

**chapter 2**

*Indicate whether the statement is true or false.*

1. The integrated financial statement approach has built-in controls to ensure that all transactions are correctly analyzed, recorded, and summarized.
  - a. True
  - b. False
2. Dividends are an example of an expense.
  - a. True
  - b. False
3. Miscellaneous expenses are expenses that have an undetermined amount to be paid.
  - a. True
  - b. False
4. The accounting equation is expressed as follows:  $\text{Assets} = \text{Liabilities} + \text{Stockholders' Equity}$ .
  - a. True
  - b. False
5. The basic elements of a financial accounting system include a framework for preparing financial statements.
  - a. True
  - b. False
6. When a notes payable account is paid in cash, the stockholders' equity in the business increases.
  - a. True
  - b. False
7. It is possible for a transaction to change the makeup of assets but *not* affect assets in total.
  - a. True
  - b. False
8. Accounts receivable is less liquid than furniture, so it is listed after furniture on a balance sheet.
  - a. True
  - b. False
9. Fees earned and received in cash will increase cash flows from operating activity as well as retained earnings.
  - a. True
  - b. False
10. On a statement of cash flows, each cash transaction is recorded and classified as an operating, investing, or financing activity.
  - a. True
  - b. False
11. Any given transaction must affect at least two different parts of the accounting equation.
  - a. True

**chapter 2**

b. False

12. When comparing operating performance across companies within the same industry, companies prefer common-sized income statements prepared using net income rather than those prepared using operating income. This is because other income and expenses are influenced by a variety of factors that are independent of operations and that can vary significantly across companies.

- a. True
- b. False

13. When an account receivable is collected in cash, the total assets of the business increase.

- a. True
- b. False

14. The accounting equation can be expressed as:  $\text{Assets} - \text{Liabilities} = \text{Revenues}$ .

- a. True
- b. False

15. Retained earnings will be increased by the amount in the dividend account.

- a. True
- b. False

16. The effect of every transaction is an increase or a decrease in one or more of the accounting equation elements.

- a. True
- b. False

17. When common stock is issued by a corporation for cash, both the income statement and the balance sheet are affected.

- a. True
- b. False

18. The payment of utilities expense in cash would affect the operating activities in the statement of cash flows and the income statement but *not* the balance sheet.

- a. True
- b. False

19. A business receives \$10,000 cash for a sale of merchandise and records this receipt of cash as an increase in accounts receivable by mistake. The accounting equation is still in balance.

- a. True
- b. False

20. By keeping a running total of the effects of transactions, the accounting equation provides a framework for summarizing the effects of a series of transactions.

- a. True
- b. False

21. Equality of the accounting equation means that no errors have occurred.

- a. True

**chapter 2**

b. False

*Indicate the answer choice that best completes the statement or answers the question.*

22. Sunlight, Inc. had the following assets and liabilities as of September 30, 20X8:

Assets	\$60,600
Liabilities	\$27,500

If assets increased by \$4,350 and equity increased by \$2,900 during October, what is the increase or decrease in liabilities of Sunlight as of October 31, 20X8?

- a. (\$1,450)
- b. \$1,450
- c. \$7,250
- d. (\$7,250)

23. Which of the following group of accounts are all assets?

- a. Cash, Accounts Payable, Buildings
- b. Accounts Receivable, Revenue, Cash
- c. Prepaid Expenses, Buildings, Patents
- d. Unearned Revenues, Prepaid Expenses, Cash

24. For EFG Co., the transaction "payment of quarterly taxes" would \_\_\_\_\_.

- a. increase total assets
- b. decrease total assets
- c. have no effect on total assets
- d. increase stockholders' equity

25. ABC Company deposited \$20,000 in a bank account in return for issuing shares in the corporation. This transaction would affect which two financial statement elements?

- a. Assets and stockholders' equity
- b. Assets and liabilities
- c. Liabilities and stockholders' equity
- d. None of these

26. For EFG Co., the transaction "payment of dividends" would \_\_\_\_\_.

- a. increase total assets
- b. decrease total assets
- c. have no effect on total assets
- d. increase stockholders' equity

27. The gross increases in stockholders' equity attributable to business activities are called \_\_\_\_\_.

- a. assets
- b. liabilities
- c. revenues
- d. net income

**chapter 2**

28. WFC Company paid wages of \$50,000 and received interest of \$60,000. As a result of these transactions, the stockholders' equity \_\_\_\_\_.

- a. increases by \$ 60,000
- b. decreases by \$110,000
- c. increases by \$10,000
- d. decreases by \$50,000

29. Declaring and paying cash dividends affects which account(s)?

- a. Cash only
- b. Common stock only
- c. Cash and retained earnings
- d. Cash and common stock

30. Brite Inc. had the following assets and liabilities at the end of the year:

Assets	\$54,800
Liabilities	\$32,000

What is the year-end stockholders' equity of Brite Inc.?

- a. \$32,000
- b. \$22,800
- c. \$86,800
- d. Cannot be determined with this information

31. For EFG Co., the transaction "payment to creditors" would \_\_\_\_\_.

- a. increase total assets
- b. decrease total assets
- c. have no effect on total assets
- d. decrease stockholders' equity

32. For EFG Co., the transaction "purchase of store equipment with cash" would \_\_\_\_\_.

- a. increase total assets
- b. decrease total assets
- c. have no effect on total assets
- d. decrease stockholders' equity

33. Blue Inc. has the following transactions for the month of April:

Fees earned in cash	\$640,000
Expenses paid	\$300,000
Dividends paid	\$50,000

As a result of these transactions, Blue Inc.'s profitability metric \_\_\_\_\_.

- a. increases by \$340,000
- b. decreases by \$300,000
- c. increases by \$290,000
- d. decreases by \$640,000

34. Johnson, Inc., receives \$5,000 cash for fees earned. What is the effect of this transaction?

**chapter 2**

- a. Total assets remain unchanged.
  - b. Cash flow from Financing Activities will increase.
  - c. Net income will increase.
  - d. Retained earnings will remain unchanged.
35. A common-sized income statement is prepared by expressing income statement amounts as a percent of \_\_\_\_\_.  
a. sales  
b. purchases  
c. total assets  
d. profit
36. Johnson, Inc., purchased land for cash. What effect does this transaction have?  
a. Increase in Cash and decrease in Land  
b. Decrease in Cash and decrease in Land  
c. Increase in Cash and increase in Land  
d. Decrease in Cash and increase in Land
37. For EFG Co., the transaction "cash sales to customers at a profit" would \_\_\_\_\_.  
a. increase total assets  
b. decrease total assets  
c. have no effect on total assets  
d. decrease stockholders' equity
38. Anthony, Inc., buys land for \$50,000 cash. The net effect on assets is \_\_\_\_\_.  
a. \$50,000 increase  
b. \$0  
c. \$50,000 decrease  
d. \$25,000 increase
39. ABC Inc. borrows \$50,000 from a bank to finance its operations. Which of the following statements regarding the effect of this transaction on the company's liquidity and profitability metric is true?  
a. The transaction decreases the liquidity and increases the profitability of ABC Inc.  
b. The transaction increases the liquidity and decreases the profitability of ABC Inc.  
c. The transaction has no effect on the liquidity and profitability of ABC Inc.  
d. The transaction increases the liquidity and has no effect on the profitability of ABC Inc.
40. An increase in Stockholders' Equity from revenues earned will also result in an increase in \_\_\_\_\_.  
a. liabilities  
b. assets  
c. expenses  
d. cash flow from financing activities
41. The following are the summaries of balance sheet of LCF Company:

**chapter 2**

**Total Assets    Total Liabilities**

Beginning of the year    \$250,000    \$180,000

End of the year    \$500,000    \$370,000

Determine the net income (or loss) for the year, assuming \$80,000 of common stock was issued and no dividends were paid during the year.

- a. \$140,000
- b. (\$20,000)
- c. \$160,000
- d. (\$60,000)

42. A to Z Corporation paid a \$10,000 cash dividend. On the Statement of Cash Flows, the transaction would be classified as \_\_\_\_\_.

- a. Cash Flows from Operating Activities
- b. Cash Flows from Investing Activities
- c. Cash Flows from Financing Activities
- d. Noncash transaction

43. The first month of operations showed the net cash from operating activities to be \$1,850, the net cash from investing activities to be (\$3,000), and the ending cash balance to be \$1,600. The net cash from financing activities must be \_\_\_\_\_.

- a. \$450
- b. \$2,750
- c. \$3,250
- d. \$6,450

44. The following is the summary of the balance sheet of AWR Company:

**Total Assets    Total Liabilities**

Beginning of the year    \$250,000    \$180,000

End of the year    \$500,000    \$370,000

Determine the net income (or loss) for the year, assuming no common stock was issued and no dividends were paid during the year.

- a. \$70,000
- b. \$200,000
- c. \$60,000
- d. \$130,000

45. For EFG Co., the transaction "receipt of interest income" would \_\_\_\_\_.

- a. increase total assets
- b. decrease total assets
- c. have no effect on total assets
- d. decrease total liabilities

46. Jade Inc. paid rent of \$25,000 for the current month. This transaction \_\_\_\_\_.

- a. decreases the profitability of the company
- b. has no effect on the profitability of the company

**chapter 2**

- c. increases the liquidity of the company
  - d. has no effect on the liquidity of the company
47. The statement of stockholders' equity is prepared \_\_\_\_\_.
- a. before the preparation of the income statement
  - b. after the preparation of the statement of cash flows
  - c. before the preparation of the balance sheet
  - d. after the audit of the financial statements
48. Paying expenses affects which financial statement elements?
- a. Assets only
  - b. Stockholders' equity only
  - c. Assets and stockholders' equity
  - d. Assets and liabilities
49. Lazer Company paid a utility bill of \$12,000 and paid rent of \$20,000. As a result of these transactions, the stockholders' equity \_\_\_\_\_.
- a. increases by \$8,000
  - b. decreases by \$32,000
  - c. increases by \$20,000
  - d. decreases by \$12,000
50. Stockholders' equity will be reduced by \_\_\_\_\_.
- a. a payment of dividends
  - b. an increase in revenues
  - c. an owners' investments
  - d. an issuance of bonds
51. For EFG Co., the transaction "receipt of a utility bill" would \_\_\_\_\_.
- a. increase total assets
  - b. decrease total assets
  - c. have no effect on total assets
  - d. decrease total liabilities
52. Blue Lilly Co. paid \$50,000 of dividends to stockholders. As a result of this transaction, \_\_\_\_\_.
- a. the liquidity of Blue Lilly Co. increases
  - b. the profitability of Blue Lilly Co. remains unchanged
  - c. the profitability of Blue Lilly Co. decreases
  - d. the liquidity of Blue Lilly Co. remains unchanged
53. The stockholders' equity will increase as a result of the \_\_\_\_\_.
- a. issue of common stock
  - b. repayment of long-term debt
  - c. buyback of common stock

**chapter 2**

d. issue of long-term debt

54. The payment of \$20,000 for expenses was incorrectly recorded by Elite Co. as an increase in cash of \$20,000 and a decrease in retained earnings of \$20,000. What is the effect of this error on the accounting equation?

- a. Total assets will exceed total liabilities and stockholders' equity by \$20,000.
- b. Total assets will exceed total liabilities and stockholders' equity by \$40,000.
- c. Total assets will be less than total liabilities and stockholders' equity by \$40,000.
- d. The error will not affect the accounting equation.

55. A common-sized balance sheet is prepared by expressing each asset as a percent of \_\_\_\_\_.

- a. total current assets
- b. total assets
- c. total long-term assets
- d. total liabilities

56. JNC Co. buys equipment for \$1,500,000 cash. This transaction \_\_\_\_\_.

- a. decreases JNC Co.'s liquidity and has no effect on its profitability metric
- b. has no effect on JNC Co.'s liquidity and profitability
- c. increases JNC Co.'s liquidity and profitability
- d. has no effect on JNC Co.'s liquidity and decreases its profitability

57. For EFG Co., the transaction "billed a customer for fees earned" would \_\_\_\_\_.

- a. increase total assets
- b. decrease total assets
- c. have no effect on total assets
- d. increase total liabilities

58. Expenses can be defined as \_\_\_\_\_.

- a. assets consumed
- b. services used in the process of generating revenues
- c. costs that have been incurred during the normal course of business
- d. all of these

59. Johnson, Inc., paid rent expense of \$3,500 for the month of October. How are the accounts affected due to this transaction?

- a. Increase in cash \$3,500 and increase in retained earnings \$3,500
- b. Increase in cash \$3,500 and decrease in retained earnings \$3,500
- c. Decrease in cash \$3,500 and decrease in retained earnings \$3,500
- d. Decrease in cash \$3,500 and increase in retained earnings \$3,500

60. Which of the following is considered to be a liability?

- a. Prepaid expenses
- b. Investments
- c. Unearned revenues
- d. Accrued revenues



**chapter 2**

61. If total assets increased by \$500,000 during a period and total liabilities increased by \$420,000 during the same period, determine the net income (or loss) for the period, assuming no common stock was issued and dividends of \$40,000 were paid.
- a. \$40,000
  - b. \$210,000
  - c. \$120,000
  - d. \$290,000
62. Inventory is less liquid than \_\_\_\_\_.
- a. accounts receivable
  - b. land
  - c. plant and equipment
  - d. patents
63. Glocal Inc. has retained earnings of \$60,000, common stock of \$110,000, and liabilities of \$35,000. The total assets of the company are worth \_\_\_\_\_.
- a. \$205,000
  - b. \$145,000
  - c. \$95,000
  - d. \$170,000
64. Lewis Company has \$25,000 in retained earnings, \$40,000 in assets, and \$11,000 in liabilities. How much is in common stock?
- a. \$29,000
  - b. \$25,000
  - c. \$14,000
  - d. \$4,000
65. Navy Inc. buys land for \$500,000 cash in the month of March. In March, it also paid wages of \$100,000. Which of the following statements is true with regards to the above transactions?
- a. Navy Inc.'s profitability decreases by \$500,000, and liquidity decreases by \$100,000.
  - b. Navy Inc.'s liquidity decreases by \$600,000, and profitability remains unchanged.
  - c. Navy Inc.'s liquidity and profitability decrease by \$600,000.
  - d. Navy Inc.'s liquidity decreases by \$600,000, and profitability decreases by \$100,000.
66. A common-sized balance sheet is prepared by expressing each liability item as a percent of \_\_\_\_\_.
- a. total sales
  - b. total stockholders' equity
  - c. total liabilities
  - d. total liabilities plus stockholders' equity
67. The income statement for August indicates net income of \$100,000. The corporation also paid \$25,000 in dividends during the same period. If the company is in operation for only one month and has no beginning balance in retained earnings, what is the ending balance in retained earnings?

**chapter 2**

- a. \$75,000
  - b. \$100,000
  - c. \$20,000
  - d. \$125,000
68. Buying equipment for cash affects which account(s)?
- a. Cash only
  - b. Retained earnings only
  - c. Equipment and retained earnings
  - d. Cash and equipment
69. Which of the following is a control that is built into the integrated financial statement approach?
- a. Assets + Liabilities = Stockholders' equity.
  - b. Cash from operating activities is equal to cash on the balance sheet.
  - c. Net income on the income statement must equal the net effects of revenues and expenses on retained earnings.
  - d. Total assets on the balance sheet should equal income from investing activities on the statement of cash flows.
70. Rush Corporation borrowed \$25,000 from the bank. Which of the following accurately shows the effects of the transaction?
- a. Increase cash \$25,000 and decrease notes payable \$25,000
  - b. Increase cash \$25,000 and increase notes payable \$25,000
  - c. Decrease cash \$25,000 and decrease notes payable \$25,000
  - d. Decrease cash \$25,000 and increase notes payable \$25,000
71. Yuan Corporation purchased office equipment on account. What is the effect of this transaction?
- a. Cash will decrease and office equipment will increase.
  - b. Total assets will increase, and shareholders' equity will decrease.
  - c. Total assets and total liabilities will increase.
  - d. Cash flow from financing activities will decrease.
72. Which of the following situations increase stockholders' equity?
- a. Supplies are purchased on account.
  - b. Services are provided on account.
  - c. Cash is received from customers.
  - d. Utility bill will be paid next month.
73. Dim Co. issues common stock of \$15,000. Which of the following statements regarding the effect of this transaction on the company's liquidity and profitability metric is true?
- a. The transaction increases the liquidity and decreases the profitability of the company.
  - b. The transaction decreases the liquidity and increases the profitability of the company.
  - c. The transaction increases the liquidity and has no effect on the profitability of the company.
  - d. The transaction has no effect on the liquidity and increases the profitability of the company.
74. The statement of cash flows is integrated with the balance sheet because \_\_\_\_\_.
- a. the cash at the beginning of the period plus or minus the cash flows from operating, investing, and financing

**chapter 2**

activities equals the end of period cash reported on the balance sheet

- b. the cash at the beginning of the period plus or minus the net income equals the end of period cash reported on the balance sheet
- c. the cash at the beginning of the period plus or minus assets and liabilities equals the end of period cash reported on the balance sheet
- d. the cash at the beginning of the period plus or minus the cash flows from operating activities equals the end of period cash reported on the balance sheet

75. JNC Company sells its products for cash, at a profit of 20%. Which of the following financial statement elements are affected as a result of this transaction?

- a. Assets
- b. Assets and liabilities
- c. Liabilities and stockholders' equity
- d. Assets and stockholders' equity

76. Which of the following statements is true about liabilities?

- a. Liabilities include insurance premium paid in advance.
- b. Liabilities arise when a company sells goods on account.
- c. Liabilities equal assets plus stockholders' equity.
- d. Liabilities are the debt owed by a company.

77. The payment of a liability \_\_\_\_\_.

- a. decreases assets and stockholders' equity
- b. increases assets and decreases liabilities
- c. decreases assets and increases liabilities
- d. decreases assets and decreases liabilities

78. A to Z Corporation issued a \$30,000 note payable to borrow cash from the bank. On the Statement of Cash Flows, the transaction would be classified as \_\_\_\_\_.

- a. Cash Flows from Operating Activities
- b. Cash Flows from Investing Activities
- c. Cash Flows from Financing Activities
- d. Noncash transaction

79. If a \$15,000 purchase of equipment for cash is incorrectly recorded as an increase to equipment and as an increase to cash, at the end of the period assets will \_\_\_\_\_.

- a. exceed liabilities and stockholders' equity by \$15,000
- b. equal liabilities and stockholders' equity
- c. exceed liabilities and stockholders' equity by \$30,000
- d. exceed liabilities and stockholders' equity by \$40,000

80. Blue Ivy Inc. has the following transactions for the month of March:

Issued common stock	\$60,000
Purchased land by paying cash	\$100,000
Paid expenses	\$25,000

**chapter 2**

Earned cash fees                      \$75,000

As a cumulative result of these transactions, the liquidity of Blue Ivy Inc. \_\_\_\_\_.

- a. increases by \$75,000
- b. increases by \$10,000
- c. decreases by \$25,000
- d. decreases by \$50,000

81. If liabilities have a balance of \$10,000 and stockholders' equity has a balance of \$60,000, then assets must have a balance of \_\_\_\_\_.

- a. \$50,000
- b. \$60,000
- c. \$70,000
- d. \$10,000

82. For EFG Co., the transaction "purchase of store equipment with a note payable" would \_\_\_\_\_.

- a. increase total assets
- b. decrease total assets
- c. have no effect on total assets
- d. decrease total liabilities

83. If assets have a balance of \$80,000 and stockholders' equity has a balance of \$60,000, then liabilities must have a balance of \_\_\_\_\_.

- a. \$140,000
- b. \$60,000
- c. \$80,000
- d. \$20,000

84. Flow Inc. received cash from fees earned. How does this transaction affect the Statement of Cash Flows?

- a. Increase cash from Operating Activities
- b. Increase cash from Investing Activities
- c. Increase cash from Financing Activities
- d. No effect on the Statement of Cash Flows

85. A to Z Corporation purchased a building for \$80,000 cash. On the Statement of Cash Flows, the transaction would be classified as \_\_\_\_\_.

- a. Cash Flows from Operating Activities
- b. Cash Flows from Investing Activities
- c. Cash Flows from Financing Activities
- d. Noncash transaction

86. A \_\_\_\_\_ is an economic event that under generally accepted accounting principles affects an element of the financial statements and must be recorded.

- a. framework
- b. control
- c. set of rules

**chapter 2**

d. transaction

87. Which of the following transactions changes the mix of assets only?

- a. Paid for supplies with cash
- b. Borrowed money from Second National Bank
- c. Received money for fees earned
- d. Received a utility bill

88. Johnson, Inc., issued \$15,000 in common stock in exchange for cash. What is the effect of this transaction?

- a. Total assets remain unchanged.
- b. Cash flow from Financing Activities will increase.
- c. Net Income will increase.
- d. Total Retained Earnings will increase.

89. Which of the following transactions changes the mix of only liabilities?

- a. Paying off accounts payables by increasing a short-term loan
- b. Writing off accounts receivable as bad debt
- c. Financing the purchase of land with a long-term loan
- d. Paying accounts receivable with cash

90. For EFG Co., the transaction "payment of interest expense" would \_\_\_\_\_.

- a. increase total assets
- b. decrease total assets
- c. have no effect on total assets
- d. increase stockholders' equity

91.

	Year 2	Year 1
Sales	\$170,000	\$130,000
Cost of sales	135,000	105,000
Gross profit	\$ 35,000	\$ 25,000

Using the information in the table, calculate the percentage increase or decrease in cost of sales from Year 1 to Year 2.

- a. Increase of 2.1%
- b. Decrease of 1.4%
- c. Increase of 1.4%
- d. Decrease of 2.1%

92. The basic financial statements include the \_\_\_\_\_.

- a. trial balance
- b. bank reconciliation statement
- c. balance sheet
- d. ledger account

**chapter 2**

93. Calculate the following:

(a) Determine the cash receipts for May based on the following data:

Cash payments during May	\$42,500
Cash account balance, May 1	3,750
Cash account balance, May 31	6,000

(b) Determine the cash received from customers on account during May based on the following data:

Accounts receivable account balance, May 1	\$11,500
Accounts receivable account balance, May 31	8,250
Fees billed to customers during May	28,000

94. Explain how the four financial statements are linked.

95. On May 1, the cash account balance was \$72,600. During May, cash receipts totaled \$345,600 and the May 31 balance was \$95,230. Determine the cash payments made during May.

96. The following are included in Ace Auto Parts, Inc.'s December 31, 20Y7 balance sheet:

Accounts Receivable	\$ 50,000
Building	100,000
Cash	60,000
Land	130,000
Accounts Payable	40,000
Notes Payable	70,000
Stockholders' Equity	?

Below are the balances for December 31, 20Y8:

Accounts Receivable	\$ 90,000
Building	100,000
Cash	150,000
Land	130,000
Accounts Payable	60,000
Notes Payable	50,000
Stockholders' Equity	?

Analyze the changes in these balances and determine net income for 20Y8, assuming that the only change to stockholders' equity is from net income.

97. The accounting equation "Assets = Liabilities + Stockholders' Equity" is affected by transactions. Is it possible to have a transaction that only impacts one financial element of the equation? Can a transaction impact two elements of the equation? Give examples.

98. Letty's Laundry and Dry Cleaning incorporated and started business on January 1, 20X8.

- 1 Letty's Laundry and Dry Cleaning began business by depositing \$30,000 in a checking account in the name of Letty's Laundry and Dry Cleaning, Inc., for which common stock is issued.
- 2 Borrowed \$6,000 from City Bank.
- 3 Purchased equipment on account from Washers Wholesale, \$16,200.
- 4 Purchased supplies costing \$3,000 from Suds 'n Stuff for cash.
- 5 Paid one month's rent for business space in Pine Plaza, \$1,000.
- 6 Services provided to customers during January totaled \$13,400. All services were paid for in cash.

**chapter 2**

- 7 Paid employees for January, \$2,240.
- 8 Received and paid the utility bill, \$500.
- 9 Received and paid the telephone bill, \$250.
- 10 Paid dividends to the stockholders, \$2,140.

Indicate the effect of each transaction on the accounting equation by listing the numbers identifying the transactions, (1) through (10) in a vertical column, and inserting at the right of each number the appropriate letter from the following list:

a.	Increase in an asset, decrease in another asset
b.	Increase in an asset, increase in a liability
c.	Increase in an asset, increase in stockholders' equity
d.	Decrease in an asset, decrease in a liability
e.	Decrease in an asset, decrease in stockholders' equity

99. What are the basic elements of a financial accounting system?

100. How can a company earn a large net income and have a small balance in retained earnings?

**chapter 2**

**THE COCA-COLA COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

December 31,	2018	2017
(In millions except par value)		
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,926	\$ 6,006
Short-term investments	2,025	9,352
<b>TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>	<b>10,951</b>	<b>15,358</b>
Marketable securities	5,013	5,317
Trade accounts receivable, less allowances of \$489 and \$477, respectively	3,396	3,667
Inventories	2,766	2,655
Prepaid expenses and other assets	1,962	2,000
Assets held for sale	—	219
Assets held for sale — discontinued operations	6,546	7,329
<b>TOTAL CURRENT ASSETS</b>	<b>30,634</b>	<b>36,545</b>
<b>EQUITY METHOD INVESTMENTS</b>	<b>19,407</b>	<b>20,856</b>
<b>OTHER INVESTMENTS</b>	<b>867</b>	<b>1,096</b>
<b>OTHER ASSETS</b>	<b>4,139</b>	<b>4,230</b>
<b>DEFERRED INCOME TAX ASSETS</b>	<b>2,667</b>	<b>330</b>
<b>PROPERTY, PLANT AND EQUIPMENT — net</b>	<b>8,232</b>	<b>8,203</b>
<b>TRADEMARKS WITH INDEFINITE LIVES</b>	<b>6,682</b>	<b>6,729</b>
<b>BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES</b>	<b>51</b>	<b>138</b>
<b>GOODWILL</b>	<b>10,263</b>	<b>9,401</b>
<b>OTHER INTANGIBLE ASSETS</b>	<b>274</b>	<b>368</b>
<b>TOTAL ASSETS</b>	<b>\$ 83,216</b>	<b>\$ 87,896</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 8,932	\$ 8,748
Loans and notes payable	13,194	13,205
Current maturities of long-term debt	4,997	3,298
Accrued income taxes	378	410
Liabilities held for sale	—	37
Liabilities held for sale — discontinued operations	1,722	1,496
<b>TOTAL CURRENT LIABILITIES</b>	<b>29,223</b>	<b>27,194</b>
<b>LONG-TERM DEBT</b>	<b>25,364</b>	<b>31,182</b>
<b>OTHER LIABILITIES</b>	<b>7,638</b>	<b>8,021</b>
<b>DEFERRED INCOME TAX LIABILITIES</b>	<b>1,933</b>	<b>2,522</b>
<b>THE COCA-COLA COMPANY SHAREOWNERS' EQUITY</b>		
Common stock, \$0.25 par value; Authorized — 11,200 shares;		
Issued — 7,040 and 7,040 shares, respectively	1,760	1,760
Capital surplus	16,520	15,864
Reinvested earnings	63,234	60,430
Accumulated other comprehensive income (loss)	(12,814)	(10,305)
Treasury stock, at cost — 2,772 and 2,781 shares, respectively	(51,719)	(50,677)
<b>EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY</b>	<b>16,981</b>	<b>17,072</b>
<b>EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>2,077</b>	<b>1,905</b>
<b>TOTAL EQUITY</b>	<b>19,058</b>	<b>18,977</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 83,216</b>	<b>\$ 87,896</b>

Refer to Notes to Consolidated Financial Statements.

**THE COCA-COLA COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY (Partial)**

Year Ended December 31,	2018	2017
(In millions)		
<b>TREASURY STOCK</b>		
Balance at beginning of year	\$(50,677)	\$(47,988)
Treasury stock issued to employees related to stock compensation plans	704	909
Purchases of stock for treasury	(1,746)	(3,598)
<b>Balance at end of year</b>	<b>\$(51,719)</b>	<b>\$(50,677)</b>



**chapter 2**

101. Refer to Coke's balance sheet and/or Statement of Shareowners' Equity and answer the following questions:

- (a) Did Coke issue any common stock in 2018? If so, how many shares of common stock (in millions) were issued?
- (b) Did Coke purchase any common treasury stock in 2018? If so, what was the dollar amount (in millions) repurchased?
- (c) Did Coke issue any treasury stock in 2018? If so, for what purpose?

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

**chapter 2**

**Answer Key**

1. True

2. False

3. False

4. True

5. True

6. False

7. True

8. False

9. True

10. True

11. False

12. False

13. False

14. False

15. False

16. True

17. False

18. False

19. True

20. True

21. False

22. b

23. c

24. b

25. a

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

**chapter 2**

26. b

27. c

28. c

29. c

30. b

31. b

32. c

33. a

34. c

35. a

36. d

37. a

38. b

39. d

40. b

41. b

42. c

43. b

44. c

45. a

46. a

47. c

48. c

49. b

50. a

51. c

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

**chapter 2**

52. b

53. a

54. b

55. b

56. a

57. a

58. d

59. c

60. c

61. c

62. a

63. a

64. d

65. d

66. d

67. a

68. d

69. c

70. b

71. c

72. b

73. c

74. a

75. d

76. d

**chapter 2**

77. d

78. c

79. c

80. b

81. c

82. a

83. d

84. a

85. b

86. d

87. a

88. b

89. a

90. b

91. b

92. c

93.

(a) \$44,750 ( $\$6,000 + \$42,500 - \$3,750$ )

(b) \$31,250 ( $\$11,500 + \$28,000 - \$8,250$ )

94. A financial accounting system is designed to produce four financial statements. The income statement, statement of stockholders' equity, and statement of cash flows are linked to an element of the balance sheet.

(1) The income statement shows the net effects of revenues and expenses, which affects the retained earnings on the balance sheet.

The statement of stockholders' equity reflects the net income and dividends paid and

(2) shows how retained earnings in the balance sheet moves from the beginning balance to the ending balance.

The statement of cash flows explains how the cash balance in the balance sheet moves

(3) from the beginning balance to the ending balance by looking at the cash effects of operating, investing, and financing activities.

95.  $\$95,230 = \$72,600 + \$345,600 - ?$

Cash payments = \$322,970

96.

**chapter 2**

	<b>Assets =</b>	<b>Liabilities +</b>	<b>Stockholders' Equity</b>
	50,000		
	100,000		
	60,000	40,000	
	<u>130,000</u>	<u>70,000</u>	
Bal. 12/31/ 20Y7	<u>340,000</u>	<u>110,000</u>	<u>230,000</u>

	<b>Assets =</b>	<b>Liabilities +</b>	<b>Stockholders' Equity</b>
	90,000		
	100,000		
	150,000	60,000	
	<u>130,000</u>	<u>50,000</u>	
Bal. 12/31/ 20Y8	<u>470,000</u>	<u>110,000</u>	<u>360,000</u>

Stockholders' Equity ending balance	<u>\$360,000</u>
Stockholders' Equity beginning balance	<u>230,000</u>
Change - Net income	<u>\$130,000</u>

97. Yes to both questions. Examples include (1) increasing cash and decreasing equipment; (2) increasing cash and increasing stockholders' equity.

98.

1. c
2. b
3. b
4. a
5. e
6. c
7. e
8. e
9. e
10. e

99. A financial accounting system is designed to produce financial statements. The basic elements of a financial accounting system include

- (1) A set of rules for determining what, when, and the amount that should be recorded
- (2) A framework for preparing financial statements
- (3) One or more controls to determine whether errors may have arisen in the recording process

100. The company may pay out most of its earnings in dividends.

101.

- (a) No, for both 2018 and 2017, Coke had 7,040,000,000 shares issued.  
Yes, Coke purchased \$1,746,000,000 worth of its common stock. Per the Consolidated
- (b) Statements of Shareowners' Equity, purchases of stock for treasury (in millions) were \$(1,746).
- (c) Yes, for the purpose of employee stock compensation plans.

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

**chapter 2**