounting firm such as PricewaterhouseCoopers or Ernst & Young to perform external audits has a career in _____. -public accounting

47. Primary responsibility for the information in a company's financial statements lies with _____. -management, : As stated in the annual reports' "Report of Management", the primary responsibility for the financial statement information lies with management.

The independent auditors' responsibility is to provide an opinion on the fairness of the financial statements.

48. In which of the following activities may an accountant in a non-CPA firm would be involved? - profit planning and control, external reporting, internal audit, cost accounting

49. Which of the following are true regarding CPAs?

CPAs work in the not-for-profit sector.

CPAs work for governmental agencies.

CPA firms are not able to provide services that impair their independence with their clients.

50. Which of the following services may be provided by public accounting firms

- Audit, tax, consulting

51. Not-for-profit organizations _____. use the services of CPA firms similar to those provided for for-profit companies

52. Which of the financial statements report activity that occurred during the accounting period? - Statement of cash flows, Statement of retained earnings, Income statement

53. CPAs in public accounting perform the following services

-not-for-profit assurance services

-tax planning

-assurance services

54. Remember that cash is an asset, it it on the balance sheet! Not the income statement. Income statements have cost of goods sold, sales revenue, income tax expense

55. True or false: Contributed capital is a liability. - false, its SE

56. The heading of an income statement should include which of the following?

The title of the financial statement

The name of the business

The accounting period covered by the statement

57. The notes to financial statements _____

provide supplemental information about the financial condition of a company
are an integral part because the financial statements do not contain all the necessary
details
along with the financial statements provide a more complete picture of a company's
financial health

58. An income statement includes which of the following items.

-expenses, net income, revenue

59. The statement of changes in equity (also called the statement of retained earnings
in Canadian ASPE) reports the:

-changes in earnings and dividends for a specified period of time.

60. IFRS are _____.

guidelines for the measurement rules used to develop the information in financial
statements

61. For Canadian publicly accountable enterprises, the Accounting Standards Board
(AcSB) has determined that they must prepare their financial statements in accordance
with

International Financial Reporting Standards (IFRS)

62. Primary responsibility for the information in a company's financial statements lies
with _____

-management

63. Not-for-profit organizations _____.

-use the services of CPA firms similar to those provided for for-profit companies

64. An asset is initially recorded at _____. the total cost incurred to acquire it

65. The statement of the financial position of a corporation reports _____. only the results of the business's activities

66. Which of the following are part of "shareholders' equity"? Retained earnings, contributed capital

67. Which financial statement is a company's primary measure of profit? Income statement

68. An owner gives \$5,000 cash to his company in exchange for common shares. This will increase the company's: contributed capital, cash, total SE

69. The _____ reports the change in shareholders' equity, during an accounting period, arising from business activities other than investments by shareholders and distribution of dividends to shareholders. - statement of comprehensive income

70. The _____ to the financial statements are an integral part of the financial statements and provide a more complete understanding of the company. (Enter one word per blank.) - notes

71. The classifications used to categorize cash inflows and outflows on the statement of cash flows includes cash flows from _____ activities, cash flows from _____ activities, and cash flows from _____ activities. - operating, financing and investing (CFO, CFI, CFF)

Choice Chicken Company was organized on January 1, 2020. At the end of the first quarter (three months) of operations, the owner prepared a summary of its activities as shown in the first row of the following tabulation:

Required:

1. For each of the six transactions given in this tabulation, enter what you consider the correct amounts.

(Negative answers should be indicated by a minus sign. Do not round intermediate calculations.)

Summary of Transactions		Computation of	
		Net Earnings	Cash
a.	Services performed for customers, \$90,400, of which \$19,500 remained uncollected at the end of the quarter.	\$ 90,400	\$ 70,900
b.	Cash borrowed from the local bank, \$25,900 (one-year note).		25,900
c.	Small service truck purchased at the end of the quarter to be used in the business for two years starting the next quarter: cost, \$8,900 cash.		(8,900)
d.	Wages earned by employees, \$38,700, of which one-sixth remained unpaid at the end of the quarter.	(38,700)	(32,250)
e.	Service supplies purchased for use in the business, \$4,900 cash, of which \$1,225 were unused (still on hand) at the end of the quarter.	(3,675)	(4,900)
f.	Other operating expenses, \$35,500, of which one-half remained unpaid at the end of the quarter.	(35,500)	(17,750)
	Net earnings	\$ 12,525	
	Cash inflow		\$ 33,000

Ducharme Corporation was organized by five individuals on January 1, 2020. At the end of January 2020, the following monthly financial data are available:

Total revenues	\$306,000
Total expenses (excluding income taxes)	195,300
Income tax expense (all unpaid as at January 31)	34,720
Cash balance, January 31, 2020	67,250
Receivables from customers (all considered collectible)	36,600
Merchandise inventory (by inventory count at cost)	98,700
Payables to suppliers for merchandise purchased from them (will be paid during February 2020)	15,950
Contributed capital (3,300 shares)	75,900

No dividends declared in January 2020.

Required:

1. Prepare a summarized statement of earnings for the month of January 2020.

✓ Answer is complete and correct.

DUCHARME CORPORATION	
Summary Statement of Earnings	
For the Month of January 2020	
Total revenues	\$ 306,000 ✓
Less: Total expenses (excluding income taxes) ✓	195,300 ✓
Earnings before income taxes	110,700
Less: Income tax expense ✓	34,720 ✓
Net earnings ✓	\$ 75,980

2. Prepare a statement of financial position at January 31, 2020.

✓ Answer is complete and correct.

DUCHARME CORPORATION			
Statement of Financial Position			
As at January 31, 2020			
Assets			
Cash	✓	\$ 67,250	✓
Receivables from customers	✓	36,600	✓
Merchandise inventory	✓	98,700	✓
Total assets		\$ 202,550	
Liabilities and Shareholders' Equity			
Liabilities:			
Payables to suppliers	✓	\$ 15,950	✓
Income taxes payable	✓	34,720	✓
Total liabilities		50,670	
Shareholders' equity:			
Contributed capital	✓	75,900	✓
Retained earnings	✓	75,980	✓
Total liabilities and shareholders' equity		\$ 202,550	