

***College Accounting Chapters 1 -27 24th edition
Heintz Test Bank***

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Chapter 01: Introduction to Accounting

True / False

1. The purpose of accounting is to provide financial information about the current operations and financial conditions of a business to individuals and organizations.

- a. True
- b. False

ANSWER: True

2. Because financial information is communicated in accounting terms, accounting is said to be the "language of business."

- a. True
- b. False

ANSWER: True

3. Interpreting refers to reviewing events that have taken place and determining how they affect a business.

- a. True
- b. False

ANSWER: False

4. A partnership is owned by stockholders or shareholders and is managed by them.

- a. True
- b. False

ANSWER: False

5. A business that makes a product to sell is called a manufacturing business.

- a. True
- b. False

ANSWER: True

6. A public accountant can achieve professional recognition as a Certified Public Accountant by meeting certain educational and experience requirements as determined by each state.

- a. True
- b. False

ANSWER: True

7. The six major steps of the accounting process are analyzing, recording, classifying, summarizing, reporting, and interpreting.

- a. True
- b. False

ANSWER: True

8. Generally accepted accounting principles are procedures and guidelines to be followed in the accounting/reporting process.

- a. True
- b. False

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ANSWER: True

9. Accountants design accounting information systems and analyze and interpret information.

- a. True
- b. False

ANSWER: True

10. Writing or using one of the latest technological advances to enter a transaction in the accounting records is called summarizing.

- a. True
- b. False

ANSWER: False

11. The Financial Accounting Standards Board develops generally accepted accounting principles to provide some assurance that companies are reporting business activities in a similar manner.

- a. True
- b. False

ANSWER: True

12. Stockholders may have very little influence on business decisions.

- a. True
- b. False

ANSWER: True

13. Cost accounting is used to develop a financial plan for a company.

- a. True
- b. False

ANSWER: False

14. The principal accounting officer of a company is called a public accountant.

- a. True
- b. False

ANSWER: False

15. A CMA is a Certified Marketing Auditor.

- a. True
- b. False

ANSWER: False

16. Creditors need detailed measures of business performance.

- a. True
- b. False

ANSWER: False

17. Owners are most interested in a company's profitability and current financial performance.

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- a. True
- b. False

ANSWER: True

Multiple Choice

18. Which of the following types of businesses is owned by stockholders?

- a. Proprietorship
- b. Corporation
- c. Partnership with more than ten partners
- d. Partnership with only two partners

ANSWER: b

19. A business that purchases a product from another business to sell to customers is called a

- a. service business.
- b. manufacturing business.
- c. merchandising business.
- d. nonprofit business.

ANSWER: c

20. A person who reviews the operating and accounting control procedures adopted by management to make sure the controls are adequate and are being followed may be referred to as a(n)

- a. bookkeeper.
- b. accountant.
- c. information processor.
- d. internal auditor.

ANSWER: d

21. A person who records, sorts, and files accounting information in accounting records may be referred to as a(n)

- a. budgeter.
- b. journalist.
- c. accounting clerk.
- d. scribe.

ANSWER: c

22. An internal auditor can achieve professional recognition in internal auditing by receiving which of the following certificates?

- a. GAAP
- b. CIA
- c. CMA
- d. CLU

ANSWER: b

23. The accounting function of classifying is

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- a. thinking about how events affect the business.
- b. gathering similar events to provide information that is easy to understand.
- c. sorting and grouping similar items together.
- d. deciding the meaning and importance of the information in various reports.

ANSWER: c

24. Bringing together various items of information to determine or explain a result is

- a. summarizing.
- b. interpreting.
- c. recording.
- d. classifying.

ANSWER: a

25. Examining a transaction or event to determine its fundamental significance to the business so that the relevant information may be properly processed is called

- a. recording.
- b. analyzing.
- c. classifying.
- d. interpreting.

ANSWER: b

26. Which of the following does NOT use nonprofit accounting guidelines and procedures?

- a. Proprietorships
- b. Hospitals
- c. Educational institutions
- d. Churches

ANSWER: a

27. Cost accountants provide a wide variety of services, including

- a. designing and implementing accounting information systems.
- b. auditing reviews.
- c. performing general accounting services.
- d. analyzing the cost effectiveness of products produced and services provided.

ANSWER: d

28. Public accountants do NOT offer which of the following services?

- a. Auditing
- b. Tax preparation
- c. Management consulting
- d. Marketing analysis

ANSWER: d

29. Looking at events that have taken place and thinking about how they affect a business is called

- a. analyzing.

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- b. skimming.
- c. determining.
- d. recalling.

ANSWER: a

30. One who assumes all risks for the business and whose personal assets can be taken to pay creditors is called a
- a. partnership.
 - b. sole proprietor.
 - c. corporation.
 - d. business owner.

ANSWER: b

31. Rules that US businesses must follow when preparing financial statements are called
- a. IFRS.
 - b. Accounting Laws.
 - c. GAAP.
 - d. IRS.

ANSWER: c

32. The accountant who oversees the entire accounting process and is the principal accounting officer of the company is called the
- a. CEO.
 - b. Chief Counsel.
 - c. CIO.
 - d. Controller.

ANSWER: d

33. A business that buys a product from another business to sell to customers is called what type of business?
- a. Merchandising
 - b. Wholesaler
 - c. Broker dealer
 - d. Manufacturer

ANSWER: a

34. Entering financial information about events affecting the company into the accounting system is called
- a. analyzing.
 - b. posting.
 - c. auditing.
 - d. recording.

ANSWER: d

35. Who designs the accounting information system and focuses on analyzing and interpreting information by studying the impact of alternative decisions?
- a. Accountants

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- b. Bookkeepers
- c. Controllers
- d. Stockholders

ANSWER: a

36. The owners of a corporation are called

- a. corporate custodians.
- b. partners.
- c. stockholders.
- d. politicians.

ANSWER: c

37. What word describes the aggregation of many similar events to provide information that is easy to understand?

- a. Analyzing
- b. Summarizing
- c. Reporting
- d. Interpreting

ANSWER: b

38. Which activity is defined as the process by which accountants help managers develop a financial plan?

- a. Budgeting
- b. Auditing
- c. Summarizing
- d. Classifying

ANSWER: a

39. A business that makes a product to sell is called what type of business?

- a. Retail
- b. Broker
- c. Manufacturing
- d. Merchandise

ANSWER: c

40. Which area of accounting has responsibilities that include preparing various reports and financial statements and analyzing operating, investing, and financing decisions?

- a. Managerial accounting
- b. Cost accounting
- c. Tax accounting
- d. Financial accounting

ANSWER: d

41. Which area of accounting involves the application of standard review and testing procedures to be certain that proper accounting policies and practices have been followed?

- a. Auditing

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- b. Bookkeeping
- c. Financial accounting
- d. Controlling

ANSWER: a

42. Which business form is owned by two or more people who assume the risks for the business and whose assets may be taken to pay creditors?

- a. Partnership
- b. Corporation
- c. Sole proprietor
- d. LLC

ANSWER: a

43. The process of assessing the importance of a number such as the numbers calculated in a ratio analysis is called

- a. consolidating.
- b. interpreting.
- c. reviewing.
- d. ranking.

ANSWER: b

44. The process in which accountants help managers develop a financial plan is known as

- a. budgeting.
- b. testing.
- c. calculating.
- d. auditing.

ANSWER: a

45. What is a sole proprietorship?

- a. A business structure where multiple individuals share ownership and decision-making
- b. A business structure where a single individual owns and operates the business
- c. A business structure specifically designed for non-profit organizations
- d. A business structure that is publicly traded on the stock market

ANSWER: b

46. What type of business structure is characterized by limited liability for its owners and the ability to raise capital through the sale of stock?

- a. Sole proprietorship
- b. Partnership
- c. Corporation
- d. Cooperative

ANSWER: c

47. Which of the following business structures provides limited liability to its owners?

- a. Sole proprietorship

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- b. Partnership
- c. Corporation
- d. None of these choices has limited liability to the owners.

ANSWER: c