Test Bank for College Accounting Chapters 1 - 30 2026 Release 1st Price

CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) The purpose of accounting is to provide financial information about a business.
   - ⦾ true
   - ⦾ false

2) A firm's financial affairs are summarized in periodic reports called general ledgers.
   - ⦾ true
   - ⦾ false

3) In a sole proprietorship, the owner is NOT responsible for the debts of the business if the company is unable to pay.
   - ⦾ true
   - ⦾ false

4) Currently, generally accepted accounting principles are developed by the American Institute of Certified Public Accountants (AICPA).
   - ⦾ true
   - ⦾ false

5) The Securities and Exchange Commission (SEC) requires that publicly owned corporations submit financial statements to it at least one time each year.
   - ⦾ true
   - ⦾ false

6) Anyone can invest in a closely held corporation.
   - ⦾ true
   - ⦾ false

7) Managerial Accounting is any activity associated with the preparation of tax returns and the audit of those returns.
   - ⦾ true
   - ⦾ false

8) When developing GAAP, one step undertaken by the FASB includes holding public hearings where interested parties can express their opinions.
   - ⦾ true
   - ⦾ false

9) Public accountants work on the staff of federal, state, or local governmental units.
   - ⦾ true
   - ⦾ false

10) The SEC uses financial information to determine a company's tax base.
- ⊚ true
- ⊚ false

11) When a partner leaves the company, the partnership is dissolved and a new partnership may be formed with the remaining partners.
- ⊚ true
- ⊚ false

12) Accounting is used to communicate financial information and therefore is called the “language of data”.
- ⊚ true
- ⊚ false

13) Some users of the financial information of a business are employed by the business while others are independent, outside parties.
- ⊚ true
- ⊚ false

14) 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

15) Accountants provide financial information to various parties so they can make business decisions.
- ⊚ true
- ⊚ false

16) 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

17) Data analytics entails working with data to help entities understand and use data to make decisions.
- ⊚ true
- ⊚ false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

18) Which of the following government agencies has the authority to suspend trading of a company’s shares on stock exchanges?
- A) Internal Revenue Service
- B) Federal Trade Commission
- C) Financial Accounting Standards Board
- D) Securities and Exchange Commission

19) Which of the following is not one of the major types of services provided by public accounting firms?

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

20) Which of the following is not a requirement for becoming a Certified Bookkeeper?

A) pass a national exam
B) obtain a certain number of college credits in accounting courses
C) sign a code of ethics
D) submit evidence satisfying an experience requirement

21) The separate entity assumption applies to which of the following forms of organization?

A) sole proprietorship
B) partnership
C) corporation
D) all of these answers are correct

22) A sole proprietorship has how many owners?

A) 1
B) 2
C) 3
D) 4

23) Accounting is often referred to as the language of:

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

24) The results of the accounting process are summarized in periodic reports called:

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

25) 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

26) 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.

27) How many owners does a partnership have?

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

28) Ownership in a corporation is evidenced by shares of:

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

29) The Securities and Exchange Commission (SEC) regulates the accounting methods and financial reporting of which types of corporations?

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

30) Which of the following must be done by an independent accountant to the financial statements submitted to the SEC by a corporation to ensure their fairness and adherence to generally accepted accounting principles?

A) they must be audited
B) they must be reviewed
C) they must be created
D) they must be read

31) Accountants normally choose to practice in one of three areas: public accounting, managerial accounting, or:

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

32) A form of business entity owned by one person is called a:

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

33) A form of business entity owned by two or more people is called a:

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

34) The people, companies, or government agencies to whom a firm owes money are called:

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

35) 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.

36) Tax accounting is a service offered by public accounting firms that involves both tax planning and which of the following?

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

37) GAAP must be followed by publicly owned companies and are changed and refined in response to changes in the environment in which businesses operate. What does GAAP stand for?

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

38) The owners of a corporation are called:

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

39) 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

40) 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

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

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

42) An example of an economic entity is:
- A) a town.
- B) a business.
- C) a politician.
- D) a church.

43) 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.

44) 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

45) 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

46) 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.

47) 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.

48) 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

49) 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.

50) 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

51) 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.

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

A) public hearings, 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

53) 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.

54) 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

55) 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 corporate 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

56) 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

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

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

58) 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

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

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

60) 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

61) Tax planning includes:

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

62) Managerial accounting is:

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

63) The following are all government agencies **except** the:

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

64) 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

65) Owners and managers need financial information in order to:

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

66) The Sarbanes-Oxley Act includes rules on:

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

67) A form of the partnerships business entity is:
   A) LLP.
   B) LLC.
   C) INP.
   D) DBA.

68) GAAP are developed by what body?
   A) FASB
   B) SEC
   C) AICPA
   D) IRS

69) The review of financial statements to assess their fairness and adherence to GAAP is:
   A) accounting.
   B) preparation.
   C) compliance.
   D) auditing.

70) Management advisory services are designed to help:
   A) government agencies.
   B) clients.
   C) employers.
   D) creditors.

71) 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.

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

73) The new CPA Exam, called CPA Evolution requires exam candidates to pass three core sections. These three core sections include each of the sections listed below except:

A) Auditing and Attestation.
B) Business Environments and Concepts.
C) Financial Accounting and Reporting.
D) Taxation and Regulation.

74) Data analyst are responsible for data collection, data preparation, data modeling and data visualization. Data visualization is:

A) developing predictive prototypes.
B) graphical representation of data.
C) preparation of financial statements.
D) interpretating financial statements.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

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

76) Wilson Company of country X and Northern 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?

77) 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?

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

79) List at least five activities performed by managerial accountants.

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

81) How do sole proprietorships, partnerships, and corporations differ?

82) 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.

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

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

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

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

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

Answer Key

Test name: Chapter 01

1) TRUE
2) FALSE
3) FALSE
4) FALSE
5) TRUE
6) FALSE
7) FALSE
8) TRUE
9) FALSE
10) FALSE
11) TRUE
12) FALSE
13) TRUE
14) TRUE
15) TRUE
16) FALSE
17) TRUE
18) D
19) B
20) B
21) D
22) A
23) A
24) C
25) D
26) B
27) C
28) A
29) D
30) A
31) B
32) D
33) C
34) A
35) A
36) B
37) D
38) C
39) C
40) C
41) D
42) B
43) C
44) C
45) D
46) B
47) A
48) A
49) C
50) B
51) C
52) C
53) C
54) B
55) A
56) A
57) B
58) A
59) D
60) D
61) D
62) C
63) B
64) D
65) D
66) C
67) A
68) A
69) D
70) B
71) D
72) D
73) B
74) B
75) Essay
76) Essay
77) Essay

78) Essay
79) Essay
80) Essay
81) Essay
82) Essay
83) Essay
84) Essay
85) Essay
86) Essay
87) Essay