Package Title: Practice

Course Title: Boone, Contemporary Business, Third Canadian Edition

Chapter Number: 15

Shuffle: No

Question type: Multiple Choice

1) Which of these business activities involve accounting statements?

a) marketing

b) human resources

c) information technology

d) operations

Answer: d

Difficulty: Medium

Learning Objective 1: LO15.1 Explain the functions of accounting and identify the three basic accounting activities.

Section Reference 1: Users of Accounting Information

Bloom’s Taxonomy: Comprehension

AACSB: Communication

2) Why is accounting not considered an activity of business?

a) Accountants are employed by outside firms, not directly by the company being audited.

b) Accountants report the results of business activities performed by others.

c) Accounting is not a creative function.

d) Accountants only look at past transactions; activities are current events.

Answer: b

Difficulty: Medium

Learning Objective 1: LO15.1 Explain the functions of accounting and identify the three basic accounting activities.

Section Reference 1: Users of Accounting Information

Bloom’s Taxonomy: Analysis

AACSB: Analytic

3) Accounting is the process of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) analyzing financial statements for investing

b) collecting all the income and spending for tax purposes

c) comparing a company’s financial statements to its competitors

d) measuring, interpreting and communicating financial information

Answer: d

Difficulty: Easy

Learning Objective 1: LO15.1 Explain the functions of accounting and identify the three basic accounting activities.

Section Reference 1: Users of Accounting Information

Bloom’s Taxonomy: Comprehension: Communication

AACSB

4) Accounting plays a key role in all of the following **except:**

a) financing activities to provide necessary funds to start and expand a business.

b) investing activities to provide valuable assets required to run a business.

c) interpreting macro and micro analyses to report changes in the economy.

d) operating activities that focus on selling goods and services, along with ensuring sound financial management.

Answer: c

Difficulty: Hard

Learning Objective 1: LO15.1 Explain the functions of accounting and identify the three basic accounting activities.

Section Reference 1: Users of Accounting Information

Bloom’s Taxonomy: Comprehension

AACSB: Analytic

5) \_\_\_\_\_\_\_\_\_\_ accountants focus on potential fraud in a variety of organizations.

a) Criminal

b) Forensic

c) Private

d) Auditing

Answer: b

Difficulty: Easy

Learning Objective 1: LO15.2 Describe the various types of accounting professionals.

Section Reference 1: Accounting Professionals

Bloom’s Taxonomy: Comprehension

AACSB: Communication

6) Which type of accountant is called upon to provide unbiased advice about a firm’s financial condition?

a) government accountant

b) public accountant

c) certified public accountant

d) management accountant

Answer: b

Difficulty: Easy

Learning Objective 1: LO15.2 Describe the various types of accounting professionals.

Section Reference 1: Accounting Professionals

Bloom’s Taxonomy: Comprehension

AACSB: Communication

Question type: True/False

7) The not-for-profit sector is one of the fastest growing segments of accounting practice.

1. True
2. False

Answer: True

Difficulty: Medium

Learning Objective 1: LO15.2 Describe the various types of accounting professionals.

Section Reference 1: Accounting Professionals

Bloom’s Taxonomy: Knowledge

AACSB: Communication

8) A CPA certification only requires a certain level of management experience.

1. True
2. False

Answer: False

Difficulty: Medium

Learning Objective 1: LO15.2 Describe the various types of accounting professionals.

Section Reference 1: Accounting Professionals

Bloom’s Taxonomy: Knowledge

AACSB: Communication

Question type: Multiple Choice

9) Because of the increasing amount of worldwide trade, many Canadian firms are moving from \_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_ when constructing financial statements.

a) GAAT; IRS

b) IFRS; GAAT

c) GATT; IFRS

d) GAAP; IFRS

Answer: d

Difficulty: Medium

Learning Objective 1: LO15.3 Discribe the foundation of the accounting system.

Section Reference 1: The Foundation of the Accounting System

Bloom’s Taxonomy: Comprehension

AACSB: Analytic

10) Approximately how many countries currently require, permit the use of, or have a policy of convergence with IFRS?

a) 30

b) 90

c) 120

d) 150

Answer: c

Difficulty: Medium

Learning Objective 1: LO15.3 Discribe the foundation of the accounting system.

Section Reference 1: The Foundation of the Accounting System

Bloom’s Taxonomy: Knowledge

AACSB: Communication

11) To provide reliable, consistent, and unbiased information to decision makers, accountants follow guidelines, or standards, known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) Accounting Standards Board (AcSB).

b) Generally Accepted Accounting Principles (GAAP).

c) business transactions.

d) financial statements.

Answer: b

Difficulty: Medium

Learning Objective 1: LO15.3 Discribe the foundation of the accounting system.

Section Reference 1: The Foundation of the Accounting System

Bloom’s Taxonomy: Knowledge

AACSB: Analytic

12) In Canada, \_\_\_\_\_\_\_\_ is primarily responsible for evaluating, setting, or modifying accounting guidelines.

a) GAAT

b) IRS

c) AcSB

d) IFRS

Answer: c

Difficulty: Medium

Learning Objective 1: LO15.3 Discribe the foundation of the accounting system.

Section Reference 1: The Foundation of the Accounting System

Bloom’s Taxonomy: Knowledge

AACSB: Analytic

13) Because of the boom in worldwide trade, there is a need for comparability and \_\_\_\_\_\_\_ in international accounting rules.

a) uniformity

b) cash balance

c) trade control

d) exchangeability

Answer: a

Difficulty: Medium

Learning Objective 1: LO15.3 Discribe the foundation of the accounting system.

Section Reference 1: The Foundation of the Accounting System

Bloom’s Taxonomy: Comprehension

AACSB: Analytic

14) Why are more firms moving to International Financial Reporting Standards (IFRS)?

a) GAAP is out of date.

b) Using IFRS allows firms with worldwide operations to standardize their accounting records.

c) IFRS is easier to understand than GAAP.

d) IFRS is more complicated than GAAP but provides a more transparent picture of the firm’s value.

Answer: b

Difficulty: Medium

Learning Objective 1: LO15.3 Discribe the foundation of the accounting system.

Section Reference 1: The Foundation of the Accounting System

Bloom’s Taxonomy: Comprehension

AACSB: Communication

Question type: True/False

15) The IFRS are the standards and interpretations adopted by the IASB.

1. True
2. False

Answer: True

Difficulty: Medium

Learning Objective 1: LO15.3 Discribe the foundation of the accounting system.

Section Reference 1: The Foundation of the Accounting System

Bloom’s Taxonomy: Knowledge

AACSB: Communication

Question type: Multiple Choice

16) Assets do not include \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) trademarks

b) goodwills

c) accounts receivable

d) wages

Answer: d

Difficulty: Easy

Learning Objective 1: LO15.4 Outline the steps in the accounting cycle.

Section Reference 1: The Accounting Cycle

Bloom’s Taxonomy: Application

AACSB: Communication

17) The basic accounting equation is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) Assets + Liabilities = Owners’ equity

b) Assets = Liabilities + Owners’ equity

c) Owner’s equity – Assets = Liabilities

d) Debt + Assets = Equity

Answer: b

Difficulty: Easy

Learning Objective 1: LO15.4 Outline the steps in the accounting cycle.

Section Reference 1: The Accounting Cycle

Bloom’s Taxonomy: Knowledge

AACSB: Communication

18) The \_\_\_\_\_\_\_\_\_\_ is a set of activities in converting information and individual transactions into financial statements.

a) accounting equation

b) accounting cycle

c) accounting process

d) accounting audit

Answer: b

Difficulty: Medium

Learning Objective 1: LO15.4 Outline the steps in the accounting cycle.

Section Reference 1: The Accounting Cycle

Bloom’s Taxonomy: Knowledge

AACSB: Communication

19) A claim against a firm’s assets by creditors is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) a freehold

b) an asset

c) a liability

d) owners’ equity

Answer: c

Difficulty: Easy

Learning Objective 1: LO15.4 Outline the steps in the accounting cycle.

Section Reference 1: The Accounting Cycle

Bloom’s Taxonomy: Knowledge

AACSB: Communication

20) The procedure by which accountants convert data about individual transactions to financial statements is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) the accounting cycle

b) an asset

c) a liability

d) form utility

Answer: a

Difficulty: Medium

Learning Objective 1: LO15.4 Outline the steps in the accounting cycle.

Section Reference 1: The Accounting Cycle

Bloom’s Taxonomy: Knowledge

AASCB: Communication

Question type: True/False

21) Double-entry booking states that every accounting transaction must have an offsetting transaction.

1. True
2. False

Answer: True

Difficulty: Medium

Learning Objective 1: LO15.4 Outline the steps in the accounting cycle.

Section Reference 1: The Accounting Cycle

Bloom’s Taxonomy: Comprehension

AACSB: Communication

Question type: Multiple Choice

22) The financial statement that describes the firm’s financial performance over a specified period of time is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) the balance sheet

b) the statement of cash flows

c) a description of owners’ equity

d) the income statement

Answer: d

Difficulty: Medium

Learning Objective 1: LO15.5 Explain the functions and major components of the four principal financial statements.

Section Reference 1: Financial Statements

Bloom’s Taxonomy: Knowledge

AACSB: Communication

23) The Macro Corporation has purchased land for $100,000 and has financed 50% of the cost using long-term debt. The effect on its balance sheet is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) an increase in assets of $50,000; an increase in liabilities of $50,000

b) an increase in assets of $100,000; a decrease in owners’ equity of $100,000

c) an increase in assets of $100,000; an increase in liabilities of $50,000

d) a decrease in assets of $50,000; a decrease in owners’ equity of $50,000

Answer: c

Difficulty: Hard

Learning Objective 1: LO15.5 Explain the functions and major components of the four principal financial statements.

Section Reference 1: Financial Statements

Bloom’s Taxonomy: Application

AACSB: Analytic

24) Chase is a forensic accountant who has been hired by the local district attorney to investigate a possible case of embezzlement. He found boxes of records that suggest several thousands of dollars of vendor payments might have been falsified. The effect of those false transactions would probably show up as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) higher expenses on the income statement

b) lower assets on the statement of owner’s equity

c) higher owners’ equity on the balance sheet

d) lower revenue on the income statement

Answer: a

Difficulty: Hard

Learning Objective 1: LO15.5 Explain the functions and major components of the four principal financial statements.

Section Reference 1: Financial Statements

Bloom’s Taxonomy: Application

AACSB: Analytic

25) The financial document that shows the company’s finances at a particular point in time is called a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) balance sheet

b) income statement

c) annual report

d) statement of cash flow

Answer: a

Difficulty: Medium

Learning Objective 1: LO15.5 Explain the functions and major components of the four principal financial statements.

Section Reference 1: Financial Statements

Bloom’s Taxonomy: Knowledge

AACSB: Communication

26) \_\_\_\_\_\_\_\_ is anything of value owned or leased by a business.

a) A liability

b) Owner’s equity

c) Profit

d) An asset

Answer: d

Difficulty: Easy

Learning Objective 1: LO15.5 Explain the functions and major components of the four principal financial statements.

Section Reference 1: Financial Statements

Bloom’s Taxonomy: Comprehension

AACSB: Communication

27) A(n) \_\_\_\_\_\_\_ shows the change in equity from the end of last fiscal year to the end of the current one.

a) income statement

b) statement of changes in equity

c) statement of cash flows

d) P&L statement

Answer: b

Difficulty: Medium

Learning Objective 1: LO15.5 Explain the functions and major components of the four principal financial statements.

Section Reference 1: Financial Statements

Bloom’s Taxonomy: Knowledge

AACSB: Communication

28) An accounting method that records revenues and expenses when they occur, not when cash actually changes hands, is called which of the following?

a) cost accounting

b) accrual accounting

c) asset based accounting

d) present value accounting

Answer: b

Difficulty: Medium

Learning Objective 1: LO15.5 Explain the functions and major components of the four principal financial statements.

Section Reference 1: Financial Statements

Bloom’s Taxonomy: Knowledge

AACSB: Communication

29) \_\_\_\_\_\_\_\_ ratios describe the extent to which the firm relies on debt to finance its operations.

a) Activity

b) Leverage

c) Profitability

d) Financing

Answer: b

Difficulty: Medium

Learning Objective 1: LO15.6 Discuss how financial ratios are used to analyze a company's financial strengths and weaknesses.

Section Reference 1: Financial Ratio Analysis

Bloom’s Taxonomy: Knowledge

AACSB: Communication

30) \_\_\_\_\_\_\_\_ ratios measure how effectively management uses the firm’s resources.

a) Activity

b) Leverage

c) Profitability

d) Financing

Answer: a

Difficulty: Medium

Learning Objective 1: LO15.6 Discuss how financial ratios are used to analyze a company's financial strengths and weaknesses.

Section Reference 1: Financial Ratio Analysis

Bloom’s Taxonomy: Knowledge

AACSB: Communication

31) How do stockholders and potential investors use accounting information?

a) to plan and control

b) to evaluate credit ratings

c) to make investment decisions

d) to evaluate tax liabilities

Answer: c

Difficulty: Medium

Learning Objective 1: LO15.6 Discuss how financial ratios are used to analyze a company's financial strengths and weaknesses.

Section Reference 1: Financial Ratio Analysis

Bloom’s Taxonomy: Comprehension

AACSB: Communication

32) Inventory turnover describes how efficiently a firm is managing its sales and purchases of inventory. This is an example of a(n) \_\_\_\_\_\_\_\_ ratio.

a) efficiency

b) equity

c) current

d) activity

Answer: d

Difficulty: Medium

Learning Objective 1: LO15.6 Discuss how financial ratios are used to analyze a company's financial strengths and weaknesses.

Section Reference 1: Financial Ratio Analysis

Bloom’s Taxonomy: Comprehension

AACSB: Analytic

33) A firm’s ability to meet its short-term obligations is measured by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) liquidity ratios

b) activity ratios

c) the profitability ratio

d) debt ratios

Answer: a

Difficulty: Medium

Learning Objective 1: LO15.6 Discuss how financial ratios are used to analyze a company's financial strengths and weaknesses.

Section Reference 1: Financial Ratio Analysis

Bloom’s Taxonomy: Knowledge

AACSB: Analytic

Question type: True/False

34) While financial ratios allow a business to make comparisons with the historical performance of that business, they do not help in attempting to compare performance with competitors.

1. True
2. False

Answer: False

Difficulty: Medium

Learning Objective 1: LO15.6 Discuss how financial ratios are used to analyze a company's financial strengths and weaknesses.

Section Reference 1: Financial Ratio Analysis

Bloom’s Taxonomy: Comprehension

AACSB: Analytic

Question type: Multiple Choice

35) A cash budget is usually prepared once a \_\_\_\_\_\_.

a) day

b) week

c) month

d) year

Answer: c

Difficulty: Easy

Learning Objective 1: LO15.7 Describe the role of budgets in a business.

Section Reference 1: Budgeting

Bloom’s Taxonomy: Knowledge

AACSB: Communication

36) Many former owners of failed firms blame \_\_\_\_\_\_ for their company’s failure.

a) GAAP rules

b) inaccurate budgeting

c) inadequate cash flows

d) excessive government regulation

Answer: c

Difficulty: Medium

Learning Objective 1: LO15.7 Describe the role of budgets in a business.

Section Reference 1: Budgeting

Bloom’s Taxonomy: Application

AACSB: Communication

37) How is a cash budget different from the accrual system?

a) Cash budgets reflect the timing of actual cash inflows and outflows; the accrual system matches expenses to the period when they occur.

b) Cash budgets are governed by SEC rules; the accrual system is a managerial accounting function.

c) The accrual system is more accurate than cash budgets.

d) The cash budget is more accurate; accrual accounting overstates the effect of non-cash expenses.

Answer: a

Difficulty: Medium

Learning Objective 1: LO15.7 Describe the role of budgets in a business.

Section Reference 1: Budgeting

Bloom’s Taxonomy: Synthesis

AACSB: Analytic

38) The \_\_\_\_\_\_\_\_ budget tracks the firm’s cash inflows and outflows.

a) sales

b) transaction

c) capital expenditures

d) cash

Answer: d

Difficulty: Medium

Learning Objective 1: LO15.7 Describe the role of budgets in a business.

Section Reference 1: Budgeting

Bloom’s Taxonomy: Knowledge

AACSB: Analytic

Question type: True/False

39) Technology has had little effect on the way businesses budget.

1. True
2. False

Answer: False

Difficulty: Medium

Learning Objective 1: LO15.7 Describe the role of budgets in a business.

Section Reference 1: Budgeting

Bloom’s Taxonomy: Comprehension

AACSB: Technology

Question type: Multiple Choice

40) An international firm’s consolidated financial statements must show which of the following?

a) gains or losses due to changes in exchange rates

b) the breakdown of how much they earned in each country

c) the names of the head of each of the firm’s country divisions

d) all the statements must be converted into US dollars

Answer: a

Difficulty: Hard

Learning Objective 1: LO15.8 Outline the accounting issues facing global business.

Section Reference 1: International Accounting

Bloom’s Taxonomy: Comprehension

AACSB: Communication