INTRODUCTION TO ACCOUNTING
SEMINAR (1)

TRUE/FALSE (NOTE: Show any required calculations in your answers)

1. A corporation is a business that is legally separate and distinct from its owners.
2. Primary users of accounting information are accountants.
3. Accounting is thought to be the "language of business" because business information is communicated to users.
4. The role of accounting is to provide many different users with financial information to make economic decisions.
5. Accounting information users need reports about the economic activities and condition of businesses.
6. The primary role of accounting is to determine the amount of taxes a business will be required to pay to taxing entities.
7. Stakeholders use only accounting reports as the source of information to base all of their business decisions.
8. Managerial accounting information is used by external and internal users equally.
9. Financial accounting provides information to all users, while the main focus for managerial accounting is to provide information to the management.
10. A business is an organization that provides goods or services to their customers in exchange for money or other items of value.
11. Managerial accounting is primarily concerned with the recording and reporting of economic data and activities of an entity for use by stockholders, creditors, governmental agencies, and the public.
12. The cost concept is the basis for entering the exchange price into the accounting records.
13. Without the cost concept, accounting reports would become unstable and unreliable.
14. The unit of measurement concept requires that economic data be recorded in a common unit of measurement.
15. If a building is appraised for $85,000, offered for sale at $90,000, and a corporation pays $80,000 cash for it, the corporation would record the building at $85,000.
16. Generally accepted accounting principles regulate how and what financial information is reported by businesses.
17. The accounting equation can be expressed as Assets - Liabilities = Stockholders’ Equity.
18. Stockholders’ rights to assets rank ahead of creditors' rights to assets.

19. If the liabilities owed by a business total $300,000 and stockholders’ equity is equal to $300,000, then the assets also total $300,000.

20. If total assets decreased by $30,000 during a specific period and stockholders’ equity decreased by $35,000 during the same period, the period’s change in total liabilities was an $65,000 increase.

21. If the assets owned by a business total $250,000, and stockholders’ equity totals $200,000, liabilities total $50,000.

22. If the assets owned by a business total $75,000 and liabilities total $50,000, the total for stockholders’ equity is $125,000.

23. If total assets increased by $190,000 during a specific period and liabilities decreased by $10,000 during the same period, the period’s change in total stockholders’ equity was a $200,000 increase.

24. If net income for a corporation was $60,000 and $20,000 in cash dividends were declared and distributed, then retained earnings would increase by $40,000.

25. If net income for a business was $180,000 and $20,000 in cash dividends were declared and distributed, then the retained earnings account would increase by $200,000.

**MULTIPLE CHOICE (NOTE: Show any required calculations in your answers)**

1. Profit is the difference between
   a. assets and liabilities
   b. the incoming cash and outgoing cash
   c. the assets purchased with cash spent by stockholders and the cash spent to operate the business
   d. the assets received for goods and services and the amounts used to provide the goods and services

2. Financial reports are used by
   a. management
   b. creditors
   c. investors
   d. all are correct

3. Which of the following descriptions best describes accounting?
   a. records economic data but does not communicate the data to users according to any specific rules
   b. is an information system that provides reports to users
   c. is of no use by individuals outside of the business
   d. is used only for filling out tax returns and for financial statements for various type of governmental reporting requirements
4. Which of the following is **not** a step in providing accounting information to users?
   a. design the accounting information system
   b. prepare accounting surveys
   c. identify users
   d. record economic data

5. Two common areas of accounting that respectively provide information to internal and external users are:
   a. forensic accounting and financial accounting
   b. managerial accounting and financial accounting
   c. managerial accounting and environmental accounting
   d. financial accounting and tax accounting systems

6. Stockholders in a corporation have an interest in the company because
   a. they provide incentives for the company to market their products.
   b. they are part of the Marketing Department that is responsible for promoting the products or services to increase the business profits.
   c. they help market their products to customers or find vendors to supply needed inputs.
   d. they provide major financing for the business.

7. Which of the following groups are considered to be internal users of accounting information?
   a. Employees and customers
   b. Customers and vendors
   c. Employees and managers
   d. Government and banks

8. The following are examples of external users of accounting information **except**:
   a. government
   b. customers
   c. creditors
   d. all of the above

9. Which of the following is the best description of accounting’s role in business?
   a. Accounting provides stockholders with information regarding the market value of the company’s stocks.
   b. Accounting provides information to managers to operate the business and to other users to make decisions regarding the economic condition of the company.
   c. Accounting provides creditors and banks with information regarding the credit risk rating of the company.
   d. Accounting is not responsible for providing any form of information to users. That is the role of the Information Systems Department.

10. Managerial accountants would be responsible for providing the following information:
    a. Tax reports to government agencies.
    b. Profit reports to stockholders and management.
    c. Expansion of a product line report to management.
    d. Consumer reports to customers.
11. For accounting purposes, the business entity should be considered separate from its owners if the entity is
   a. a corporation
   b. a proprietorship
   c. a partnership
   d. all of the above

12. Darnell Company purchased $88,000 of computer equipment from Joseph Company. Darnell Company paid for the equipment using cash that had been obtained from the initial investment by Donnie Darnell. The transaction involving the computer equipment should be recorded on the accounting records of which of the following entities?
   a. Darnell Company and Darnell stockholders’ personal records
   b. Joseph Company and Darnell stockholders’ personal records
   c. Darnell Company and Joseph Company
   d. Joseph Company

13. The objectivity principle requires that
   a. business transactions must be consistent with the objectives of the entity
   b. the Financial Accounting Standards Board must be fair and unbiased in its deliberations over new accounting standards
   c. accounting principles must meet the objectives of the Security and Exchange Commission
   d. amounts recorded in the financial statements must be based on independently verifiable evidence

14. Recently, Crystal Cleaning Company, a small corporation, paid dividends of $18,000 to its stockholders and Crystal’s major stockholder, Denzel Jones contributed $14,000, in his name, to Habitat for Humanity. The contribution of the $14,000 should be recorded on the accounting records of which of the following entities?
   a. Crystal Cleaning and Habitat for Humanity
   b. Denzel Jones’ personal records and Habitat for Humanity
   c. Denzel Jones’ personal records and Crystal Cleaning
   d. Denzel Jones’ personal records, Crystal Cleaning, and Habitat for Humanity

15. Equipment with an estimated market value of $55,000 is offered for sale at $75,000. The equipment is acquired for $20,000 in cash and a note payable of $40,000 due in 30 days. The amount used in the buyer's accounting records to record this acquisition is
   a. $55,000
   b. $60,000
   c. $20,000
   d. $75,000

16. Which of the following concepts relates to separating the reporting of business and personal economic transactions?
   a. Cost Concept
   b. Unit of Measure Concept
   c. Business Entity Concept
   d. Objectivity Concept
17. Donner Company is selling a piece of land adjacent to their business. An appraisal reported the market value of the land to be $120,000. The Focus Company initially offered to buy the land for $107,000. The companies settled on a purchase price of $115,000. On the same day, another piece of land on the same block sold for $122,000. Under the cost concept, what is the amount that will be used to record this transaction in the accounting records?
   a. $107,000
   b. $115,000
   c. $120,000
   d. $122,000

18. Owned resources of a business are referred to as
   a. assets
   b. liabilities
   c. equities
   d. revenues

19. Assets are
   a. always greater than liabilities.
   b. either cash or accounts receivables
   c. the same as expenses because they are acquired with cash
   d. financed by stockholders and/or creditors

20. Debts owed by a business are referred to as
   a. accounts receivables
   b. equities
   c. stockholders’ equity
   d. liabilities

21. The accounting equation may be expressed as
   a. Assets = Equities - Liabilities
   b. Assets + Liabilities = Stockholders’ Equity
   c. Assets = Revenues less Liabilities
   d. Assets - Liabilities = Stockholders’ Equity

22. Which of the following is not an asset?
   a. Investments
   b. Cash
   c. Inventory
   d. Stockholders’ Equity

23. The assets and liabilities of the company are $175,000 and $40,000, respectively. Stockholders’ equity should equal
   a. $215,000
   b. $135,000
   c. $175,000
   d. $40,000

24. If total liabilities decreased by $55,000 during a period of time and stockholders’ equity increased by $60,000 during the same period, the amount and direction (increase or decrease) of the period's change in total assets is
   a. $115,000 increase
   b. $5,000 increase
   c. $5,000 decrease
   d. $115,000 decrease
25. Which of the following is not a true statement about the accounting equation and its elements?
   a. The accounting equation is Assets = Liabilities - Stockholders’ Equity.
   b. Assets are the resources a business possesses.
   c. Liabilities represent debts of a business.
   d. Examples of assets are cash, land, buildings, and equipment.