Test Bank for College Accounting Chapters 1 -27 24th Heintz

Name:____ Class:_________________________ Date:_____________

Chapter 01: Introduction to Accounting

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

2. Because financial information is communicated in accounting terms, accounting is said to be the "language of business."
   a. True
   b. False

ANSWER: True

3. Interpreting refers to reviewing events that have taken place and determining how they affect a business.
   a. True
   b. False

ANSWER: False

4. A partnership is owned by stockholders or shareholders and is managed by them.
   a. True
   b. False

ANSWER: False

5. A business that makes a product to sell is called a manufacturing business.
   a. True
   b. False

ANSWER: True

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

7. The six major steps of the accounting process are analyzing, recording, classifying, summarizing, reporting, and interpreting.
   a. True
   b. False

ANSWER: True

8. Generally accepted accounting principles are procedures and guidelines to be followed in the accounting/reporting process.
   a. True
   b. False

ANSWER: True

9. Accountants design accounting information systems and analyze and interpret information.
   a. True
   b. False

ANSWER: True

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

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

12. Stockholders may have very little influence on business decisions.
   a. True
   b. False

ANSWER: True

13. Cost accounting is used to develop a financial plan for a company.
   a. True
   b. False

ANSWER: False

14. The principal accounting officer of a company is called a public accountant.
   a. True
   b. False

ANSWER: False

15. A CMA is a Certified Marketing Auditor.
   a. True
   b. False

ANSWER: False

16. Creditors need detailed measures of business performance.
   a. True
   b. False

ANSWER: False

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

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

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

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

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

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

24. Bringing together various items of information to determine or explain a result is
a. summarizing.
b. interpreting.
c. recording.
d. classifying.

ANSWER: a

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

26. Which of the following does NOT use nonprofit accounting guidelines and procedures?
a. Proprietorships
b. Hospitals
c. Educational institutions
d. Churches

ANSWER: a

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

28. Public accountants do NOT offer which of the following services?
a. Auditing
b. Tax preparation
c. Management consulting
d. Marketing analysis

ANSWER: d

29. Looking at events that have taken place and thinking about how they affect a business is called
a. analyzing.

b. skimming.
c. determining.
d. recalling.

ANSWER: a

30. One who assumes all risks for the business and whose personal assets can be taken to pay creditors is called a
    a. partnership.
    b. sole proprietor.
    c. corporation.
    d. business owner.

ANSWER: b

31. Rules that US businesses must follow when preparing financial statements are called
    a. IFRS.
    b. Accounting Laws.
    c. GAAP.
    d. IRS.

ANSWER: c

32. The accountant who oversees the entire accounting process and is the principal accounting officer of the company is called the
    a. CEO.
    b. Chief Counsel.
    c. CIO.
    d. Controller.

ANSWER: d

33. A business that buys a product from another business to sell to customers is called what type of business?
    a. Merchandising
    b. Wholesaler
    c. Broker dealer
    d. Manufacturer

ANSWER: a

34. Entering financial information about events affecting the company into the accounting system is called
    a. analyzing.
    b. posting.
    c. auditing.
    d. recording.

ANSWER: d

35. Who designs the accounting information system and focuses on analyzing and interpreting information by studying the impact of alternative decisions?
    a. Accountants

b. Bookkeepers

c. Controllers

d. Stockholders

ANSWER: a

36. The owners of a corporation are called

a. corporate custodians.

b. partners.

c. stockholders.

d. politicians.

ANSWER: c

37. What word describes the aggregation of many similar events to provide information that is easy to understand?

a. Analyzing

b. Summarizing

c. Reporting

d. Interpreting

ANSWER: b

38. Which activity is defined as the process by which accountants help managers develop a financial plan?

a. Budgeting

b. Auditing

c. Summarizing

d. Classifying

ANSWER: a

39. A business that makes a product to sell is called what type of business?

a. Retail

b. Broker

c. Manufacturing

d. Merchandise

ANSWER: c

40. Which area of accounting has responsibilities that include preparing various reports and financial statements and analyzing operating, investing, and financing decisions?

a. Managerial accounting

b. Cost accounting

c. Tax accounting

d. Financial accounting

ANSWER: d

41. Which area of accounting involves the application of standard review and testing procedures to be certain that proper accounting policies and practices have been followed?

a. Auditing

b. Bookkeeping
c. Financial accounting
d. Controlling

ANSWER: a

42. Which business form is owned by two or more people who assume the risks for the business and whose assets may be taken to pay creditors?
a. Partnership
b. Corporation
c. Sole proprietor
d. LLC

ANSWER: a

43. The process of assessing the importance of a number such as the numbers calculated in a ratio analysis is called
a. consolidating.
b. interpreting.
c. reviewing.
d. ranking.

ANSWER: b

44. The process in which accountants help managers develop a financial plan is known as
a. budgeting.
b. testing.
c. calculating.
d. auditing.

ANSWER: a

45. What is a sole proprietorship?
a. A business structure where multiple individuals share ownership and decision-making
b. A business structure where a single individual owns and operates the business
c. A business structure specifically designed for non-profit organizations
d. A business structure that is publicly traded on the stock market

ANSWER: b

46. What type of business structure is characterized by limited liability for its owners and the ability to raise capital through the sale of stock?
a. Sole proprietorship
b. Partnership
c. Corporation
d. Cooperative

ANSWER: c

47. Which of the following business structures provides limited liability to its owners?
a. Sole proprietorship

b. Partnership
c. Corporation
d. None of these choices has limited liability to the owners.

ANSWER: c