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

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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 | |

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| --- |
| Multiple Choice |

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| 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 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.   |  |  | | --- | --- | | *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 proprietor  owner  partner | |

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| --- | --- | --- |
| 31. Rules that businesses must follow when preparing financial statements are called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.   |  |  | | --- | --- | | *ANSWER:* | generally accepted accounting principles  GAAP | |

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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 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.   |  |  | | --- | --- | | *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 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.   |  |  | | --- | --- | | *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:* | stockholders shareholders | |

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| --- | --- | --- |
| 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 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| *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.   |  |  | | --- | --- | | *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 | |

|  |  |  |
| --- | --- | --- |
| 49. The rules that businesses must follow when preparing financial statements.   |  |  | | --- | --- | | *ANSWER:* | n | |

|  |  |  |
| --- | --- | --- |
| 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.   |  |  | | --- | --- | | *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 | |

|  |  |  |
| --- | --- | --- |
| 60. Entering financial information about events affecting the company into the accounting system.   |  |  | | --- | --- | | *ANSWER:* | u | |

|  |  |  |
| --- | --- | --- |
| 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 | |