Student name:\_\_\_\_\_\_\_\_\_\_

**1)** What is the “language of business?” List three groups who use this financial information.

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-03 Identify the users of financial information.  
Gradable : manual  
Accessibility : Screen Reader Compatible

**2)** Cullen Company of country X and Shaw Industries of country Y have issued financial statements in compliance with the accounting principles of their respective countries. They would like to work together on a project and need to compare their current financial statements prior to starting the project. However, the accounting principles of the two countries differ. What organization might they turn to regarding this issue? (Give both the full name of the organization and its acronym.) What is the function of this organization?

**Question Details**AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Global  
Gradable : manual  
Accessibility : Screen Reader Compatible

**3)** You have just entered college and decide to pursue a career as a certified bookkeeper. What three requirements must you satisfy to receive this designation?

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : manual  
Accessibility : Screen Reader Compatible

**4)** There are three general services public accountants offer. List and briefly describe each.

**Question Details**Topic : What is Accounting?  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Difficulty : 2 Medium  
Bloom's : Understand  
Gradable : manual  
Accessibility : Screen Reader Compatible

**5)** List at least five activities performed by managerial accountants.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : manual  
Accessibility : Screen Reader Compatible

**6)** Having enjoyed multiple accounting courses in college, you have decided to pursue a CPA license. What requirements must you fulfill to achieve this certification?

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : manual  
Accessibility : Screen Reader Compatible

**7)** How do sole proprietorships, partnerships, and corporations differ?

**Question Details**AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Difficulty : 2 Medium  
Bloom's : Understand  
Gradable : manual  
Accessibility : Screen Reader Compatible

**8)** List three individuals or groups who use financial information to make decisions about a firm. For each listed, give an example of why they would need the information.

**Question Details**Topic : What is Accounting?  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-03 Identify the users of financial information.  
Difficulty : 2 Medium  
Bloom's : Understand  
Gradable : manual  
Accessibility : Screen Reader Compatible

**9)** List the “Big Four” public accounting firms in the United States.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : manual  
Accessibility : Screen Reader Compatible

**10)** Audited financial statements include an auditor’s report. What does this auditor’s report contain?

**Question Details**AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Difficulty : 2 Medium  
Bloom's : Understand  
Gradable : manual  
Accessibility : Screen Reader Compatible

**11)** List at least three of the provisions of the Sarbanes-Oxley Act.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-03 Identify the users of financial information.  
Gradable : manual  
Accessibility : Screen Reader Compatible

**12)** What determines the independence of Certified Public Accountants (CPAs)?

**Question Details**AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Difficulty : 2 Medium  
Bloom's : Understand  
Gradable : manual  
Accessibility : Screen Reader Compatible

**13)** Name three governmental agencies that employ a large number of accountants.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : manual  
Accessibility : Screen Reader Compatible

**14)** Accounting is often referred to as the language of \_\_\_\_\_\_\_\_\_\_.

A) business   
 B) finance  
 C) money  
 D) data

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**15)** The results of the accounting process are summarized in periodic reports called \_\_\_\_\_\_\_\_\_\_.

A) cash budgets   
 B) bank reconciliations  
 C) financial statements  
 D) worksheets

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : FN Reporting  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**16)** Which of the following is not a goal of the internal controls implemented by owners and managers?

A) to safeguard assets   
 B) to ensure reliability of accounting data  
 C) to promote compliance with management policies and applicable laws  
 D) to reduce expenses through the use of efficient processes

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-03 Identify the users of financial information.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**17)** The three major legal forms of business entity are the sole proprietorship, the partnership, and the \_\_\_\_\_\_\_\_\_\_.

A) merchandiser   
 B) corporation  
 C) service business  
 D) small business

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**18)** A partnership has \_\_\_\_\_\_\_\_\_\_ owners.

A) zero   
 B) one  
 C) two or more  
 D) either one or two

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**19)** Ownership in a corporation is evidenced by shares of \_\_\_\_\_\_\_\_\_\_.

A) stock   
 B) assets  
 C) liabilities  
 D) profit

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**20)** The Securities and Exchange Commission (SEC) regulates the accounting methods and financial reporting of \_\_\_\_\_\_\_\_\_\_ corporations.

A) all   
 B) multimillion dollar  
 C) privately held  
 D) publicly owned

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-03 Identify the users of financial information.  
AICPA : FN Reporting  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**21)** The financial statements submitted to the SEC by a corporation must be \_\_\_\_\_\_\_\_\_\_ by an independent accountant to ensure their fairness and adherence to generally accepted accounting principles.

A) audited   
 B) reviewed  
 C) created  
 D) read

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
AICPA : FN Reporting  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**22)** Accountants normally choose to practice in one of three areas: public accounting, managerial accounting, or \_\_\_\_\_\_\_\_\_\_ accounting.

A) not-for-profit   
 B) governmental  
 C) financial  
 D) tax

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**23)** A form of business entity owned by one person is called a(n) \_\_\_\_\_\_\_\_\_\_.

A) limited liability company   
 B) partnership  
 C) corporation  
 D) sole proprietorship

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**24)** A form of business entity owned by two or more people is called a(n) \_\_\_\_\_\_\_\_\_\_.

A) corporation   
 B) sole proprietorship  
 C) partnership  
 D) limited liability company

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**25)** The people, companies, or government agencies to whom a firm owes money are called \_\_\_\_\_\_\_\_\_\_.

A) creditors   
 B) debtors  
 C) purchasing agents  
 D) partners

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**26)** The process by which financial information about a business is recorded, classified, summarized, interpreted, and communicated to owners, managers, and other interested parties is called \_\_\_\_\_\_\_\_\_\_.

A) accounting   
 B) finance  
 C) economics  
 D) computer science

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**27)** Tax accounting is a service offered by public accounting firms that involves tax \_\_\_\_\_\_\_\_\_\_ and tax planning.

A) payment   
 B) compliance  
 C) avoidance  
 D) elimination

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**28)** The \_\_\_\_\_\_\_\_\_\_ (GAAP) must be followed by publicly owned companies and are changed and refined in response to changes in the environment in which businesses operate.

A) general accounting & auditing principles   
 B) generally accepted auditing principles  
 C) governmental accounting & auditing principles  
 D) generally accepted accounting principles

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : FN Reporting  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**29)** The owners of a corporation are called \_\_\_\_\_\_\_\_\_\_.

A) officers   
 B) employees  
 C) stockholders or shareholders  
 D) employers

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**30)** Which of the following is NOT an occupation with similar job duties to accountants and auditors?

A) budget analyst   
 B) cost estimator  
 C) actuary  
 D) personal financial advisor

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**31)** Managerial accountants usually do which of the following?

A) audit financial statements   
 B) prepare and audit tax returns  
 C) prepare internal reports for management  
 D) investigate companies for possible violations of law

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**32)** Identify which of the following parties would not be involved in maintaining internal controls.

A) employees   
 B) managers  
 C) owners  
 D) banks

**Question Details**Topic : What is Accounting?  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-03 Identify the users of financial information.  
Difficulty : 2 Medium  
Bloom's : Understand  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**33)** An example of an economic entity is

A) a town.   
 B) a business.  
 C) a politician.  
 D) a church.

**Question Details**AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : BB Critical Thinking  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**34)** The form of a business organization that is not affected by the withdrawal or death of an owner and can continue indefinitely is the

A) sole proprietorship.   
 B) partnership.  
 C) corporation.  
 D) nonprofit organization.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**35)** Which of the following is NOT a goal of an accounting system?

A) to accumulate data about a firm’s financial affairs   
 B) to classify data about a firm’s financial affairs in a meaningful way  
 C) to interpret the relative success of a business through the examination of data about its financial affairs  
 D) to summarize data about a firm’s financial affairs in periodic reports called financial statements

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : FN Reporting  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**36)** Which of the following is NOT a task undertaken by the accountant within an organization?

A) establish the records and procedures that make up the accounting system   
 B) supervise the operations of the accounting system  
 C) interpret the financial information that results from the accounting system  
 D) create generally accepted accounting principles upon which the accounting system is based

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : FN Reporting  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**37)** The Financial Accounting Standards Board is responsible for

A) auditing financial statements.   
 B) developing generally accepted accounting principles.  
 C) establishing accounting systems for businesses.  
 D) making recommendations to the Securities and Exchange Commission.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**38)** The government agency that has final authority over the financial reporting of publicly owned corporations is the

A) Securities and Exchange Commission.   
 B) Federal Trade Commission.  
 C) Internal Revenue Service.  
 D) Financial Accounting Standards Board.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**39)** The separate entity assumption dictates that which of the following should be kept separate?

A) a firm’s financial records and an owner’s personal financial records   
 B) a firm’s physical location and an owner’s home  
 C) the financial records of different subsidiaries within a single firm  
 D) a firm’s financial records for U.S.-based locations and its financial records for international locations

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : FN Decision Analysis  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**40)** All financial statements submitted to the SEC by publicly owned corporations must include an auditor's report prepared by

A) an internal auditor.   
 B) the firm's managerial accountant.  
 C) an independent certified public accountant.  
 D) anyone in the accounting department.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**41)** Which of the following is NOT an activity performed by managerial accountants?

A) preparing financial statements   
 B) conducting independent audits of financial statements  
 C) preparing tax forms  
 D) interpreting financial information

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**42)** The corporations whose stock can be bought and sold on stock exchanges and in over-the-counter markets are referred to as

A) privately owned corporations.   
 B) closely held corporations.  
 C) publicly owned corporations.  
 D) sole proprietorships.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**43)** Which of the following represents the correct order in which the FASB develops Statements of Financial Accounting Standards?

A) public heaings, discussion memorandum, exposure draft, vote   
 B) exposure draft, discussion memorandum, public hearings, vote  
 C) discussion memorandum, public hearings, exposure draft, vote  
 D) discussion memorandum, exposure draft, public hearings, vote

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**44)** Owners are not personally responsible for the debts of the business if the form of business organization is a

A) sole proprietorship.   
 B) partnership.  
 C) corporation.  
 D) nonprofit organization.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**45)** Identify the form of business that is considered a separate legal entity.

A) a sole proprietorship   
 B) a corporation  
 C) a limited liability partnership  
 D) a partnership

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**46)** Identify the *advantages* of forming a business as an S Corporation.

A) owners avoid double taxation and owners have limited liability   
 B) owners are personally liable for all corporate debt and owners avoid double taxation  
 C) owners have limited liability and corporation’s earnings are tax free  
 D) owner is personally responsible for debts of the business and earnings are reported directly on owner’s personal tax return

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**47)** Which of the following is the purpose of financial statements?

A) to periodically summarize data about a firm’s financial affairs   
 B) to compare a firm’s performance to that of its competitors  
 C) to present historical data of a company  
 D) to analyze the future financial prospects of a firm

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : FN Reporting  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**48)** Which of the following is NOT part of the process of accounting for financial information?

A) recording   
 B) identifying  
 C) communicating  
 D) classifying

**Question Details**Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Difficulty : 2 Medium  
Bloom's : Understand  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**49)** Which of the following is a true statement in regards to the International Accounting Standards Board?

A) The IASB deals with issues caused by the lack of uniform accounting principles existing in different countries   
 B) The IASB was created by the American Accounting Association  
 C) The IASB develops all accounting principles to be used in the United States  
 D) The IASB has the authority to audit financial statements of all US corporations

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Topic : Accounting Standards  
AICPA : BB Global  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**50)** Which of the following is NOT a service of public accounting firms?

A) auditing   
 B) tax accounting  
 C) management advisory services  
 D) investment services

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**51)** Which of the following accurately describes tax compliance?

A) giving advice to clients on how to reduce their tax liability   
 B) helping clients improve their business performance  
 C) helping clients improve their information systems  
 D) preparing tax returns and the audit of those returns by the IRS

**Question Details**Topic : What is Accounting?  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Difficulty : 2 Medium  
Bloom's : Understand  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**52)** Tax planning includes

A) preparing tax returns.   
 B) auditing tax returns.  
 C) correcting tax returns.  
 D) suggesting actions to reduce tax liability.

**Question Details**Topic : What is Accounting?  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Difficulty : 2 Medium  
Bloom's : Understand  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**53)** Managerial accounting is

A) public accounting.   
 B) government accounting.  
 C) private accounting.  
 D) tax accounting.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**54)** The following are all government agencies **except** the

A) SEC.   
 B) AICPA.  
 C) IRS.  
 D) FBI.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**55)** Which of the following did NOT result from the Sarbanes-Oxley Act?

A) the creation of a five-member Public Company Accounting Oversight Board   
 B) the reduction of the “Big Five” accounting firms to the “Big Four”  
 C) the requirement that chief executives and chief financial officers of publicly-traded corporations certify their financial statements  
 D) the requirement that accounting firms maintain the same lead auditor for a company for at least ten years

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-03 Identify the users of financial information.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**56)** Owners and managers need financial information in order to

A) grant loans.   
 B) issue credit.  
 C) collect taxes.  
 D) make decisions.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-03 Identify the users of financial information.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**57)** The Sarbanes-Oxley Act includes rules on

A) auditor retention.   
 B) auditor reliability.  
 C) auditor rotation.  
 D) auditor reporting.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-03 Identify the users of financial information.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**58)** A form of the partnerships business entity is

A) LLP.   
 B) LLC.  
 C) INP.  
 D) DBA.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**59)** GAAP are developed by what body?

A) FASB   
 B) SEC  
 C) AICPA  
 D) IRS

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**60)** The review of financial statements to assess their fairness and adherence to GAAP is

A) accounting.   
 B) preparation.  
 C) compliance.  
 D) auditing.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**61)** Management advisory services are designed to help

A) government agencies.   
 B) clients.  
 C) employers.  
 D) creditors.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**62)** An independent accountant who is licensed by the state and provides accounting services to the public for a fee is a

A) CIA.   
 B) CFE.  
 C) CMA.  
 D) CPA.

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**63)** The Financial Accounting Standards Board has the authority to develop generally accepted accounting principles. Choose the option below that contains the steps used by the FASB in developing GAAP.

A) steps include: publishing a notice in the newspaper, seeking public opinion, and issuing a statement of principle.   
 B) steps include: issuing a discussion memorandum, filing a legal draft, and notifying the SEC.  
 C) steps include: filing a complaint with the SEC, issuing an internal report, and issuing a statement of principle.  
 D) steps include: issuing a discussion memorandum, issuing an exposure draft, and issuing a statement of principle.

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**64)** The purpose of accounting is to provide financial information about a business.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**65)** A firm’s financial affairs are summarized in periodic reports called general ledgers.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**66)** In a sole proprietorship, the owner is NOT responsible for the debts of the business if the company is unable to pay.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**67)** The Securities and Exchange Commission (SEC) has the authority to suspend trading of a company’s shares on stock exchanges.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-03 Identify the users of financial information.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**68)** Currently, generally accepted accounting principles are developed by the American Institute of Certified Public Accountants (AICPA).

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**69)** The Securities and Exchange Commission (SEC) requires that publicly owned corporations submit financial statements to it at least one time each year.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**70)** Public accounting firms provide three major types of services: auditing, tax accounting, and management advisory services.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**71)** To become a Certified Bookkeeper a candidate must either pass a four-part exam or meet a work experience requirement.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
AICPA : FN Reporting  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**72)** Anyone can invest in a closely held corporation.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**73)** Managerial Accounting is any activity associated with the preparation of tax returns and the audit of those returns.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**74)** The separate entity assumption applies only to the corporate form of business.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**75)** When developing GAAP, one step undertaken by the FASB includes holding public hearings where interested parties can express their opinions.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-05 Describe the process used to develop generally accepted accounting princip  
Topic : Generally Accepted Accounting Principles  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**76)** Public accountants work on the staff of federal, state, or local governmental units.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**77)** The SEC uses financial information to determine a company's tax base.

⊚ true  
 ⊚ false

**Question Details**Topic : What is Accounting?  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
AICPA : BB Legal  
Learning Objective : 01-03 Identify the users of financial information.  
Difficulty : 2 Medium  
Bloom's : Understand  
AICPA : FN Measurement  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**78)** When a partner leaves the company, the partnership is dissolved and a new partnership may be formed with the remaining partners.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**79)** Accounting is used to communicate financial information and therefore is called the “language of data”.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**80)** Some users of the financial information of a business are employed by the business while others are independent, outside parties.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-03 Identify the users of financial information.  
AICPA : FN Reporting  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**81)** The certified bookkeeper designation indicates that an individual possesses the level of knowledge and skills needed to carry out all key accounting functions through the adjusted trial balance, including payroll.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-02 Identify and discuss career opportunities in accounting.  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**82)** Accountants provide financial information to various parties so they can make business decisions.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Learning Objective : 01-01 Define accounting.  
Topic : What is Accounting?  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**83)** When a business is organized as a sole proprietorship, the owner should combine his/her personal financial information with the business financial information.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : FN Reporting  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**84)** A business partnership consists of two or more owners.

⊚ true  
 ⊚ false

**Question Details**Difficulty : 1 Easy  
Bloom's : Remember  
AACSB : Analytical Thinking  
AICPA : BB Industry  
AICPA : FN Decision Making  
Accessibility : Keyboard Navigation  
Type : Static  
Learning Objective : 01-04 Compare and contrast the three types of business entities.  
Topic : Types of Business Entities  
AICPA : BB Legal  
Gradable : automatic  
Accessibility : Screen Reader Compatible

**Answer Key**Test name: Chapter 01

1) Accounting is the language of business. The groups who use this information are owners and managers, suppliers, banks, tax authorities, regulatory agencies and investors, customers, and employees and unions.

2) Organization: International Accounting Standards Board (IASB). The function of the IASB is to deal with issues caused by the lack of uniform accounting principles and make recommendations to enhance comparability.

3) To become a Certified Bookkeeper you must pass the national certified bookkeeper exam, sign a code of ethics, and submit evidence of at least two years of full-time bookkeeping experience or 3,000 hours of part-time or freelance experience.

4) Auditing: the review of financial statements to assess their fairness and adherence to GAAP.  
Tax accounting: tax compliance-dealing with the preparation of tax returns and the audit of those returns, and tax planning. Also giving advice to clients on how to structure their financial affairs in order to reduce their tax liability.  
Management advisory services: helping clients improve their information systems or their business performance.

5) Establishing accounting policies, managing the accounting system, preparing financial statements, interpreting financial information, providing financial advice to management, preparing tax forms, performing tax planning services, and preparing internal reports for management.

6) To become a Certified Public Accountant (CPA) you must have completed a certain number of college credits in accounting courses, demonstrate good personal character, pass the Uniform CPA exam, and fulfill the experience requirements of the state of practice.

7) Sole proprietorships-business entities owned by one person who is responsible for the business debts and taxes. The business ends when the owner dies. Partnerships-business entities owned by two or more individuals who are individually, and as a group, responsible for the partnership’s debts and taxes. A partnership ends when one or more partners withdraw or die. Corporations-business entities with one or more owners which can continue indefinitely unless bankruptcy occurs or the stockholders vote to liquidate. Stockholders (owners) are not personally responsible for the corporation’s debts and can only lose the amount they invested.

8) Owners and managers-to evaluate results of operations or to make decisions about the future. Suppliers-to assess the ability of the firm to pay its bills and to set credit limits. Banks-to determine whether the firm can repay the loan in a timely manner. Tax authorities-to determine the tax base of the firm. Regulatory agencies and investors-to fulfill the requirements of the law. Customers-to determine whether service on purchases will continue into the future. Employees and unions-to negotiate wages and benefits.

9) Deloitte & Touche, Ernst & Young, KPMG, and PricewaterhouseCoopers

10) It contains the auditor’s opinion regarding the fair presentation of the operating results and financial position of the business. The report also confirms the financial information is prepared in conformity with GAAP.

11) The act tightens regulation of financial reporting by publicly held companies and their accountants and auditors; creates a five-member Public Company Accounting Oversight Board to oversee the accounting profession which in turn is overseen by the SEC; includes rules on consulting services, auditor rotation, criminal penalties, corporate governance, and securities regulation; requires auditors to maintain all audit or review work papers for five years; requires chief executives and chief financial officers of publicly traded corporations to certify their financial statements; requires quicker disclosure of material changes in a firm’s financial position; provides protection for whistle blowers; and lengthens the time investors have to file lawsuits for securities fraud.

12) They are not employees of the companies they audit and they do not have a financial interest in those companies.

13) Any of the following agencies may be named: The Securities and Exchange Commission, the Internal Revenue Service, the Federal Bureau of Investigation, and Homeland Security

14) A

15) C

16) D

17) B

18) C

19) A

20) D

21) A

22) B

23) D

24) C

25) A

26) A

27) B

28) D

29) C

30) C

31) C

32) D

33) B

34) C

35) C

36) D

37) B

38) A

39) A

40) C

41) B

42) C

43) C

44) C

45) B

46) A

47) A

48) B

49) A

50) D

51) D

52) D

53) C

54) B

55) D

56) D

57) C

58) A

59) A

60) D

61) B

62) D

63) D

64) TRUE

65) FALSE

66) FALSE

67) TRUE

68) FALSE

69) TRUE

70) TRUE

71) FALSE

72) FALSE

73) FALSE

74) FALSE

75) TRUE

76) FALSE

77) FALSE

78) TRUE

79) FALSE

80) TRUE

81) TRUE

82) TRUE

83) FALSE

84) TRUE