Package Title: Clicker Questions

Course Title: Burnley, Understanding Financial Accounting, Second Canadian Edition

Chapter Number: 01

Shuffle: No

Question type: True/False

1) Financial statements are normally prepared for shareholders annually.

Answer: False

2) The external auditor should always be independent of a company’s management.

Answer: True

3) Accounting is an information system in which the underlying economic conditions of organizations are recorded, summarized, reported, and understood.

Answer: True

Question type: Multiple Choice

4) The three fundamental business activities are

a) investing, sales, and expenses.

b) assets, liabilities, and shareholders’ equity.

c) investing, operating, and financing activities.

d) financing, purchasing, and operating activities.

Answer: c

5) Which of the following is **not** a common item one can expect to see on the statement of income?

a) Sales revenues

b) Cost of goods sold

c) Interest expense

d) Prepaid expenses and deposits

Answer: d

6) Dividends are paid when approved by the

a) board of directors.

b) management.

c) shareholders.

d) creditors.

Answer: a

7) Assets are always equal to

a) shareholders’ equity.

b) shareholders’ equity plus liabilities.

c) shareholders’ equity less liabilities.

d) shareholders’ equity plus liabilities less dividends.

Answer: b

8) Which of the following is **not** a section found in the statement of cash flows?

a) cash from operating activities

b) cash from shareholder activities

c) cash from financing activities

d) cash from investing activities

Answer: b

9) Which of the following is **not** an asset?

a) inventory

b) accounts payable

c) cash

d) land

Answer: b

10) Which of the following is **not** a typical example of operating activities?

a) sales to customers

b) collections of amounts owed by customers

c) purchase of equipment

d) purchase of inventory

Answer: c

11) Which of the following is a typical example of investing activities?

a) purchase of property

b) purchase of shares of other companies

c) purchase of equipment

d) all of the above

Answer: d

12) Which of the following is closest to the accounting definition of an asset?

a) things that have probable future value and which the company controls

b) things that have certain future value and which the company controls

c) things that have probable future value and which the company owns

d) things that have certain future value and which the company owns

Answer: a

13) Which of the following is closest to the accounting definition of a liability?

a) a probable future sacrifice of a company’s resources

b) a legal obligation to make a future sacrifice of a company’s resources

c) a certain future sacrifice of a company’s resources

d) things that lead to a certain future sacrifice of the company’s resources

Answer: a

14) Which of the financial statements covers a point in time?

a) statement of income

b) statement of financial position

c) statement of retained earnings

d) all financial statements

Answer: b

15) All of the following can be found on a statement of income **except**

a) salaries expenses.

b) depreciation expense.

c) share capital.

d) revenue.

Answer: c

16) All of the following can be found on a statement of financial position **except**

a) cost of goods sold.

b) accounts receivable.

c) retained earnings.

d) long-term debt.

Answer: a

17) Where would the information about choices made by management in preparing the financial statements be found?

a) on the statement of income

b) on the statement of financial position

c) in the notes to the financial statements

d) in the statement of management responsibility

Answer: c

18) Which of the following is a typical financing activity?

a) collection of accounts receivable

b) payment of accounts payable

c) sale of property, plant, and equipment

d) payment of long-term notes payable

Answer: d

19) Which of the following is an external user of financial statement information?

a) board of directors

b) shareholder

c) management

d) employee

Answer: b

20) What is the initial investment by the shareholders in a company called?

a) owners’ capital

b) shareholders’ capital

c) retained earnings

d) shareholders’ equity

Answer: b

21) The starting point in the operating activities section of the cash flows statement is

a) sales revenue.

b) retained earnings.

c) beginning cash balance.

d) net income.

Answer: d

22) Which of the following is **not** a liability?

a) accounts payable

b) long-term debt

c) accounts receivable

d) income taxes payable

Answer: c

23) Which of the following component of the annual report is forward-looking?

a) management discussion and analysis

b) statement of management responsibility

c) the statement of financial position

d) the statement of income

Answer: a

24) Retained earnings are generally comprised of

a) net income and dividends.

b) assets and liabilities.

c) net income.

d) dividends and liabilities.

Answer: a

25) For large businesses in Canada, which of the following is the predominant form of business organization?

a) sole proprietorship

b) partnership

c) joint venture

d) corporation

Answer: d