**Categories**

*Student: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

1. The statement of cash flows explains the difference between the beginning and ending balances of cash and cash equivalents.   
True    False

2. A cash equivalent must be readily convertible to a known amount of cash and must be sufficiently close to its maturity so its market value is unaffected by interest rate changes.   
True    False

3. Financing activities include (a) the purchase and sale of long-term assets, (b) the purchase and sale of short-term investments and (c) lending and collecting on loans.   
True    False

4. Both cash dividends received and interest received are considered to be investing inflows.   
True    False

5. The payment of cash dividends to shareholders is classified as a financing activity.   
True    False

6. The full disclosure principle requires that noncash investing and financing activities be disclosed as part of the statement of cash flows.   
True    False

7. The conversion of preferred stock to common stock is disclosed in the financing section of the statement of cash flows.   
True    False

8. A purchase of land in exchange for a long-term note payable is reported in the investing section of the statement of cash flows.   
True    False

9. A noncash investing transaction should be disclosed as either a footnote or small schedule attached to the statement of cash flows.   
True    False

10. A company purchased equipment for $150,000 by paying $50,000 and signing a $100,000 note payable. The entire transaction is disclosed to users on the statement of cash flows and/or in its notes.   
True    False

11. A purchase of land in exchange for shares of stock is disclosed on the statement of cash flows or in a note to the statement.   
True    False

12. Accounting standards require that the statement of cash flows be included in a complete set of financial statements.   
True    False

13. The statement of cash flows is:   
A. Another name for the statement of financial position  
B. A financial statement that presents information about changes in equity during a period  
C. A financial statement that reports the cash inflows and outflows for an accounting period and that classifies those cash flows as operating activities, investing activities or financing activities  
D. A financial statement that lists the types and amounts of assets, liabilities and equity of a business on a specific date  
E. A financial statement that lists the types and amounts of the revenues and expenses of a business for an accounting period

14. An investment that is readily convertible to a known amount of cash and that is sufficiently close to its maturity date so that its market value is relatively insensitive to interest rate changes is a(n):   
A. Short-term marketable equity security  
B. Operating activity  
C. Common stock  
D. Cash equivalent  
E. Financing activity

15. The appropriate section in the statement of cash flows for reporting the purchase of equipment for cash is:   
A. Operating activities  
B. Financing activities  
C. Investing activities  
D. Schedule of noncash investing or financing activity  
E. None of these as this is not reported on the statement of cash flows

16. The appropriate section in the statement of cash flows for reporting the cash payment of wages is:   
A. Operating activities  
B. Financing activities  
C. Investing activities  
D. Schedule of noncash investing or financing activity  
E. None of these as this is not reported on the statement of cash flows

17. The appropriate section in the statement of cash flows for reporting the issuance of common stock for cash is:   
A. Operating activities  
B. Financing activities  
C. Investing activities  
D. Schedule of noncash investing or financing activity  
E. None of these as this is not reported on the statement of cash flows

18. A company's transactions with its creditors to borrow money and/or to repay the principal amounts of loans are reported as cash flows from:   
A. Operating activities  
B. Investing activities  
C. Financing activities  
D. Direct activities  
E. Indirect activities

19. Activities that involve the production or purchase of merchandise and the sale of goods and services to customers, including expenditures related to administering the business, are classified as:   
A. Financing activities  
B. Investing activities  
C. Operating activities  
D. Direct activities  
E. Indirect activities

20. The appropriate section in the statement of cash flows for reporting the receipt of cash dividends from investments in securities is:   
A. Operating activities  
B. Financing activities  
C. Investing activities  
D. Schedule of noncash investing or financing activity  
E. None of these as this is not reported on the statement of cash flows

21. Which one of the following is representative of typical cash flows from operating activities?   
A. Proceeds from collecting the principal amount of loans  
B. Repayment of principal on loans  
C. Proceeds from the issuance of bonds and notes payable  
D. Payments by a merchandiser to acquire equity securities of other companies  
E. Receipts of cash sales

22. Cash flows from interest received are reported in the statement of cash flows as part of:   
A. Operating activities  
B. Financing activities  
C. Investing activities  
D. Noncash activities  
E. None of these as this is not reported in the statement of cash flows

23. The accounting principle that requires significant noncash financing and investing activities be reported on the statement of cash flows is the:   
A. Historical cost principle  
B. Materiality principle  
C. Full disclosure principle  
D. Going concern principle  
E. Business entity principle

24. The appropriate section in the statement of cash flows for reporting the purchase of land in exchange for common stock is:   
A. Operating activities  
B. Financing activities  
C. Investing activities  
D. Schedule of noncash investing or financing activity  
E. None of these as this is not reported on the statement of cash flows

25. The purchase of long-term assets by issuing a note payable for the entire amount is reported on the statement of cash flows in the:   
A. Operating activities  
B. Financing activities  
C. Investing activities  
D. Schedule of noncash financing and investing activities  
E. None of these as this is not reported on the statement of cash flows

26. Accounting standards:   
A. Allow companies to omit the statement of cash flows from a complete set of financial statements if cash is an insignificant asset  
B. Require that companies omit the statement of cash flows from a complete set of financial statements if the company has no investing activities  
C. Require that companies include a statement of cash flows in a complete set of financial statements  
D. Allow companies to include the statement of cash flows in a complete set of financial statements if the cash balance makes up more than 50% of the current assets  
E. Allow companies to omit the statement of cash flows from a complete set of financial statements if the company has no financing activities

27. The statement of cash flows explains how transactions and events impact the end-of-period cash balance to produce the end-of-period net income balance.   
True    False

28. To be classified as a cash equivalent, an investment must be readily convertible to an unknown amount of cash, because the market value may be affected by interest rate changes.   
True    False

29. The primary purpose of the statement of cash flows is to report all major cash receipts (inflows) and cash payments (outflows) during a period.   
True    False

30. The statement of cash flows reports the total change in cash in the period.   
True    False