

As you study accounting, you will become increasingly familiar with a variety of generally accepted accounting principles. Already, you are beginning to appreciate some of the fundamental principles, rules, and procedures. Evaluate the following ten comments, and state whether you agree or disagree:

- (a) The fundamental accounting equation precludes a situation where liabilities exceed assets.
- (b) A complete set of financial statements would include a cash flow statement.
- (c) The balance sheet can be prepared in a vertical or horizontal format.
- (d) The period of time covered by each financial statement is identical.
- (e) Many assets are reported at their historical cost.
- (f) Revenue should not be recognized before it is collected.
- (g) The term income is synonymous with the term revenue.
- (h) Dividends are reported as an expense on the income statement.
- (i) Retained earnings will equal cash on hand.
- (j) Issuing stock does not increase a company's revenue or income.