|  |
| --- |
| True / False |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. The purpose of accounting is to provide financial information about the current operations and financial conditions of a business to individuals and organizations.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. Because financial information is communicated in accounting terms, accounting is said to be the "language of business."

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. ​Interpreting refers to reviewing events that have taken place and determining how they affect a business.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. A partnership is owned by stockholders or shareholders and is managed by them.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. A business that makes a product to sell is called a manufacturing business.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. A public accountant can achieve professional recognition as a Certified Public Accountant by meeting certain educational and experience requirements as determined by each state.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. The six major steps of the accounting process are analyzing, recording, classifying, summarizing, reporting, and interpreting.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. Generally accepted accounting principles are procedures and guidelines to be followed in the accounting/reporting process.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. Accountants design accounting information systems and analyze and interpret information.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. Writing or using one of the latest technological advances to enter a transaction in the accounting records is called summarizing.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. The Financial Accounting Standards Board develops generally accepted accounting principles to provide some assurance that companies are reporting business activities in a similar manner.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. Stockholders may have very little influence on business decisions.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. Cost accounting is used to develop a financial plan for a company.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. The principal accounting officer of a company is called a public accountant.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. A CMA is a Certified Marketing Auditor.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. Creditors need detailed measures of business performance.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. Owners are most interested in a company's profitability and current financial performance.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

 |

|  |
| --- |
| Multiple Choice |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. Which of the following types of businesses is owned by stockholders?

|  |  |  |
| --- | --- | --- |
|   | a.  | proprietorship |
|   | b.  | corporation |
|   | c.  | partnership with more than ten partners |
|   | d.  | partnership with only two partners |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. A business that purchases a product from another business to sell to customers is called a

|  |  |  |
| --- | --- | --- |
|   | a.  | service business. |
|   | b.  | manufacturing business. |
|   | c.  | merchandising business. |
|   | d.  | nonprofit business. |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. A person who reviews the operating and accounting control procedures adopted by management to make sure the controls are adequate and are being followed may be referred to as a(n)

|  |  |  |
| --- | --- | --- |
|   | a.  | bookkeeper. |
|   | b.  | accountant. |
|   | c.  | information processor. |
|   | d.  | internal auditor. |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. A person who records, sorts, and files accounting information in accounting records may be referred to as a(n)

|  |  |  |
| --- | --- | --- |
|   | a.  | budgeter. |
|   | b.  | journalist. |
|   | c.  | accounting clerk. |
|   | d.  | scribe. |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. An internal auditor can achieve professional recognition in internal auditing by receiving which of the following certificates?

|  |  |  |
| --- | --- | --- |
|   | a.  | GAAP |
|   | b.  | CIA |
|   | c.  | CMA |
|   | d.  | CLU |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. The accounting function of classifying is

|  |  |  |
| --- | --- | --- |
|   | a.  | thinking about how events affect the business. |
|   | b.  | gathering similar events to provide information that is easy to understand. |
|   | c.  | sorting and grouping similar items together. |
|   | d.  | deciding the meaning and importance of the information in various reports. |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. Bringing together various items of information to determine or explain a result is

|  |  |  |
| --- | --- | --- |
|   | a.  | summarizing. |
|   | b.  | interpreting. |
|   | c.  | recording. |
|   | d.  | classifying. |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. Examining a transaction or event to determine its fundamental significance to the business so that the relevant information may be properly processed is called

|  |  |  |
| --- | --- | --- |
|   | a.  | recording. |
|   | b.  | analyzing. |
|   | c.  | classifying. |
|   | d.  | interpreting. |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. Which of the following does NOT use nonprofit accounting guidelines and procedures?

|  |  |  |
| --- | --- | --- |
|   | a.  | proprietorships |
|   | b.  | hospitals |
|   | c.  | educational institutions |
|   | d.  | churches |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. Cost accountants provide a wide variety of services including

|  |  |  |
| --- | --- | --- |
|   | a.  | designing and implementing accounting information systems. |
|   | b.  | auditing reviews. |
|   | c.  | performing general accounting services. |
|   | d.  | analyzing the cost effectiveness of products produced and services provided. |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| 28. Public accountants do NOT offer which of the following services?

|  |  |  |
| --- | --- | --- |
|   | a.  | auditing |
|   | b.  | tax preparation |
|   | c.  | management consulting |
|   | d.  | marketing analysis |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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|  |
| --- |
| Completion |

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| --- | --- | --- |
| 29. Looking at events that have taken place and thinking about how they affect a business is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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| --- | --- |
| *ANSWER:* | analyzing |

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| 30. One who assumes all risks for the business and whose personal assets can be taken to pay creditors is called a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| *ANSWER:* | sole proprietorownerpartner |

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| --- | --- | --- |
| 31. Rules that businesses must follow when preparing financial statements are called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| *ANSWER:* | generally accepted accounting principlesGAAP |

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| --- | --- | --- |
| 32. The accountant who oversees the entire accounting process and is the principal accounting officer of the company is called the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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| --- | --- |
| *ANSWER:* | controller |

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| 33. A business that buys a product from another business to sell to customers is called a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ business.

|  |  |
| --- | --- |
| *ANSWER:* | merchandising |

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| --- | --- | --- |
| 34. Entering financial information about events affecting the company into the accounting system is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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| --- | --- |
| *ANSWER:* | recording |

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| --- | --- | --- |
| 35. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ design the accounting information system and focus on analyzing and interpreting information by studying the impact of alternative decisions.

|  |  |
| --- | --- |
| *ANSWER:* | Accountants |

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| --- | --- | --- |
| 36. The owners of a corporation are called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

|  |  |
| --- | --- |
| *ANSWER:* | stockholdersshareholders |

 |

|  |  |  |
| --- | --- | --- |
| 37. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the aggregation of many similar events to provide information that is easy to understand.

|  |  |
| --- | --- |
| *ANSWER:* | Summarizing |

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| --- | --- | --- |
| 38. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the process by which accountants help managers develop a financial plan.

|  |  |
| --- | --- |
| *ANSWER:* | Budgeting |

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| --- | --- | --- |
| 39. A business that makes a product to sell is called a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ business.

|  |  |
| --- | --- |
| *ANSWER:* | manufacturing |

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|  |  |  |
| --- | --- | --- |
| 40. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ includes preparing various reports and financial statements and analyzing operating, investing, and financing decisions.

|  |  |
| --- | --- |
| *ANSWER:* | Financial accounting |

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| --- | --- | --- |
| 41. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ involves the application of standard review and testing procedures to be certain that proper accounting policies and practices have been followed.

|  |  |
| --- | --- |
| *ANSWER:* | Auditing |

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| 42. A(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is owned by two or more people who assume the risks for the business and whose assets may be taken to pay creditors.

|  |  |
| --- | --- |
| *ANSWER:* | partnership |

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| --- | --- | --- |
| 43. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is deciding the meaning and importance in various reports, which may include ratio analysis to help explain how pieces of information relate to one another.

|  |  |
| --- | --- |
| *ANSWER:* | Interpreting |

 |

|  |
| --- |
| Matching |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *Match the terms with the definitions.*

|  |  |
| --- | --- |
| a.  | accountant |
| b.  | accounting |
| c.  | accounting clerk |
| d.  | analyzing |
| e.  | auditing |
| f.  | bookkeeper |
| g.  | budgeting |
| h.  | Certified Public Accountant |
| i.  | classifying |
| j.  | controller |
| k.  | corporation |
| l.  | cost accounting |
| m.  | financial accounting |
| n.  | generally accepted accounting principles |
| o.  | internal auditing |
| p.  | interpreting |
| q.  | manufacturing business |
| r.  | merchandising business |
| s.  | para-accountant |
| t.  | partnership |
| u.  | recording |
| v.  | reporting |
| w.  | service business |
| x.  | sole proprietorship |
| y.  | summarizing |
| z.  | tax accounting |

 |

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| --- | --- | --- |
| 44. Looking at events that have taken place and thinking about how they affect the business.

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| --- | --- | --- |
| 45. Specializes in cash, payroll, accounts receivable, accounts payable, inventory, or purchases.

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| --- | --- |
| *ANSWER:* | c |

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| --- | --- | --- |
| 46. A business that buys a product from another business to sell to customers.​

|  |  |
| --- | --- |
| *ANSWER:* | r |

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|  |  |  |
| --- | --- | --- |
| 47. Reviewing the operating and accounting control procedures adopted by management to make sure the controls are adequate and being followed; assuring that accurate and timely information is provided.

|  |  |
| --- | --- |
| *ANSWER:* | o |

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|  |  |  |
| --- | --- | --- |
| 48. Deciding the meaning and importance of the information in various reports.

|  |  |
| --- | --- |
| *ANSWER:* | p |

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| --- | --- | --- |
| 49. The rules that businesses must follow when preparing financial statements.

|  |  |
| --- | --- |
| *ANSWER:* | n |

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| --- | --- | --- |
| 50. Includes preparing various reports and financial statements and analyzing operating, investing, and financing decisions.

|  |  |
| --- | --- |
| *ANSWER:* | m |

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| --- | --- | --- |
| 51. Determining the cost of producing specific products or providing services and analyzing for cost effectiveness.

|  |  |
| --- | --- |
| *ANSWER:* | l |

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| --- | --- | --- |
| 52. A type of ownership structure in which there are many owners who usually employ professional managers.

|  |  |
| --- | --- |
| *ANSWER:* | k |

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| --- | --- | --- |
| 53. Sorting and grouping similar items together rather than merely keeping a simple, diary-like record of numerous events.

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| --- | --- |
| *ANSWER:* | i |

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| --- | --- | --- |
| 54. The process in which accountants help managers develop a financial plan.

|  |  |
| --- | --- |
| *ANSWER:* | g |

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| --- | --- | --- |
| 55. Reviewing and testing to be certain that proper accounting policies and practices have been followed.

|  |  |
| --- | --- |
| *ANSWER:* | e |

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|  |  |  |
| --- | --- | --- |
| 56. A system of gathering financial information about a business and reporting this information to users.

|  |  |
| --- | --- |
| *ANSWER:* | b |

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|  |  |  |
| --- | --- | --- |
| 57. A type of ownership structure in which one person owns the business.

|  |  |
| --- | --- |
| *ANSWER:* | x |

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| --- | --- | --- |
| 58. A business that provides a service.

|  |  |
| --- | --- |
| *ANSWER:* | w |

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|  |  |  |
| --- | --- | --- |
| 59. Bringing various items of information together to determine a result.

|  |  |
| --- | --- |
| *ANSWER:* | y |

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|  |  |  |
| --- | --- | --- |
| 60. Entering financial information about events affecting the company into the accounting system.

|  |  |
| --- | --- |
| *ANSWER:* | u |

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|  |  |  |
| --- | --- | --- |
| 61. A type of ownership structure in which more than one person owns the business.

|  |  |
| --- | --- |
| *ANSWER:* | t |

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| --- | --- | --- |
| 62. Telling the results of the financial information.

|  |  |
| --- | --- |
| *ANSWER:* | v |

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| --- | --- | --- |
| 63. A business that makes products to sell.

|  |  |
| --- | --- |
| *ANSWER:* | q |

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|  |  |  |
| --- | --- | --- |
| 64. Focusing on tax planning, preparing tax returns, and dealing with the Internal Revenue Service and other governmental agencies.

|  |  |
| --- | --- |
| *ANSWER:* | z |

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|  |  |  |
| --- | --- | --- |
| 65. Generally supervises the work of accounting clerks, helps with daily accounting work, and summarizes accounting information.

|  |  |
| --- | --- |
| *ANSWER:* | f |

 |