

Financial Accounting Test Prep – Accounting Equation Questions Ep: 1

- 1) At year end, Smith Co.'s Assets totaled \$46,000 and their Liabilities totaled \$6,000. What is the amount of their Owner's Equity?
 - a) \$52,000
 - b) \$20,000
 - c) \$40,000
 - d) \$42,000

- 2) During the year Jan Co.'s total Assets increased by \$54,000 and total Liabilities increased by \$21,000. How much did Owner's Equity change?
 - a) A \$75,000 increase
 - b) A \$33,000 increase
 - c) A \$75,000 decrease
 - d) A \$33,000 decrease

- 3) When supplies are purchased on account:
 - a) Assets decrease and Liabilities decrease
 - b) Assets increase and Liabilities decrease
 - c) Assets increase and Liabilities increase
 - d) Assets decrease and Liabilities increase

- 4) If an owner of a company withdraws money for personal use:
 - a) Assets decrease and Owner's Equity decreases
 - b) Assets increase and Owner's Equity decrease
 - c) Assets increase and Owner's Equity increase
 - d) Assets decrease and Owner's Equity increase

- 5) When supplies are purchased for cash:
 - a) Assets decrease and Liabilities increase
 - b) Assets increase and Liabilities increase
 - c) Total Assets remain the same and Liabilities decrease
 - d) Total Assets remain the same

- 6) When the current months utility bill is paid:
 - a) Assets decrease and Owner's Equity increases
 - b) Assets decrease and Liabilities increase
 - c) Assets decrease and Owner's Equity decreases
 - d) Assets decrease and Liabilities decrease

- 7) The following are examples of Assets:
 - a) Cash, Equipment, and Accounts Payable
 - b) Cash, Supplies, and Equipment
 - c) Cash, Supplies, and Accounts Payable
 - d) Supplies, Equipment, and Accounts Payable

- 8) When an owner invests cash in their business:
- a) Assets remain the same
 - b) Assets increase and Liabilities increase
 - c) Assets increase and Owner's Equity increases
 - d) Assets decrease and Liabilities increase
- 9) Tech Co.'s Liabilities totaled \$12,000 and their Owner's Equity totaled \$32,000. What is the amount of their Assets?
- a) \$20,000
 - b) \$34,000
 - c) \$44,000
 - d) \$19,000
- 10) A company had \$4,000 in Revenue and \$3,000 in Expenses for a period. How will this impact the accounting equation?
- a) A \$4,000 increase in Owner's Equity
 - b) A \$3,000 increase in Owner's Equity
 - c) A \$7,000 increase in Owner's Equity
 - d) A \$1,000 increase in Owner's Equity
- 11) An investment in a company made by the owner is referred to as:
- a) Accounts Receivable
 - b) Capital
 - c) Drawing
 - d) Cash
- 12) Angela Co. received payment from a customer on account. Angela Co. should:
- a) Decrease Cash
 - b) Decrease Accounts Payable
 - c) Increase Accounts Payable
 - d) Decrease Accounts Receivable
- 13) A Balance Sheet shows:
- a) Assets and Expenses
 - b) Revenue and Expenses
 - c) Assets and Revenues
 - d) Assets and Liabilities

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- 14) Slim Co. has the following account balances: Cash \$25,000, Accounts Receivable \$24,600, Accounts Payable \$2,000, and Supplies \$3,000. Based on the given information, what is the amount of their Assets & Owner's Equity?
- a) \$54,600 & \$50,600
 - b) \$52,600 & \$52,600
 - c) \$54,600 & \$52,600
 - d) \$52,600 & \$50,600
- 15) On November 1, 2019, Jan Co.'s Balance Sheet showed Assets of \$65,000, Liabilities of \$30,000, and Owner's Equity of \$35,000. Jan Co. had the following activity during November: an increase in Assets of \$24,000, a decrease in Liabilities of \$7,500, an owner's cash withdrawal from the company in the amount of \$10,000, and Revenues of \$50,000. What were Jan Co.'s Expenses for November?
- a) \$13,500
 - b) \$8,500
 - c) \$66,500
 - d) Not enough information given