

Mini Exam Review

Chapter 1

Objective 1: Activities and users of accounting

1. Define the three activities of accounting:
 - a. Identify:
 - b. Record:
 - c. Communicate:
2. Give examples of the uses of accounting:
 - a. Internal:
 - b. External:

Objective 2: Ethics, Principles, and Assumptions

1. Identify the term to the definitions: Ethics, Generally Accepted Accounting Principles (GAAP), International Accounting Standards Board (IASB), International Financial Reporting Standards (IFRS), Sarbanes-Oxley Act (SOX), Security Exchange Commission (SEC):

TERMS	DEFINITION
	Law passed by Congress intended to reduce unethical corporation behavior
	An accounting standard-setting body that issues standards adopted by many countries outside of the United States
	Standards set by the International Accounting Standards Board
	The standards of conduct by which one's actions are judged as right or wrong, honest or dishonest, fair or not fair
	Common standards that indicate how to report economic events
	A governmental agency that oversees US financial markets and accounting standard setting bodies

2. Match the following to the correct definition: Economic Entity Assumption, Fair Value Principle, Historical Cost Principle, Monetary Unit Assumption

TERMS	DEFINITION
	States that assets and liabilities should be reported at the price received to sell an asset or settle a liability
	States that companies include in their accounting records only transaction data that can be expressed in terms of money
	Requires that the activities of the entity be kept separate and distinct from the activities of the owner
	States that companies should record assets at their cost

3. Types of Business Organizations:

4. Types of Business Organizations:

a. Proprietorship:

b. Partnership:

c. Corporation:

Objective 3: The accounting Equation

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1. Define Asset:

a. Examples:

2. Define Liability:

a. Examples:

3. Define Stockholder's Equity:

Define the following and indicate if it increases or decreases Stockholder's Equity

a. Common Stock:

b. Revenue:

c. Expenses:

d. Dividends:

Objective 4: PRACTICE - Analyze the accounting equation

Example: Analyze the following transactions for Hawk Corp. These relate to the first month of business beginning January 1, 2020.

1. Invested \$10,000 in exchange for Common Stock
2. Purchased Equipment of \$700 for Cash
3. Purchased Supplies of \$400 on account
4. Performed services for customer and received \$3,000 cash
5. Paid salaries of \$1,500 to workers
6. Paid \$200 of amount owed in transaction #3
7. Performed services for customer received \$500 and sent a bill for \$2,000.
8. Paid Rent Expense of \$1,000
9. Received \$600 from transaction #7
10. Paid dividends of \$300

	ASSETS				LIABILITY	STOCKHOLDERS EQUITY			
	Cash	AR	Supplies	Equipment	AP	CS	Revenue	Expenses	Dividends
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
SUM									

Objective 5: Financial Statements

Define:

1. Income Statement:
2. Retained Earnings Statement:
3. Balance Sheet:
4. Statement of Cash Flows:

Example: Build the financial statements for Hawk Corp as of January 31, 2020.

Income Statement

Retained Earnings Statement

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Balance Sheet

Chapter 2

Objective 1: Debits and Credits

1. A debit is on the _____ side of a T account
2. A credit is on the _____ side of a T account
3. Double entry system provides that _____ must equal _____.
4. A Normal Balance is the side where _____ are recorded.

PRACTICE:

	DEFINE	INCREASES WITH (Debit or Credit)	DECREASES WITH (Debit or Credit)
ASSET			
LIABILITY			
COMMON STOCK			
RETAINED EARNINGS			
DIVIDENDS			
REVENUE			
EXPENSES			

PRACTICE: Indicate the Normal Balance of each account.

Cash		Retained Earnings	
Account Payable		Prepaid Insurance	
Land		Unearned Revenue	
Supplies Expense		Salaries Expense	
Interest Payable		Notes Payable	
Account Receivable		Supplies	
Dividends		Common Stock	
Service Revenue		Rent Expense	

Objective 2: PRACTICE - Journal Entries

Example: Analyze the following transactions for Hawk Corp. These relate to the first month of business beginning January 1, 2020.

11. Invested \$10,000 in exchange for Common Stock

12. Purchased Equipment of \$700 for Cash

13. Purchased Supplies of \$400 on account

14. Performed services for customer and received \$3,000 cash

15. Paid salaries of \$1,500 to workers

16. Paid \$200 of amount owed in transaction #3

17. Performed services for customer received \$500 and sent a bill for \$2,000.

18. Paid Rent Expense of \$1,000

19. Received \$600 from transaction #7

20. Paid dividends of \$300

Objective 3: PRACTICE- Posting

Cash		AR		Supplies		Equipment		AP	

CS		Revenue		Expenses		Dividends	

Objective 4: PRACTICE- Trial Balance

		Debit	Credit

Sample Exam Problems:

1. All of the financial statements are for a period of time **except** the
 - a. income statement.
 - b. retained earnings statement.
 - c. balance sheet.
 - d. statement of cash flows.
2. Kennedy Company issued stock to Ed Kennedy in exchange for his investment of \$75,000 cash in the business. The company recorded revenues of \$555,000, expenses of \$420,000, and had paid dividends of \$30,000. What was Kennedy's net income for the year?
 - a. \$105,000.
 - b. \$135,000.
 - c. \$165,000.
 - d. \$180,000.
3. Internal users of accounting information include all of the following **except**
 - a. company officers.
 - b. investors.
 - c. marketing managers.
 - d. production supervisors.
4. Delta72 Company received a cash advance of \$700 from a customer. As a result of this event,
 - a. assets increased by \$700.
 - b. stockholders' equity increased by \$700.
 - c. liabilities decreased by \$700.
 - d. assets and stockholders' equity increased by \$700.
5. On January 14, Edamame Industries purchased supplies with a cost of \$700 on account. The entry to record the purchase will include
 - a. a debit to Supplies and a credit to Accounts Payable.
 - b. a debit to Supplies Expense and a credit to Accounts Receivable.
 - c. a debit to Supplies and a credit to Cash.
 - d. a debit to Accounts Receivable and a credit to Supplies.

6. Presented below is information related to Pickett Real Estate Agency.

- Oct.
- 1 Jeff Pickett begins business as a real estate agent with a cash investment of \$30,000 in exchange for
 - 2 Hires an administrative assistant.
 - 3 Purchases office equipment for \$3,500, by paying \$500 cash with the balance on account.

Journalize the transactions. (You may omit explanations.)