

Accounting-Present and Past

Multiple Choice Questions

1. Which of the following entities would *not* require accounting information pertaining to their economic activities?
 - A. Social clubs.
 - B. Not-for-profit entities.
 - C. State governments.
 - D. All of these require accounting information.
 - E. None of these requires accounting information.

2. The authoritative financial accounting standards-setting body in the United States is presently the:
 - A. Securities and Exchange Commission (SEC).
 - B. International Accounting Standards Board (IASB).
 - C. Public Company Accounting Oversight Board (PCAOB).
 - D. Financial Accounting Standards Board (FASB).
 - E. Accounting Principles Board (APB).

3. Which of the following statements about the Financial Accounting Standards Board is correct?
- A. The FASB is an agency of the Federal government.
 - B. The FASB has the authority to fine a noncompliant firm.
 - C. The FASB follows a due process procedure that permits input from interested parties before a standard is issued.
 - D. The FASB is controlled by the American Institute of CPA's.
 - E. None of these statements is correct.
4. Major classifications of accounting activity would *not* include:
- A. financial accounting, internal auditing, public accounting.
 - B. internal auditing, governmental accounting, managerial accounting.
 - C. financial accounting, national accounting, cost accounting.
 - D. auditing, income tax accounting, governmental accounting.
5. Which of the following is *not* an example of a decision or informed judgment that a potential investor would make from accounting information?
- A. Future profitability based on past profitability.
 - B. Probability of success of a new product development.
 - C. A forecast of dividends.
 - D. Assessment of risk that a company may have more debt than it can repay if the economy enters a recession.

6. Which of the following is *not* an example of a decision or informed judgment that a potential employee could make from accounting information?
- A. Personnel turnover statistics (i.e., hiring and terminations).
 - B. Probability of the company's ability to make profit sharing plan contributions in the future.
 - C. Assessment of the risk that the company may become bankrupt in the near future.
 - D. The extent of the company's commitment to a research program.
7. Which of the following are qualified to express an auditor's opinion about an entity's financial statements?
- A. A Comptroller.
 - B. A Certified Management Accountant.
 - C. A Certified Internal Auditor.
 - D. A Certified Public Accountant.
 - E. None of these.
8. Which classification of accounting is most concerned with the use of economic and financial information to plan and control many of the activities of the entity?
- A. Financial accounting.
 - B. Auditing-Public accounting.
 - C. Managerial accounting.
 - D. Income tax accounting.

9. An unqualified auditors' opinion about an entity's financial statements:
- A. is a clean bill of health.
 - B. means that all of the entity's transactions during the audited period were checked out.
 - C. guarantees that the entity was not involved in or the victim of any fraudulent activities during the audited period.
 - D. states that they are presented in conformance with U.S. generally accepted accounting principles.
10. Cost accounting is a subset of which of the following?
- A. Internal auditing.
 - B. Public auditing.
 - C. Cost analysis.
 - D. Managerial accounting.
11. The officer of a corporation responsible for the firm's published financial statements would be most concerned about pronouncements of the:
- A. FASB.
 - B. AICPA.
 - C. GASB.
 - D. SEC.
 - E. IRS.

12. Which of the following is *not* a characteristic or limitation of the kind of information that financial reporting by business enterprises can provide?
- A. The information results in approximate, rather than exact, measures.
 - B. The information largely reflects the financial effects of transactions that have already happened.
 - C. The information is provided and used at a cost.
 - D. All of these are characteristics or limitations of the kind of information that financial reporting by business enterprises can provide.
13. The ethical concept of independence means that an accountant employed:
- A. by a corporation cannot prepare financial statements for use by the company's bank.
 - B. by one company cannot work part-time for another company.
 - C. by an auditing firm cannot own any stock in the company being audited.
 - D. by one company cannot accept a job with another company in the same industry.
14. The objectives of financial reporting for nonbusiness enterprises:
- A. are exactly the same as those for business enterprises.
 - B. focus on providing information for resource providers, rather than investors.
 - C. have more of an internal utilization rather than external reporting focus.
 - D. do not give consideration to the cost of providing information.

15. The ethical concept of integrity means that an individual must:
- A. sign a pledge to abide by all laws and regulations.
 - B. report to a supervisor any violation of the code of conduct of her company that is observed.
 - C. read, understand, and agree to follow all provisions of her employer's code of conduct.
 - D. attempt to be honest and forthright in dealings and communications with others.
16. Which of the following is an objective of financial reporting by business enterprises?
- A. Financial reporting should provide assurance that all liabilities of business enterprises will be paid.
 - B. Financial reporting should show the timing and amount of future cash dividends to potential investors.
 - C. The primary focus of financial reporting is information about the assets of the entity.
 - D. Financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and changes in those resources and claims to them.

17. Which of the following is true about the International Accounting Standards Board (IASB)?

- A. The IASB has been working with the FASB in recent years to achieve convergence of International Financial Reporting Standards (IFRS) and U.S. GAAP.
- B. The goal of the IASB is to develop a single set of high quality, understandable, enforceable, and globally accepted financial reporting standards based upon clearly articulated principles.
- C. The SEC has delegated full authority to the IASB to be the accounting standards setting body in the United States.
- D. All of these are correct.
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18. The provisions of the Sarbanes-Oxley Act of 2002 had the following components:

- A. Enforce auditing.
- B. Attestation.
- C. Quality control.
- D. None of these are provisions.
- E. Enforce auditing, Attestation and Quality control are correct.

Chapter 01 Accounting-Present and Past **Answer Key**

Multiple Choice Questions

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AACSB: Analytic

AICPA BB: Industry

AICPA FN: Reporting

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Identify who the users of accounting information are and explain why they find accounting information useful.

2. The authoritative financial accounting standards-setting body in the United States is presently the:

- A. Securities and Exchange Commission (SEC).
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Learning Objective: 01-05 Explain the role that the Financial Accounting Standards Board (FASB) plays in the development of financial accounting standards.

3. Which of the following statements about the Financial Accounting Standards Board is correct?

- A. The FASB is an agency of the Federal government.
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AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Decision Making

Blooms: Understand

Difficulty: 2 Medium

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Learning Objective: 01-03 Identify the variety of professional services that accountants provide.

5. Which of the following is *not* an example of a decision or informed judgment that a potential investor would make from accounting information?
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AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Decision Making

Blooms: Understand

Difficulty: 2 Medium

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6. Which of the following is *not* an example of a decision or informed judgment that a potential employee could make from accounting information?

- A. Personnel turnover statistics (i.e., hiring and terminations).
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7. Which of the following are qualified to express an auditor's opinion about an entity's financial statements?

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- B. A Certified Management Accountant.
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AACSB: Communication

AICPA BB: Industry

AICPA FN: Reporting

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 01-03 Identify the variety of professional services that accountants provide.

8. Which classification of accounting is most concerned with the use of economic and financial information to plan and control many of the activities of the entity?

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Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-06 Generalize about how financial reporting standards evolve.

10. Cost accounting is a subset of which of the following?

- A. Internal auditing.
- B. Public auditing.
- C. Cost analysis.
- D. Managerial accounting.

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AICPA BB: Industry

AICPA FN: Decision Making

Blooms: Remember

Difficulty: 1 Easy

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11. The officer of a corporation responsible for the firm's published financial statements would be most concerned about pronouncements of the:

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Blooms: Understand

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Learning Objective: 01-09 Summarize the objective of general purpose financial reporting.

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AACSB: Ethics

AICPA BB: Legal

AICPA FN: Risk Analysis

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-07 Identify the key elements of ethical behavior for a professional accountant.

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AICPA FN: Risk Analysis

Blooms: Understand

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