1. In this question you will fill in the blanks with one of the following words:

<table>
<thead>
<tr>
<th>Current Assets</th>
<th>Non-Current Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td>Property, Plant and Equipment Assets</td>
</tr>
<tr>
<td>Depreciation</td>
<td>Retained Earnings</td>
</tr>
<tr>
<td>Intangible</td>
<td>Share Capital</td>
</tr>
<tr>
<td>Long-Term Investments</td>
<td>Shareholders’ Equity</td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td></td>
</tr>
</tbody>
</table>

**Depreciation** is an allocation (as an expense) of the cost of property, plant and equipment over their estimated useful life.

**Shareholders’ Equity** is made up of share capital and retained earnings.

**Property, Plant and Equipment Assets** have long useful lives. Such as: Land, Buildings, Furniture, Equipment and computers.

**Retained Earnings** is the cumulative net income kept for use in the company.

**Non-Current Assets** not expected to be converted to cash, sold or used in the business within one year of the financial statement date or one operating cycle.

**Current Liabilities** are to be paid or settled within the (longer of the) one year of the financial date or one operating cycle.

**Long-Term Investments** are normally not intended to be sold (and converted to cash within one year).

**Share Capital** is an investment of cash (or other assets) in the company by shareholders in exchange for preferred or common shares.

**Current Assets** expected to be converted to cash, sold or used in the business within one year of the financial statement date or one operating cycle, whichever is longer.

**Intangible Assets** do not have physical substance but have significant value. Such as: Patents, copyrights, trademarks, and licenses.

**Non-Current Liabilities** are to be paid or settled after one year.
2. The following is a list of accounts in alphabetical order. Identify where each account belongs on the Statement of Financial Position (or Balance Sheet). If the account does not belong on the Statement of Financial Position, please mark as Not Applicable (N/A).

<table>
<thead>
<tr>
<th>Current Assets (CA)</th>
<th>Long-Term Investments (LTI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities (CL)</td>
<td>Non-Current Liabilities (NCL)</td>
</tr>
<tr>
<td>Goodwill (G)</td>
<td>Property, Plant and Equipment Assets (PPE)</td>
</tr>
<tr>
<td>Intangible (IA)</td>
<td>Shareholders’ Equity (SE)</td>
</tr>
</tbody>
</table>

- CL Accounts Payable
- CA Accounts Receivable
- PPE Accumulated Depreciation-Building
- CL Bank Loan Payable (Due in 6 Months)
- NCL Bond Payable (Due in 10 years)
- PPE Building
- CA Cash
- SE Common Shares
- IA Copyrights
- CL Deferred Revenue
- G Goodwill
- N/A Depreciation Expense
- NCL Mortgage Payable (Due in 25 Years)
- CA Prepaid Insurance
- SE Retained Earnings
- N/A Revenue
- N/A Salaries Expense
- CL Salaries Payable

3. In this question you will fill in the blanks with one of the following words:

<table>
<thead>
<tr>
<th>Compara</th>
<th>Material</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confir</td>
<td>Predictive</td>
</tr>
<tr>
<td>Cost</td>
<td>Relevance</td>
</tr>
<tr>
<td>Faithful Representation</td>
<td>Verifiability</td>
</tr>
</tbody>
</table>

Accounting information has **relevance** if it makes a difference in users’ decisions.

Financial information has **predictive value** if it helps users make predictions about future events.

Financial information has **confirmatory value** if it helps users confirm or correct their previous predictions or expectations.

Information is considered **material** if its omission or misstatement could influence the decisions of users.

Information that is **faithful representation** should reflect economic reality and it must be complete, neutral and free from error.

**Comparability** happens when users can identify and understand similarities and differences among items.

**Verifiability** happens when independent consensus that information is faithfully represented.

**Cost Constraint** ensures that the value of the information provided by financial reporting is greater than the cost of providing it.

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**Academic Success Centre**

This answer key has been created by Michael Reimer for the Academic Success Centre