Package Title: Clicker Questions

Course Title: Kimmel, Financial Accounting, Eighth Canadian Edition

Chapter Number: 01

Shuffle: No

Question type: True/False

1) Internal users of accounting information include a company's shareholders.

Answer: False

2) The issue of shares and the distribution of dividends do **not** affect net income.

Answer: True

3) Proprietorships and partnerships are taxable entities.

Answer: False

4) The proprietorship has an unlimited life.

Answer: False

5) An important feature of corporations is its unlimited liability.

Answer: False

6) The notes to the financial statements are **not** required.

Answer: False

7) Interest expense is classified as an operating activity.

Answer: True

8) Assets plus liabilities is equal to equity.

Answer: False

9) The statement of changes in equity is prepared prior to the statement of income.

Answer: False

Question type: Multiple Choice

10) Which of the following is **not** an external user of accounting data?

a) labour unions

b) customers

c) economic planners

d) finance directors

Answer: d

11) Which of the following is **not** an external user of accounting information?

1. Canadian Revenue Agency
2. Labour union
3. Creditor
4. Production manager

Answer: d

12) Which of the following type of companies **must** adopt International Financial Reporting Standards?

a) proprietorship

b) publicly-traded corporations

c) partnerships

d) private corporations

Answer: b

13) Identify the accounting equation.

1. A + L = E
2. A + E = L
3. A – L = E
4. L = A + E

Answer: c

14) Internal users want answers to all of the following questions **except for,**

a) what is the cost of manufacturing each unit of the product?

b) which product line is more profitable?

c) is the company earning enough to give me a return on my investment?

d) is cash sufficient to pay the bills?

Answer: c

15) Which one of the following questions is relevant to internal users?

1. What does the advertising cost?
2. What does the employees' training cost?
3. What does the labor cost?
4. All of the above

Answer: d

16) The statement of financial position and the statement of changes in equity are interrelated because

a) the beginning amount of retained earnings on the statement of changes in equity is reported on the statement of financial position.

b) the amount of assets on the statement of financial position is reported on the statement of changes in equity.

c) the ending amount of each of the components of shareholders’ equity on the statement of changes in equity is reported on the statement of financial position.

d) the amount of liabilities on the statement of financial position is reported on the statement of changes in equity.

Answer: c

17) Easy transfer of ownership is a characteristic of which form of business organization?

a) proprietorship

b) partnership

c) publicly-traded corporation

d) all of the above

Answer: c

18) Unlimited life is a characteristic of which form of business organization?

1. Proprietorship
2. Partnership
3. Corporation
4. All of the above

Answer: C

19) The statement of financial position reports

a) assets owned by the business.

b) claims to assets by creditors.

c) claims to assets by shareholders.

d) all of the above.

Answer: d

20) The financial statement that reports revenues and expenses is the

1. Statement of changes in equity.
2. Statement of financial position.
3. Statement of income.
4. Statement of cash flow.

Answer: c

21) The statement that is dated at a specific point in time is the

a) statement of cash flows.

b) statement of financial position.

c) statement of changes in equity.

d) Both b) and c) are correct.

Answer: b

22) Which of the following would be considered an investing activity?

a) the recording of depreciation expense

b) the retirement of outstanding debt

c) the purchase of inventory for resale

d) the construction of a new factory

Answer: d

23) Which of the following would be considered an investing activity?

1. The sale of a building.
2. The purchase of inventory.
3. The collection of account receivables.
4. The payment to suppliers.

Answer: a

24) To determine how much of a company’s cumulative income has been distributed to its shareholders, one would refer to the

a) statement of financial position.

b) notes to the financial statements.

c) statement of cash flows.

d) statement of changes in equity.

Answer: d

25) Cost of goods sold is classified as a(n)

a) asset.

b) expense.

c) liability.

d) revenue.

Answer: b

26) Which order are the financial statements are usually prepared in?

a) Statement of income, Statement of financial position, Statement of changes in equity, Statement of cash flows

b) Statement of financial position, Statement of changes in equity, Statement of cash flows, Statement of income

c) Statement of financial position, Statement of cash flows, Statement of income, Statement of changes in equity

d) Statement of income, Statement of changes in equity, Statement of financial position, Statement of cash flows

Answer: d

27) Which of the following financial statements would you use to determine a company’s source(s) of financing?

a) statement of financial position

b) statement of income

c) statement of changes in equity

d) bank statement

Answer: a

28) Which of the following would **not** appear on the statement of income?

a) service revenue

b) interest expense

c) net income

d) dividends declared

Answer: d

29) Which of the following would not appear on the statement of financial position?

1. cash
2. accounts payable
3. dividends declared
4. common shares

Answer: c

30) Which of the following would **not** appear directly on the statement of changes in equity?

a) beginning retained earnings balance

b) dividends declared

c) service revenue

d) net income

Answer: c

31) Saira’s Maid Service Ltd. began the year with total assets of $120,000 and shareholders’ equity of $40,000. During the year, the company earned $90,000 in net income and paid $20,000 in dividends. Total assets at the end of the year were $215,000. Shareholders’ equity at the end of the year was

a) $130,000.

b) $110,000.

c) $150,000.

d) $135,000.

Answer: b

32) Repayment of non-current notes payable is an example of a (an)

a) operating activity.

b) financing activity.

c) investing activity.

d) delivery activity.

Answer: b

33) Financial statements are prepared to provide information to which users?

a) regulators

b) bondholders

c) investors

d) all of the above

Answer: d

34) The statement of changes in equity is dependent on the results of the

a) statement of income.

b) statement of financial position.

c) statement of cash flow.

d) statement of assets and liabilities.

Answer: a

35) Which of the following would appear on the statement of financial position?

a) service revenue

b) interest expense

c) net income

d) accounts receivable

Answer: d

36) Repurchase of shares is an example of a(n)

1. operating activity.
2. financing activity.
3. investing activity.
4. delivery activity.

Answer: b

37) Purchasing a new building is an example of a(n)

a) operating activity.

b) financing activity.

c) investing activity.

d) delivery activity.

Answer: c