1. **Answer: B** – Revenue is recorded when a company earns it. Providing services to customers is an example of earning revenue.

2. **Answer: C** – In the accounting equation, assets must equal total claims (liabilities and stockholders’ equity). If assets total $100,000 and liabilities are $42,000, then stockholders’ equity must be $58,000. With retained earnings of $38,000, common stock must be $58,000 - $38,000 = $20,000.

3. **Answer: B** – When a company issues common stock, assets (cash) and equity (common stock) both increase. The event does not affect the income statement.

4. **Answer: A** – In the accounting equation, assets must equal total claims (liabilities and stockholders’ equity). If assets total $20,000 and stockholders’ equity totals $12,000, liabilities must be $8,000 ($20,000 = x + $12,000).

5. **Answer: D** – The income statement, the statement of changes in stockholders’ equity, and the statement of cash flows all report activities over a period of time, such as a year. The balance sheet, however, reports information for a specific point in time, such as “at December 31”.

6. **Answer: A** – Operating activities are cash flows related to revenues and expenses.

7. **Answer: C** – Net cash inflow for operating activities is $800 ($2,500 inflow from revenue minus $1,700 outflow for expenses). The $250 payment of dividends is a cash outflow for financing activities.

8. **Answer: A** – When a company provides services for cash, assets (cash) increase and net income increases, which increases equity (retained earnings). It is a cash inflow from operating activities.

9. **Answer: D** – Retained earnings increased by $300 ($800 - $500). The $300 increase is the result of X revenues - $600 expenses - $100 dividends. $1,000 revenues - $600 expenses - $100 dividends = $300.

10. **Answer: D** – Purchasing land for cash increases one asset (land) and decreases another asset (cash), so there is no net change in assets. It is a cash outflow for investing activities.

11. **Answer: C** – Payment of dividends is reported on the statement of changes in stockholders’ equity and it is reported as a cash outflow for financing activities on the statement of cash flows.

12. **Answer: B** – Earning cash revenue increases assets (cash) and increases revenue, which increases net income and equity (retained earnings). It is a cash inflow from operating activities.

13. **Answer: D** – Acquiring cash by issuing common stock increases assets (cash) and increases equity (common stock). It is a cash inflow from financing activities.

14. **Answer: B** – Selling land for cash at its original purchase price increases one asset (cash) and decreases another asset (land), so there is no net change in assets. It is a cash inflow from investing activities.

15. **Answer: A** – Providing services for cash increases assets (cash) and increases revenue, which increases net income and equity. It is a cash inflow for operating activities.

16. **Answer: C** – Paying utilities expense decreases assets (cash) and increases expense, which decreases net income and equity. It is a cash outflow for operating activities.

17. **Answer: D** – Paying cash dividends decreases assets (cash) and decreases equity (retained earnings), but does not affect the income statement. It is a cash outflow for financing activities.

18. **Answer: C** – Beginning retained earnings $300 + $350 revenue - $250 expenses - $50 dividend = $350 ending balance.

19. **Answer: C** – The ending cash balance is $13,500: $10,000 beginning balance + $15,000 cash revenue - $11,000 cash expenses - $500 dividends

20. **Answer: D** – Paying cash dividends decreases assets (cash) and decreases equity (retained earnings). All of the other answers are false.