

1. A city, a university and a corporation. The student could also name specific entities, such as New Haven, Connecticut, IBM, and Yale University.
2. From that entity's point of view.
3. This is another name for a balance sheet.
4. $\text{Assets} = \text{Liabilities} + \text{Equities}$
5. An asset is a probable future economic benefit obtained or controlled by an entity as a result of a past transaction or event.
6. **Cash** owned by an entity is an asset because it can be exchanged for future goods or services and it was obtained through a past transaction. An **account receivable** is an asset because it is owned by an entity, it will generate a probable future benefit because it is likely to result in the receipt of cash, and it was obtained by the result of a past transaction, a sale. An entity's **manufacturing plant** is an asset because it will generate future benefits, the production of goods, and it was purchased in a past transaction. An entity's **delivery vehicles** are assets because they generate future benefits, the delivery of goods, and they were purchased in past transactions. An entity's **land** is an asset because it generates future benefits, land usage, and it was purchased in a past transaction. There are many other examples that the student could give, but in explaining why an item is an asset, the answer should mention or imply that the entity owns or controls the item, that the item generates a future benefit, and that the item was obtained through a past transaction.
7. Current assets are assets whose benefits will be realized within one year of the balance sheet date. Long-term assets are assets whose benefits will be realized more than one year after the balance sheet date.
8. Valuation is the assignment of a monetary amount.
9. Market valuation is the assignment of a monetary amount in a market.
10. An "accounting" or "balance sheet valuation" is the way items are assigned monetary amounts at which items are listed on a balance sheet.
11. Market values are the outcomes of market processes, such as bidding or the equating of supply and demand. Book values are the result of the application of accounting rules.
12. Market value, historical cost less accumulated depreciation, and expected net realizable value.
13. A liability is a probable future sacrifice of economic benefits arising from present obligations of an entity to transfer assets or provide services as a result of a past transaction or event.
14. An account payable, a note payable, a bond payable, a warranty payable, and income taxes payable are all liabilities. All require the probable future sacrifice of cash (an economic benefit), all arise from present obligations as a result of a past transaction such as a purchase of goods, borrowing money,

selling a good or service with a warranty, and earning income that generates a tax obligation.

15. Current liabilities require the sacrifice of economic benefits within the next year after the balance sheet date. Long-term liabilities require the sacrifice of economic benefits after one year from the balance sheet date.
16. Equity is the difference between assets and liabilities.
17. Common stock, retained earnings and additional paid-in capital.
18. The total equity should be equal to the value at which the company could be purchased, which is the market value of its assets.
19. The total equity is likely to understate the value of the company, assuming the market value of the land has increased from the time the company bought the land.
20. Debits increase assets, by convention.
21. Because to them, your deposit increases their liability to you, and credits increase liabilities.
22. A trial balance is a list of all the accounts and their balances. Its purpose is to check whether debits equal credits, and it is useful to check for errors in entering amounts in the accounts.