Financial Accounting 18th edition Williams Test Bank

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Financial Accounting 18th Edition by Williams CH01

ANSWERS ARE LOCATED AT THE END OF THIS DOCUMENT

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

1) Listed below are nine accounting terms introduced in this chapter:

Audit
Return of investment
Return on investment
Generally acceptedaccounting principles
Balance sheet
Income statement
Internal control structure
Management accounting
Statement of cash flows

Each of the following statements may (or may not) describe one of these terms. In the space provided below each statement, indicate the accounting term described, or answer "None" if the statement does not correctly describe any of the terms. More than one statement may describe a single term.

(A) The repayment to an investor of the amount originally invested in an enterprise.

(B) An independent examination of financial statements designed to determine their fairness in relation to generally accepted accounting principles.

(C) The accounting standards and concepts used in the preparation of financial statements.

(D) A system of measures designed to assure management that all aspects of the business are operating according to plan.

(E) A listing of assets, liabilities, and stockholders' equity as of a specific date.

(F) The payment of an amount for using another's money.

(G) An activity statement that shows the details of the company's activities involving cash during a period of time.

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Financial Accounting 18th Edition by Williams CH01

Question Details
Difficulty : 1 Easy
Learning Objective : 01-01 Discuss accounting as the language of business and the role of accounting
Bloom's : Remember
AACSB : Reflective Thinking
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Learning Objective : 01-04 Explain the importance of accounting information for internal parties-prim
Topic : Financial Accounting Information
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
AICPA : FN Reporting
AICPA : BB Critical Thinking
Topic : Accounting Information: A Means to an End
Topic : Management Accounting Information
Topic : Integrity of Accounting Information
Topic : Information Systems
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible

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2) Listed below are eight accounting terms.

Management Accounting
Accounting System
Financial Accounting
Internal Controls
Financial Position
Financial Statements
Results of Operations
Financial Reporting

Each of the following statements may (or may not) describe one of these terms. In the space provided, indicate the accounting term described or answer "None" if the statement does not accurately describe any of the terms.

(A) Information describing the financial resources, obligations, and activities of an economic entity. (B) An entity's financial resources and obligations at a point in time.

(C) Accounting information intended specifically to assist company's management.

(D) The personnel, procedures, and technology used by an organization to develop accounting information and to communicate this information to decision makers.

(E) An entity's financial activities over a period of time.

(F) Measures used by an organization to guard against errors, waste, and fraud and to assure the reliability of accounting information.

(G) A plan of financial operations for some future period.

(H) A written assertion identifying, measuring, and communicating financial information about an economic entity.

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Question Details
Learning Objective : 01-01 Discuss accounting as the language of business and the role of accounting
Bloom's : Remember
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Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
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Learning Objective : 01-04 Explain the importance of accounting information for internal parties-prim
Topic : Financial Accounting Information
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AICPA : FN Reporting
AICPA : BB Critical Thinking
Topic : Accounting Information: A Means to an End
Topic : Management Accounting Information
Topic : Integrity of Accounting Information
Topic : Information Systems
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible

3) Listed below are seven accounting organizations introduced in this chapter:
Financial Accounting Standards Board
Public Company Accounting Oversight Board
Internal Revenue Service
American Accounting Association
Institute of Internal Auditors
Securities and Exchange Commission
Institute of Management Accountants
Each of the following statements may (or may not) describe one of these organizations. In the space provided, indicate the organization described or answer "None" if the statement does not accurately describe any of the organizations.
(A) Private organization most directly involved in the development and issuance of accounting standards
(B) Government agency that regulates financial reporting by publicly-held companies
(C) Organization dedicated to the advancement of accounting education and research
(D) International organization dedicated to the advancement of internal auditing
(E) Organization that develops formal standards for auditing in the United States
(F) Organization most involved with the ethical conduct of the accountants working within a company
(G) A governmental agency that handles income tax returns of individuals and businesses and performs an audit function to verify the data presented

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Question Details
Difficulty : 1 Easy
Bloom's : Remember
AACSB : Reflective Thinking
AICPA : FN Reporting
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations
Accessibility : Screen Reader Compatible

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4) Listed below are seven accounting organizations introduced in this chapter:

American Accounting Association
American Institute of certified public accountants (CPAs)
Internal Revenue Service
Financial Accounting Standards Board
Securities and Exchange Commission
Institute of Internal Auditors
Institute of Management Accountants
International Accounting Standards Board

Each of the following statements may (or may not) describe one of these organizations. In the space provided, indicate the accounting organization described, or answer "None" if the statement does not correctly describe any of the organizations.

(A) Private sector organization that establishes accounting standards.

(B) A professional organization that establishes standards for the conduct of professional services other than audits.

(C) A government organization that establishes financial reporting requirements for publicly-held companies in the United States.

(D) A federal government agency that audits many other agencies of the federal government and reports its findings to Congress.

(E) A professional organization dedicated to the improvement of accounting education, research, and practice.

(F) A professional organization that influences the concepts and ethical practice of management accounting.

(G) A professional organization that establishes global accounting standards.

Question Details
Difficulty : 1 Easy
Bloom's : Remember
AACSB : Reflective Thinking
AICPA : FN Reporting
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations
Accessibility : Screen Reader Compatible

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5) List seven groups that would typically use financial information.

Question Details
Bloom's : Remember
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Learning Objective : 01-04 Explain the importance of accounting information for internal parties-prim
Topic : Financial Accounting Information
AICPA : BB Critical Thinking
Topic : Management Accounting Information
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 2 Medium
AACSB : Diversity
AICPA : FN Decision Making
Accessibility : Screen Reader Compatible

6) Briefly describe the balance sheet, the income statement, and the statement of cash flows.

Question Details
AACSB : Reflective Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Reporting
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Bloom's : Understand

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7) List and briefly describe the objectives of financial reporting beginning with the most general and ending with the most specific.

Question Details
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Reporting
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Bloom's : Understand
AACSB : Communication
AICPA : BB Legal

8) Explain one way in which the characteristics of financial and management accounting information differ.

Question Details
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Learning Objective : 01-04 Explain the importance of accounting information for internal parties-prim
Topic : Financial Accounting Information
AICPA : FN Reporting
AICPA : BB Critical Thinking
Topic : Management Accounting Information
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Bloom's : Understand
AACSB : Communication

9) What are the two things that make up a company’s cash flow prospects?

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Question Details
AACSB : Reflective Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Bloom's : Understand
AICPA : FN Risk Analysis

10) List the three financial statements that are used to communicate financial accounting information to interested external parties.

Question Details
Difficulty : 1 Easy
Bloom's : Remember
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Reporting
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Accessibility : Screen Reader Compatible
AACSB : Communication

11) Provide a brief example to illustrate that externally reported financial accounting information must be based in part on estimates, judgments, and assumptions.

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Question Details
AACSB : Reflective Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : BB Critical Thinking
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Bloom's : Understand
AICPA : FN Measurement

12) (A) What is meant by the phrase "generally accepted accounting principles"?
(B) Give the names of three organizations that currently play an active role in the development of accounting principles in the United States.

Question Details
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
AICPA : FN Reporting
Topic : Integrity of Accounting Information
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 2 Medium
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations
Accessibility : Screen Reader Compatible
Bloom's : Understand
AACSB : Communication
AICPA : BB Legal

13) Briefly explain how generally accepted accounting principles (GAAP) enhance the integrity of financial accounting information.

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Question Details
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 2 Medium
Accessibility : Screen Reader Compatible
Bloom's : Understand
AACSB : Communication
AICPA : BB Legal
AICPA : FN Measurement

14) List and describe the six articles of the American Institute of Certified Public Accountant (AICPA) Code of Professional Conduct that guide members in performing their professional responsibilities.

Question Details
AICPA : FN Reporting
Accessibility : Keyboard Navigation
Type : Static
Difficulty : 2 Medium
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations
Accessibility : Screen Reader Compatible
Bloom's : Understand
AICPA : BB Legal
Learning Objective : 01-07 Discuss the importance of personal competence, professional judgment, and
AACSB : Ethics
Topic : Competence, Judgment, and Ethical Behavior

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Financial Accounting 18th Edition by Williams CH01

Answer Key

Test name: CH01

1) (A) Return of investment
(B) Audit
(C) Generally accepted accounting principles
(D) Internal control structure
(E) Balance sheet
(F) Return on investment
(G) Statement of cash flows
2) (A) Financial Accounting
(B) Financial Position
(C) Management Accounting
(D) Accounting System
(E) Results of Operations
(F) Internal Controls
(G) None
(H) Financial Statements
3) (A) Financial Accounting Standards Board
(B) Security and Exchange Commission
(C) American Accounting Association
(D) Institute of Internal Auditors
(E) Public Company Accounting Oversight Board
(F) Institute of Management Accountants
(G) Internal Revenue Service

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4) (A) Financial Accounting Standards Board
(B) American Institute of certified public accountants (CPAs)
(C) Securities and Exchange Commission
(D) None (The statement describes the Government Accountability Office)
(E) American Accounting Association
(F) Institute of Management Accountants
(G) International Accounting Standards Board

5) 1. Investors;
2. Creditors;
3. Managers;
4. Owners;
5. Customers;
6. Employees;
7. Regulators.

6) Balance sheet (statement of financial position) - A position statement that shows where the company stands in financial terms at a specific date.

Income statement - An activity statement that shows details and results of a company's profit-related activities for a period of time.

Statement of cash flows - An activity statement that shows the details of the company's activities involving cash during a period of time.

7) (1) Provide information useful in making investment and credit decisions.

(2) Provide information useful in assessing the amount, timing, and uncertainty of future cash flows.

(3) Provide information about economic resources, claims to economic resources, and changes in resources and claims.

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8) Financial accounting information is primarily historical in nature, while management accounting information is future-oriented.

Financial accounting information is general-purpose information designed to serve the needs of a variety of external parties.

Management accounting information is customized to the needs of a particular internal decision-maker.

The timeliness of management accounting information is critical. For financial accounting, information, completeness, and verifiability are more important than timeliness.

Financial accounting information is prepared in accordance with generally accepted accounting principles while the nature and content of management accounting information is dictated by the nature of the decision it is intended to support.

9) Cash flow prospects are the likelihood that an enterprise will be able to provide an investor with (1) a return on the investor's investment and (2) the return of that investment.

10) Balance sheet (Statement of financial position)

Income statement

Statement of cash flows

11) To account for the use of long-lived equipment, estimates must be made of the lifetime and scrap value of that equipment.

12) (A) Generally accepted accounting principles provide the framework for determining what information is to be included in the financial statements and how that information is to be presented.

(B) Financial Accounting Standards Board; Securities and Exchange Commission; American Institute of certified public accountants (CPAs); American Accounting Association.

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13) Integrity refers to the qualities of completeness, honestly, and sincerity. Generally accepted accounting principles (GAAP) provides the general framework for determining what information is included in financial statements and how this information is to be prepared and presented. This ensures that financial statements are prepared in accordance with standards that are understood by both preparers and users of the information.

14) (I) Responsibilities - members should exercise sensitive professional and moral judgments in all their activities.

(II) The Public Interest - members should act in a way that will serve the public interest.

(III) Integrity - members should perform all professional responsibilities with the highest sense of integrity.

(IV) Objectivity and Independence - members should maintain objectivity and be free of conflicts of interest.

(V) Due Care - members should observe the profession's technical and ethical standards.

(VI) Scope and Nature of Services - members should observe the Principles of the Code of Professional Conduct in determining the scope and nature of services to be provided.

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ANSWERS ARE LOCATED AT THE END OF THIS DOCUMENT

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

1) Managerial accounting information is designed primarily to assist investors and creditors in deciding how to allocate scarce resources.

1) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Learning Objective : 01-01 Discuss accounting as the language of business and the role of accounting
Topic : Accounting Information: A Means to an End
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AACSB : Reflective Thinking
AICPA : BB Industry
AICPA : FN Reporting

2) Information provided to decision makers in an organization is comprised only of the accounting information generated by the organization's information system.

2) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AACSB : Reflective Thinking
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
Topic : Information Systems

3) All internal control systems need to be monitored.

3) _____

Financial Accounting 18th edition Williams Test Bank

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Reflective Thinking
Difficulty : 2 Medium
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
Bloom's : Understand
AICPA : BB Critical Thinking
AICPA : FN Risk Analysis
Topic : Information Systems

4) A data analytics system is the integrated management of core business processes that an organization can use to collect, store, manage, and interpret data across a wide range of business activities.

4) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AACSB : Reflective Thinking
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
AICPA : BB Critical Thinking
AICPA : FN Risk Analysis
Topic : Information Systems

5) Management accounting information is oriented toward the future while financial accounting information is historical in nature.

5) _____

◎ true
◎ false

Financial Accounting 18th edition Williams Test Bank

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Reflective Thinking
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
Topic : Financial Accounting Information
AICPA : FN Measurement
Topic : Management Accounting Information

6) Return on investment is the same as return of investment.

6) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Measurement
AACSB : Analytical Thinking

7) The Internal Revenue Service (IRS) tax return is one of the primary financial statements.

7) _____

◎ true
◎ false

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AACSB : Reflective Thinking
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Measurement

8) External users of accounting information have a financial interest in an entity but are not involved with the day-to-day operations of the enterprise.

8) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AACSB : Reflective Thinking
Difficulty : 2 Medium
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Decision Making

9) The tailoring of an accounting report to meet the needs of a specific decision maker is more characteristic of financial accounting reports than of management accounting reports.

9) _____

◎ true
◎ false

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
Topic : Financial Accounting Information
AACSB : Analytical Thinking
AACSB : Communication
Topic : Management Accounting Information

10) The annual financial statements of large corporations such as Microsoft or PepsiCo need not be audited by independent certified public accountants, since these companies maintain large accounting departments as part of their organizations.

10) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication
AICPA : BB Legal

11) The statement of financial position and the income statement are one and the same.

11) _____

◎ true
◎ false

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication
AICPA : BB Legal

12) Investors are individuals and other enterprises that have provided equity to the reporting enterprise.

12) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AACSB : Reflective Thinking
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Measurement
AICPA : BB Resource Management

13) A statement of cash flows depicts the way profits have changed during a designated period.

13) _____

◎ true
◎ false

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Measurement
AACSB : Communication

14) Management accounting refers to the preparation and use of accounting information designed to meet the needs of decision makers outside the business organization.

14) _____

- ◎ true
- ◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
AACSB : Communication
Topic : Management Accounting Information

15) The content of management accounting reports needs to be presented in conformity with generally accepted accounting principles.

15) _____

- ◎ true
- ◎ false

Financial Accounting 18th edition Williams Test Bank

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
AICPA : FN Measurement
AACSB : Communication
Topic : Management Accounting Information

16) One purpose of generally accepted accounting principles is to make accounting information prepared by different companies more comparable.

16) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

17) An accounting practice can become a "generally accepted accounting principle" through widespread use, even if the practice is not mentioned in the official pronouncements of the accounting standard-setting organizations.

17) _____

◎ true
◎ false

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

18) The Public Company Accounting Oversight Board is responsible for creating and promoting International Financial Reporting Standards.

18) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AACSB : Reflective Thinking
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

19) Today, the most authoritative source of generally accepted accounting principles is the American Accounting Association.

19) _____

◎ true
◎ false

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations

20) The American Institute of Certified Public Accountants has the legal authority over publicly held corporations to enforce compliance with generally accepted accounting principles.

20) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
Difficulty : 2 Medium
AICPA : BB Critical Thinking
AACSB : Communication
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations

21) The Securities and Exchange Commission is instrumental in the development of financial accounting standards.

21) _____

◎ true
◎ false

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

22) Financial accounting standards issued by the Financial Accounting Standards Board (FASB) are considered generally accepted accounting principles.

22) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

23) Generally accepted accounting principles were established by the American Accounting Association in 1934 and are updated annually by Congress.

23) _____

◎ true
◎ false

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations

24) The certified public accountant (CPA) examination is administered by the General Accounting Office of the UnitedStates Government.

24) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Analytical Thinking
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations

25) The Sarbanes-Oxley Act places responsibility on chief executive officers (CEOs) and chief financial officers (CFOs) of companies to certify the fairness of a company's financial statements. The Act also created the Public Company Accounting Oversight Board, which oversees the public accounting profession.

25) _____

◎ true
◎ false

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
Difficulty : 2 Medium
AICPA : BB Legal
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
AACSB : Ethics

26) The Code of Ethics of the American Institute of Certified Public Accountant (AICPA) calls for a commitment to ethical behavior but not at the sacrifice of personal advantage.

26) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Decision Making
Learning Objective : 01-07 Discuss the importance of personal competence, professional judgment, and
Topic : Competence, Judgment, and Ethical Behavior
AACSB : Ethics

27) The Code of Ethics of the American Institute of Certified Public Accountant (AICPA) calls for a member in public practice to be independent in fact and appearance when providing auditing services.

27) _____

◎ true
◎ false

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AICPA : FN Decision Making
Learning Objective : 01-07 Discuss the importance of personal competence, professional judgment, and
Topic : Competence, Judgment, and Ethical Behavior
AACSB : Ethics

28) Public accounting is the segment of the profession where professionals offer audit, tax, and consulting services to clients.

28) _____

◎ true
◎ false

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Decision Making
AACSB : Communication
Learning Objective : 01-08 Describe various career opportunities in accounting.
Topic : Careers in Accounting

29) Career opportunities in accounting exist in public accounting, management accounting, governmental accounting, and accounting education.

29) _____

◎ true
◎ false

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Measurement
AACSB : Communication
Learning Objective : 01-08 Describe various career opportunities in accounting.
Topic : Careers in Accounting

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

30) Financial accounting information is:

30) _____

A) Designed to assist investors and creditors.
B) Submitted to the Internal Revenue Service (IRS) in lieu of a tax form.
C) Called "special-purpose" accounting information.
D) Not applicable to individuals.

Question Details
Difficulty : 1 Easy
Learning Objective : 01-01 Discuss accounting as the language of business and the role of accounting
Topic : Accounting Information: A Means to an End
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
AACSB : Communication

31) Which of the following does not describe accounting?

31) _____

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A) It is commonly referred to as the language of business.
B) It is an end rather than a means to an end.
C) It is useful for decision-making.
D) It is used by businesses, governments, non-profit organizations, and individuals.

Question Details
Learning Objective : 01-01 Discuss accounting as the language of business and the role of accounting
Topic : Accounting Information: A Means to an End
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
Difficulty : 2 Medium
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Communication

32) The field of accounting may best be described as:

32) _____

A) Recording the financial transactions of an economic entity.
B) Developing information in conformity with generally accepted accounting principles.
C) The art of interpreting, measuring, and describing economic activity.
D) Developing the information required for the preparation of income tax returns.

Question Details
Learning Objective : 01-01 Discuss accounting as the language of business and the role of accounting
Topic : Accounting Information: A Means to an End
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Reflective Thinking
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
AICPA : FN Measurement

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33) The basic purpose of bookkeeping is to:

33) _____

A) Provide financial information about an economic entity.
B) Develop the types of information best-suited to specific managerial decisions.
C) Record the financial transactions of an economic entity.
D) Determine the taxable income of individuals and business entities.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AACSB : Reflective Thinking
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-08 Describe various career opportunities in accounting.
Topic : Careers in Accounting

34) Which of the following is not characteristic of financial accounting?

34) _____

A) Information used in financial statements is prepared in conformity with generally accepted accounting principles.
B) The information is confidential and is intended for use only by company management.
C) The information is used in a wide variety of business decisions.
D) The information is developed primarily by "private accountants" that is, accountants employed by business organizations.

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Question Details
Learning Objective : 01-01 Discuss accounting as the language of business and the role of accounting
Topic : Accounting Information: A Means to an End
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
AACSB : Communication

35) The information systems of most business organizations:

35) _____

A) Are tailored to meet the organization's needs for accounting information and the resources available for operating the system.
B) Are similar in design to the journals, ledgers, and worksheets illustrated in this text.
C) Utilize data bases, rather than ledger accounts.
D) Are designed by the certified public accountant (CPA) firm that performs the annual financial audit.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
Bloom's : Understand
AACSB : Technology
AICPA : BB Leveraging Technology
AICPA : FN Leveraging Technology
Topic : Information Systems

36) The New York Stock Exchange (NYSE) requires all listed companies to:

36) _____

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A) Register with the PCAOB (Public Company Accounting Oversight Board).

B) Send financial statements directly to investors, creditors, and other users of financial information.

C) Maintain an internal audit function.

D) Use IFRS (International Financial Reporting Standards) for financial statement reporting purposes.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Reflective Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
Bloom's : Understand
AICPA : BB Legal
Topic : Information Systems

37) Which of the following is not a basic function of an information system?

37) _____

A) To interpret and record the effects of business transactions.

B) To classify the effects of similar transactions in a manner that permits determination of various totals and subtotals useful to management.

C) To ensure that a business organization will be managed profitably.

D) To summarize and communicate information to decision makers.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
Bloom's : Understand
AACSB : Technology
AICPA : BB Leveraging Technology
Topic : Information Systems

38) Information is cost-effective when:

38) _____

A) The information aids management in controlling costs.
B) The information is based upon historical costs, rather than upon estimated market values.
C) The value of the information exceeds the cost of producing it.
D) The information is generated by a computer-based accounting system.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Reflective Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
Bloom's : Understand
AICPA : BB Resource Management
Topic : Information Systems

39) Which of the following events is not a transaction that would be recorded in a company's accounting records?

39) _____

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A) The purchase of equipment for cash.
B) The purchase of equipment on account.
C) The investment of additional cash in the business by the owner.
D) The death of a key executive.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
AICPA : BB Critical Thinking
AACSB : Analytical Thinking
Bloom's : Apply
Topic : Information Systems

40) A strong internal control structure:

40) _____

A) Provides reasonable assurance that the organization produces reliable financial reports.
B) Will prevent a business from operating at a loss.
C) Ensures a business will remain solvent.
D) Will prevent fraud, theft, and embezzlement.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
Bloom's : Understand
AICPA : BB Critical Thinking
AICPA : FN Risk Analysis
AACSB : Analytical Thinking
Topic : Information Systems

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41) The best definition of an information system is:

41) _____

A) Journals, ledgers, and worksheets.

B) Manual or computer-based records used in developing information about an entity for use by managers and also persons outside the organization.

C) The personnel, procedures, technology, and records used by an entity to develop information and communicate this information to decision makers.

D) The concepts, principles, and standards specifying the information which should be included in financial statements, and how that information should be presented.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AACSB : Reflective Thinking
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
Bloom's : Understand
AICPA : BB Critical Thinking
Topic : Information Systems

42) The objectives of an accounting system include all of the following, except:

42) _____

A) Interpret and record the effects of business transactions.

B) Classify the effects of transactions to facilitate the preparation of reports.

C) Summarize and communicate information to decision makers.

D) Dictate the specific types of business transactions the enterprise may pursue.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
Bloom's : Understand
AICPA : BB Critical Thinking
AACSB : Analytical Thinking
Topic : Information Systems

43) Suppose a number of your friends have organized a company to develop and sell a new software product. They have asked you to loan them $5,000 to help get the company started, and they have promised to repay your $5,000 plus 9% interest in one year. Of the following, which amount may be described as the return on your investment?

43) _____

A) $5,000
B) $5,450
C) $450
D) $4,550

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 2 Medium
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply
Type : Algorithmic

44) Suppose a number of your friends have organized a company to develop and sell a new software product. They have asked you to loan them $8,000 to help get the company started, and they have promised to repay your $8,000 plus 10% interest in one year. Of the following, which amount may be described as the return on your investment?

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44) _____

A) $8,000
B) $800
C) $8,800
D) $7,200

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Measurement
AACSB : Analytical Thinking
Bloom's : Apply

45) Which of the following is generally not considered one of the general-purpose financial statements issued by a corporation?

45) _____

A) Income statement forecast for the coming year.
B) Balance sheet.
C) Statement of financial position.
D) Statement of cash flows.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication

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46) Which of the following is considered a return "on" investment?

46) _____

A) Dividends.
B) Repayment of a loan.
C) Purchase of an asset.
D) Securing a loan.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Measurement
AACSB : Analytical Thinking

47) The financial statements of a business entity:

47) _____

A) Include the balance sheet, income statement, and income tax return.
B) Provide information about the cash flow prospects of the company.
C) Are the first step in the accounting process.
D) Are prepared for a fee by the Financial Accounting Standards Board.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication

48) Which of the following are notconsidered "external" users of financial statements?

48) _____

A) Owners.
B) Creditors.
C) Labor unions.
D) Managers.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication

49) Financial statements are designed primarily to:

49) _____

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A) Provide managers with detailed information tailored to the managers' specific information needs.

B) Provide people outside the business organization with information about the company's financial position and operating results.

C) Report to the Internal Revenue Service the company's taxable income.

D) Indicate to investors in a particular company the current market values of their investments.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication

50) The principal difference between management accounting and financial accounting is that financial accounting information is:

50) _____

A) Prepared by managers.

B) Intended primarily for use by decision makers outside the business organization.

C) Prepared in accordance with a set of accounting principles developed by the Institute of Certified Management Accountants.

D) Oriented toward measuring solvency rather than profitability.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
Topic : Financial Accounting Information
AACSB : Analytical Thinking
Topic : Management Accounting Information

51) Which financial statement is prepared as of a specific date?

51) _____

A) The balance sheet
B) The income statement
C) The statement of cash flows
D) The balance sheet, income statement, and statement of cash flows are all for a period of time rather than at a specific date.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication

52) In comparison with a financial statement prepared in conformity with generally accepted accounting principles, a management accounting report is more likely to:

52) _____

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A) Be used by decision makers outside of the business organization.
B) Focus upon the operation results of the most recently completed accounting period.
C) View the entire organization as the reporting entity.
D) Be tailored to the specific needs of an individual decision maker.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
Topic : Financial Accounting Information
AACSB : Communication
Topic : Management Accounting Information

53) Which of the following decision makers is least likely to be among the users of management accounting reports developed by a large organization that operates retail stores that sell to consumers?

53) _____

A) The chief executive officer of the organization.
B) The manager of a department in one of the stores owned by the organization.
C) The manager of a mutual fund considering investing in the organization's common stock.
D) Internal auditors within the organization.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
Topic : Financial Accounting Information
AACSB : Analytical Thinking
Topic : Management Accounting Information

54) Which financial statement is primarily concerned with reporting the financial position of a business at a particular time?

54) _____

A) The balance sheet.
B) The income statement.
C) The statement of cash flows.
D) Consolidated statement of stockholders' equity.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication

55) Financial statements are prepared:

55) _____

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A) Only for publicly owned business organizations.
B) For corporations, but not for sole proprietorships or partnerships.
C) Primarily for the benefit of persons outside of the business organization.
D) In either monetary or nonmonetary terms, depending upon the need of the decision maker.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication

56) Financial statements may be prepared for which time period?

56) _____

A) One year.
B) Less than one year.
C) More than one year.
D) Any time period.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication
AICPA : BB Legal

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57) Which of the following is generally not considered an external user of accounting information?

57) _____

A) Stockholders of a corporation.
B) Bank lending officers.
C) Financial analysts.
D) Factory managers.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Analytical Thinking

58) Although accounting information is used by a wide variety of external parties, financial reporting is primarily directed toward the informational needs of:

58) _____

A) Investors and creditors.
B) Government agencies such as the Internal Revenue Service.
C) Customers.
D) Trade associations and labor unions.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Analytical Thinking

59) Investors may be described as:

59) _____

A) Individuals and enterprises that have provided credit to a reporting entity.
B) Individuals and enterprises that have ownership interest in a reporting entity.
C) Anyone with an interest in the results of the operations of the reporting entity.
D) Those whose primary economic activity consists of buying and selling stocks and bonds.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Analytical Thinking
AICPA : FN Decision Making

60) Of the following objectives of financial reporting, which is the most specific?

60) _____

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A) Provide information useful in assessing amount, timing, and uncertainty of future cash flows.

B) Provide general information useful in making investment and credit decisions.

C) Provide specific information about economic resources, claims to resources, and changes in resources and claims.

D) Provide information useful to help the enterprise achieve its goals, objectives, and mission.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Analytical Thinking

61) Investors and creditors are interested in the probability that their original investment or loan will eventually be returned, and that they will receive a reasonable return while their funds are invested or borrowed. These expectations are collectively referred to as:

61) _____

A) Expected profitability.

B) The objectives of financial reporting.

C) Cash flow prospects.

D) Financial position.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Measurement
AACSB : Analytical Thinking

62) A complete set of financial statements for Citywide Company, at December 31, Year 1, would include each of the following, except:

62) _____

A) Balance sheet as of December 31, Year 1.
B) Income statement for the year ended December 31, Year 1.
C) Statement of projected cash flows for Year 2.
D) Notes containing additional information that is useful in interpreting the financial statements.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication

63) The general-purpose financial statements prepared annually by a corporation would not include the:

63) _____

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A) Balance sheet.
B) Income tax return.
C) Income statement.
D) Statement of cash flows.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Communication

64) Which of the following is a characteristic of financial accounting information?

64) _____

A) Its preparation requires judgment.
B) It is more about the future than it is about the past.
C) None of it is based on estimates, assumptions, and judgments.
D) Notes and explanations from management are not included.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Measurement
AACSB : Analytical Thinking

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65) Which of the following statements is considered a "snapshot" of the business in financial or dollar terms?

65) _____

A) Statement of financial position.
B) Statement of cash flows.
C) Income statement.
D) The federal income tax return.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Analytical Thinking

66) Objectives of financial reporting to external investors and creditors include preparing information about all of the following except:

66) _____

A) Information used to determine which products to produce.
B) Information about economic resources, claims to those resources, and changes in both resources and claims.
C) Information that is useful in assessing the amount, timing, and uncertainty of future cash flows.
D) Information that is useful in making investment and credit decisions.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AACSB : Analytical Thinking

67) Financial accounting information is characterized by all of the following except:
67) _____

A) It is historical in nature.
B) It results from inexact and approximate measures.
C) It is factual, so it does not require judgment to prepare.
D) It is enhanced by management's explanation.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Critical Thinking
Learning Objective : 01-03 Explain the importance of financial accounting information for external pa
Topic : Financial Accounting Information
AICPA : FN Measurement
AACSB : Analytical Thinking

68) It is the function of management accounting to perform the following activities, except:
68) _____

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A) Create financial forecasts.
B) Perform cost accounting.
C) Complete internal audits.
D) Audit financial statements.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
AACSB : Communication
Topic : Management Accounting Information

69) All of the following are characteristics of management accounting, except:

69) _____

A) Reports are used primarily by insiders rather than by persons outside of the business entity.
B) Its purpose is to assist managers in planning and controlling business operations.
C) Information must be developed in conformity with generally accepted accounting principles or with income tax regulations.
D) Information may be tailored to assist in specific managerial decisions.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
AACSB : Analytical Thinking
Topic : Management Accounting Information

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70) Internal users of financial accounting information include all of the following except:

70) _____

A) Investors.
B) Managers.
C) Chief Financial Officer.
D) Chief Executive Officer.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
AACSB : Communication
Topic : Management Accounting Information

71) Which of the following is not a user of internal accounting information?

71) _____

A) Store manager
B) Chief executive officer
C) Creditor
D) Chief financial officer

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
AACSB : Communication
Topic : Management Accounting Information

72) Characteristics of internal accounting information include all of the following except:

72) _____

A) It is audited by a certified public accountant (CPA).
B) It must be timely.
C) It is generally oriented toward the future.
D) It measures efficiency and effectiveness.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
Learning Objective : 01-04 Explain the importance of accounting information for internal parties&mdas
AACSB : Analytical Thinking
Topic : Management Accounting Information

73) Which of the following is not an important factor in ensuring the integrity of accounting information?

73) _____

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A) Institutional factors, such as standards for preparing information.
B) Professional organizations, such as the American Institute of certified public accountants (CPAs).
C) Competence, judgment, and ethical behavior of individual accountants.
D) The cost of preparing the financial information.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
AICPA : FN Measurement
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
AACSB : Ethics

74) Generally accepted accounting principles:

74) _____

A) Are based on official decrees only.
B) Are based on tradition only.
C) Are based on an accountant's experience only.
D) May change over time.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
Difficulty : 2 Medium
AICPA : BB Critical Thinking
AACSB : Analytical Thinking
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

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75) The Sarbanes-Oxley Act of 2002 created:

75) _____

A) The Security and Exchange Commission.
B) The Financial Accounting Standards Board.
C) The Public Company Accounting Oversight Board.
D) The Income Tax Return Overview Board.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
AACSB : Ethics

76) Publicly owned companies are those whose ownership shares are:

76) _____

A) Bought and sold through stock exchanges or over-the-counter markets.
B) Bought and sold through the New York Stock Exchange (NYSE).
C) Owned by other publicly owned companies.
D) Owned by foreign corporations.

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
AACSB : Ethics

77) The Financial Accounting Standards Board's (FASB's) conceptual framework:

77) _____

A) Explains and guides the future development of accounting standards.
B) Sets forth the accounting standards referred to as generally accepted accounting principles.
C) Is not recognized by the Securities and Exchange Commission (SEC).
D) Has been superseded by generally accepted accounting principles.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
AACSB : Ethics

78) Overseeing a company's affairs to ensure that the company is managed with the best interest of shareholders in mind is called:

78) _____

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A) Internal control.
B) Financial integrity.
C) Corporate governance.
D) The audit function.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
Difficulty : 2 Medium
AICPA : BB Critical Thinking
AICPA : FN Risk Analysis
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations
AACSB : Ethics

79) The basic purpose of an audit is to:

79) _____

A) Assure outsiders that financial statements are prepared in conformity withgenerally accepted accounting principles (GAAP).
B) Provide as much useful information to decision makers as possible, regardless of cost.
C) Record changes in the financial position of an organization by applying the concepts of double entry accounting.
D) Meet an organization's need for accounting information as efficiently as possible.

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
AACSB : Analytical Thinking
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

80) Audits of financial statements are performed by:

80) _____

A) The controller of the reporting company.
B) The Financial Accounting Standards Board (FASB).
C) The management of the reporting company.
D) Independent certified public accountants (CPAs).

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
AACSB : Ethics

81) The auditor's report on the published financial statements of a large corporation should be viewed as:

81) _____

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A) The opinion of independent experts as to the overall fairness of the statements.
B) The opinion of the corporation's chief accountant as to the overall fairness of the statements.
C) A guarantee by a firm of certified public accountants that the statements are accurate.
D) A guarantee by the Financial Statements Insurance Board that the statements do not overstate assets or net income.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
AACSB : Ethics

82) The set of standards, assumptions, and concepts that form the "ground rules" for financial reporting in the United States is termed:

82) _____

A) The conceptual framework.
B) Generally accepted accounting principles.
C) Statements of Financial Accounting Concepts.
D) American standards for certified public accountants.

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AACSB : Communication
AICPA : BB Legal
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

83) The basic purpose of generally accepted accounting principles is to:

83) _____

A) Minimize the possibility of a business becoming insolvent.
B) Provide a framework for financial reporting that is understood by both the preparers and the users of financial statements.
C) Ensure that financial statements include the type of information that is best suited to every type of business decision.
D) Eliminate the need for professional judgment in preparing financial statements.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AACSB : Analytical Thinking
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

84) Establishing international accounting standards is the responsibility of:

84) _____

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A) American Institute of Certified Public Accountants (AICPA).
B) International Accounting Standards Board (IASB).
C) Securities and Exchange Commission (SEC).
D) American Accounting Association (AAA).

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
AICPA : BB Global

85) Generally accepted accounting principles are intended to assist accountants in preparing financial statements that:

85) _____

A) Are relevant, verifiable, comparable, and understandable.
B) Show the business to be both solvent and profitable.
C) Comply with all income tax rules and regulations.
D) Are ideally suited to the specific needs of each user of the financial statements.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

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86) Which of the following is not an objective of generally accepted accounting principles?

86) _____

A) To minimize the amount of income taxes owed.

B) To ensure that both preparers and users of financial statements understand the concepts and assumptions used in presenting information within these statements.

C) To enhance the relevance and verifiability of information contained in financial statements.

D) To increase the comparability of financial statements prepared by different companies.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
Difficulty : 2 Medium
AICPA : BB Critical Thinking
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

87) In the phrase "generally accepted accounting principles," the words accounting principlesrefers to:

87) _____

A) The standards, assumptions, and concepts that serve as "ground rules" for financial reporting.

B) Ethical standards that prohibit fraudulent or misleading financial reporting.

C) The steps in the accounting cycle.

D) The accounting practices authorized by the Financial Accounting Standards Board (FASB).

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

88) The accounting standards and concepts used in the preparation of financial statements are called:

88) _____

A) Certified principles of accounting (CPA).
B) Generally accepted accounting principles (GAAP).
C) Federal accounting standards and bylaws (FASB).
D) Standards enforcing consistency (SEC).

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

89) Generally accepted accounting principles are the "ground rules" used in the preparation of:

89) _____

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A) Income tax returns.
B) All accounting reports.
C) Reports to federal and state regulatory agencies.
D) Financial statements.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

90) The Financial Accounting Standards Board is:

90) _____

A) Responsible for the review and audit of federal income tax returns.
B) Primarily concerned with the preparation of the annual federal budget.
C) A private group that conducts research and determines generally accepted accounting principles.
D) A government agency with legal authority to approve or disapprove the financial statements of corporations that sell their securities to the public.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

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91) The Accounting Standards Codification was developed by:

91) _____

A) The Financial Accounting Standards Board.
B) Certified public accountants.
C) The Securities and Exchange Commission.
D) The Internal Revenue Service.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
AICPA : FN Research

92) The body created by the Sarbanes Oxley Act and charged with oversight of the accounting profession is the:

92) _____

A) Public Company Accounting Oversight Board.
B) Auditing Standards Board.
C) International Accounting Standards Board.
D) Securities and Exchange Commission.

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Legal
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
AACSB : Ethics

93) The measures used by an organization to provide reasonable assurance that the organization produces reliable financial reports, complies with applicable laws and regulations, and conducts its operations in an efficient and effective manner are collectively referred to as:

93) _____

A) Generally accepted accounting principles.
B) Financial accounting standards.
C) Securities and exchange regulations.
D) The internal control structure.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
Difficulty : 2 Medium
Learning Objective : 01-02 Discuss the significance of information systems in generating reliable acc
AICPA : BB Legal
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
Topic : Information Systems

94) In 2012 the Securities and Exchange Commission (SEC) issued an extensive report regarding the use of International Financial Reporting Standards (IFRS) by United States public companies and listed which of the following as a major obstacle to adopting International Accounting Standards Board (IASB) standards?

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94) _____

A) International Accounting Standards Board (IASB) standards are generally viewed as low quality.

B) International Accounting Standards Board (IASB) is dependent on funding from the major accounting firms.

C) Cross-border financing is decreasing in popularity.

D) The International Accounting Standards Board (IASB) is not a governmental agency, and therefore it is not positioned to develop accounting standards.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

95) The basic purpose of audited financial statements is to:

95) _____

A) Provide the reporting company with assurance that all assets are protected from theft or embezzlement.

B) Prepare financial statements for companies that do not have their own accounting departments.

C) Provide users of the financial statements with assurance that the statements are verifiable and are presented in conformity with generally accepted accounting principles.

D) Provide both the reporting company and the users of the statements with a written guarantee that the statements are error-free.

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Industry
AICPA : FN Reporting
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

96) The Financial Accounting Standards Board (FASB) takes on a responsibility to do the following, except:

96) _____

A) Set the objectives of financial reporting.
B) Describe the elements of financial statements.
C) Judge disputes between management and the certified public accountant (CPA).
D) Determine the criteria for deciding what information to include in financial statements.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

97) Which of the following is not recognized as a source of generally accepted accounting principles?

97) _____

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A) Widespread and long-term use of a particular practice.
B) The Financial Accounting Standards Board (FASB).
C) The Securities and Exchange Commission (SEC).
D) Statements of the Committee of Sponsoring Organizations (COSO).

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations

98) In the phrase "generally accepted accounting principles," the words generally accepted mean that the principles:

98) _____

A) Have been adopted by Congress or approved by the voters in a general election.
B) Are acceptable to the Internal Revenue Service.
C) Are understood and observed by all the participants in the financial reporting process.
D) Have been approved by a majority of the members of the Financial Accounting Standards Board.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
AICPA : FN Measurement
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

99) Which of the following has the least impact upon the integrity of financial statements issued by publicly owned corporations?

99) _____

A) Federal securities laws.
B) Professional judgment of the accountants who prepare the financial statements.
C) Audits of the financial statements by the Internal Revenue Service.
D) Competence and integrity of the certified public accountants (CPAs) who perform audits.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
AACSB : Communication
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information

100) Which of the following is true?

100) _____

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A) The existence of generally accepted accounting principles (GAAP) eliminates the need for professional judgment except in very unusual circumstances.

B) Federal securities laws regarding the issuance of misleading financial statements apply not only to the independent auditors, but to management of the company as well.

C) Attaining a passing score on the part of the Uniform Certified Public Accountant (CPA) Examination that covers professional ethics is evidence of integrity and commitment to ethical conduct.

D) A professional accountant should resign his position rather than become involved in the distribution of financial statements indicating insolvency.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
Learning Objective : 01-05 Discuss elements of the system of external and internal financial reportin
Topic : Integrity of Accounting Information
Learning Objective : 01-07 Discuss the importance of personal competence, professional judgment, and
Topic : Competence, Judgment, and Ethical Behavior
AACSB : Ethics

101) Which organization best serves the professional needs of a certified public accountant (CPA)?

101) _____

A) Financial Accounting Standards Board (FASB).
B) American Institute of Certified Public Accountant (AICPA).
C) Securities and Exchange Commission (SEC).
D) American Accounting Association (AAA).

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : BB Industry
Difficulty : 2 Medium
Bloom's : Understand
AACSB : Analytical Thinking
AICPA : FN Decision Making
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations

102) An accounting principle must receive substantial authoritative support to qualify as generally accepted. Among the organizations and agencies that have been influential in the development of generally accepted accounting principles, which of the following has provided the most influential leadership?

102) _____

A) Internal Revenue Service.
B) Institute of Management Accountants.
C) Financial Accounting Standards Board.
D) New York Stock Exchange (NYSE).

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
AICPA : FN Reporting
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
AACSB : Communication
Learning Objective : 01-06 Identify and discuss several professional organizations that play importan
Topic : Professional Organizations

103) The American Institute of Certified Public Accountants has a Code of Professional Conduct that expresses the accounting profession's recognition of its responsibilities to all of the following except:

103) _____

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A) The public.
B) The client.
C) Colleagues.
D) The Internal Revenue Service (IRS).

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Decision Making
AICPA : BB Legal
Learning Objective : 01-07 Discuss the importance of personal competence, professional judgment, and
Topic : Competence, Judgment, and Ethical Behavior
AACSB : Ethics

104) The work of accountants practicing in public accounting may best be described as:
104) _____

A) Providing various types of accounting services to a wide variety of clients.
B) Preparing income tax returns for individuals and small businesses.
C) Developing and interpreting information tailored to the needs of business managers.
D) Helping governmental agencies carry out their various regulatory responsibilities.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Difficulty : 2 Medium
Bloom's : Understand
AICPA : BB Critical Thinking
AICPA : FN Decision Making
AACSB : Communication
Learning Objective : 01-08 Describe various career opportunities in accounting.
Topic : Careers in Accounting

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105) The primary function of external auditors is to:

105) _____

A) Express an opinion on the fairness of the company's financial statements.
B) Determine the accuracy of the management reports.
C) Evaluate the efficiency of operations and the degree of compliance with management's policies in all departments within a large organization.
D) Determine that financial statements and all special reports to management are prepared in conformity with generally accepted accounting principles.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : BB Critical Thinking
AICPA : FN Risk Analysis
AACSB : Analytical Thinking
Learning Objective : 01-08 Describe various career opportunities in accounting.
Topic : Careers in Accounting

106) Management accountants primarily are concerned with developing information:

106) _____

A) For use in income tax returns.
B) Suited to the needs of stockholders, creditors, and other external decision makers.
C) In conformity with generally accepted accounting principles.
D) Suited to the needs of decision makers within the organization.

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AICPA : BB Critical Thinking
AACSB : Analytical Thinking
Learning Objective : 01-08 Describe various career opportunities in accounting.
Topic : Careers in Accounting

107) The designation of certified public accountant (CPA) is given by:

107) _____

A) Universities.
B) States.
C) The American Institute of Certified Public Accountant (AICPA).
D) The Securities and Exchange Commission (SEC).

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Decision Making
AICPA : BB Legal
AACSB : Ethics
Learning Objective : 01-08 Describe various career opportunities in accounting.
Topic : Careers in Accounting

108) One of the principal functions of certified public accountants (CPAs) is to:

108) _____

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A) Audit income tax returns to determine if taxpayers have underpaid their income taxes.

B) Conduct audits to determine whether the employees of a business are performing their jobs honestly and efficiently.

C) Advise individual investors on stock market investments.

D) Perform audits to determine the fairness of a company's financial statements.

Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AACSB : Analytical Thinking
AICPA : BB Legal
Learning Objective : 01-08 Describe various career opportunities in accounting.
Topic : Careers in Accounting

109) The Securities and Exchange Commission (SEC) requires corporate officers to sign the Form 10-K, which is filed annually with the Securities and Exchange Commission. Which of the following officers is not among those required to sign?

109) _____

A) CEO (Chief Executive Officer).

B) CAO (Chief Accounting Officer).

C) CFO (Chief Financial Officer).

D) COO (Chief Operating Officer).

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Question Details
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Type : Static
Bloom's : Remember
AICPA : FN Reporting
AACSB : Analytical Thinking
AICPA : BB Legal
Learning Objective : 01-08 Describe various career opportunities in accounting.
Topic : Careers in Accounting

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Financial Accounting 18th Edition by Williams CH01B

Answer Key

Test name: CH01B

1) FALSE
2) FALSE
3) TRUE
4) FALSE
5) TRUE
6) FALSE
7) FALSE
8) TRUE
9) FALSE
10) FALSE
11) FALSE
12) TRUE
13) FALSE
14) FALSE
15) FALSE
16) TRUE
17) TRUE
18) FALSE
19) FALSE
20) FALSE
21) TRUE
22) TRUE
23) FALSE
24) FALSE
25) TRUE
26) FALSE

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27) TRUE
28) TRUE
29) TRUE
30) A
31) B
32) C
33) C
34) B
35) A
36) C
37) C
38) C
39) D
40) A
41) C
42) D
43) C
Return on investment is payment for usage of the money—interest in this setting.9% × $5,000 = $450.
44) B
Return on investment is payment for usage of the money—interest in this setting. 10% × $8,000 = $800.
45) A
46) A
47) B
48) D
49) B
50) B
51) A
52) D

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53) C
54) A
55) C
56) D
57) D
58) A
59) B
60) C
61) C
62) C
63) B
64) A
65) A
66) A
67) C
68) D
69) C
70) A
71) C
72) A
73) D
74) D
75) C
76) A
77) A
78) C
79) A
80) D
81) A
82) B

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83) B
84) B
85) A
86) A
87) A
88) B
89) D
90) C
91) A
92) A
93) D
94) B
95) C
96) C
97) D
98) C
99) C
100) B
101) B
102) C
103) D
104) A
105) A
106) D
107) B
108) D
109) D

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