

In the space provided, write the word or words to either replace the question mark or answer the question.

1. What are the three commonly used legal forms of business organizations?

2. The income of which type of legal organization is subject to income tax, separate and distinct from the taxation of the owner's income.

3. Owners of a partnership are said to have ? (limited or unlimited) liability.

4. Unsecured bonds are called ?.

5. The terms of the borrowing for a bond issue are contained in a master contract between the corporation and the bondholders. The master contract is known as the ?.

6. When the bonds of a particular bond issue mature in installments, they are called ?.

7. Bearer, or ? bonds are not recorded in the name of the owner, and interest on such bonds is paid to persons presenting, periodically, the proper interest document.

8. Securities that give the issuing company the right to retire the securities at a stated price before the obligatory maturity date (if there is a maturity date) are referred to as ?.

9. When all of the bonds of a particular bond issue mature on a single date, they are called ? bonds.

10. ? bonds give the owner the right to exchange the bonds for a fixed number of shares of the issuing company's common stock.

SELF STUDY QUESTIONS

Section 1

Fill in the Blank

Module 1

11. A ? bond is a debt instrument generally backed by securities pledged to the trustee, who is empowered to liquidate them in the event of default.

12. If the bond interest is remitted by individual checks made payable to the "holder of record," the bonds are called ? bonds.

13. At the time of the initial issuance of shares of stock, the shares of stock may be assigned an arbitrary value called ?.

14. The right of a stockholder to maintain the same fractional interest in the corporation by purchasing a proportionate number of shares of any additional issuances of stock is referred to as the ?.

15. The ? right gives current stockholders the right to purchase, on a pro rata basis, any new shares sold by the firm.

16. ? refers to the guarantee by the investment banker that the issuer of new securities will receive a certain minimum amount.

17. If an investment banker finds one or more buyers for a new issue and arranges for a direct trade between the issuer and the investors, the investment banker is said to have arranged a(n) ?.

18. In order to lessen the risk of loss from underwriting, an underwriter may form a ?, a group of investment bankers who will engage in a group effort to underwrite the issuance of securities.

19. A lack-luster advertisement of a public offering of the issuance of new securities would be called a(n) ?.

SELF STUDY QUESTIONS

Fill in the Blank

20. The four major fields of accounting, as discussed in your readings, are ? .

21. ? accountants are individuals who offer their professional accounting services and those of their employees to the public for a fee.

22. What are the three major services provide by public accountants?

23. ? represents an accounting activity that is oncerned with checking, reviewing, testing, and verifying the accounting work of others, generally with the objective of expressing a formal opinion on the fairness of the resulting information.

24. ? represents a phase of public accounting dealing with the design, installation, and improvement of a client's accounting system plus advice on planning, budgeting, forecasting, and all other phases of accounting.

25. In addition to the preparation and filing of tax returns, what other tax service is provided by public accountants for their clients?

26. What do the initials C.P.A. stand for?

27. Are CPA's licensed by the federal government or by the states?

28. What is the full name of the national organization of certified public accountants?

SELF STUDY QUESTIONS

Fill in the Blank

- 29. Accountants employed by a particular business firm, other than an accounting firm, are said to be engaged in industrial or ? accounting.

- 30. The phase of accounting that has to do with collecting, determining, and controlling costs, particularly costs of producing a given product or service, is called ?.

- 31. ? is an accounting procedure carried on by employees within the organization who examine the records and activities to see that the integrity of the accounting records is maintained and to check on conformity with management's policies and procedures.

- 32. What is the full name of the national accounting organization that is concerned primarily with the use of accounting information within the enterprise, as for example, cost accounting and information systems?

- 33. What is the full name of the national general accounting society that has particular appeal to teachers of accounting?

- 34. What do the initials A.P.B. stand for?

- 35. What are the rule making pronouncements of the APB called?

- 36. What is the full name of the successor to the APB?

- 37. What is the full name of the predecessor to the FASB?

- 38. What are the rule making pronouncements of the FASB called?

- 39. The most significant current source of generally accepted accounting principles in the nongovernmental sector is the ?.

SELF STUDY QUESTIONS

Section 1

Fill in the Blank

Module 1

40. The organization that currently has the primary responsibility for the development and issuance of GAAP is ? .

41. The ? (full name, please) was created by an Act of Congress in 1934. Its primary role is to regulate the issuance and trading of marketable securities by corporations to the general public.

42. What organization has the ultimate authority to formulate accounting principles?

In the space provided, write the word or words to either replace the question mark or answer the question.

1. The ? concept is probably the most important basic underlying accounting assumption because it establishes the boundaries of the financial reporting process in that the accounting entity is assumed to be a separate unit, distinguished from other entities -- from suppliers, creditors, owners, or governmental units.

2. The ? is an expression in dollar amounts of the equivalency of the assets and equities of an enterprise, usually stated: $\text{Assets} = \text{Liabilities} + \text{Owners' Equity}$.

3. ? represents expected future economic benefits, the rights to which have been acquired by the enterprise, as a result of some current or past transactions.

4. ? consist of obligations or responsibilities, based upon past or present transactions, to convey assets or to perform services sometime in the future.

5. ? refers to the financial interest of the owners, arising from the original, and possibly subsequent, investments and accumulated profits.

6. In the United States, accountants have chosen generally to ignore the phenomenon of price-level change (inflation and deflation) by making the ? assumption.

7. Would it be possible for a transaction to result in an increase in the entity's assets, a decrease in the entity's liabilities, and no effect upon the entity's owners' equity?

8. Is it true that whenever the assets of a business increase, the owners equity will show a proportional increase?

SELF STUDY QUESTIONS

Section 1

Fill in the Blank

Module 2

9. Increases and decreases in amounts owed because of promissory notes given to creditors are accounted for in an account called ? .

10. A(n) ? (specific account title) is an amount owed to a creditor which resulted from an oral or implied promise to pay.

11. When insurance premiums are paid, an asset account called ? is normally increased.

12. A(n) ? (specific account title) is an amount receivable from a debtor which resulted from the receipt of an oral or implied promise to pay.

SELF STUDY QUESTIONS

Fill in the Blank

In the space provided, write the word or words to either replace the question mark or answer the question.

1. In accounting, the term debit means ?.

2. An asset account would be increased by ? (debiting or crediting) the account.

3. Crediting an asset account would ? (increase or decrease) the account.

4. Crediting a liability account would result in the account being ? (increased or decreased).

5. A liability account would be increased by ? (debiting or crediting) the account.

6. An expense account would be increased by ? (debiting or crediting) the account.

7. Debiting an expense account would result in the account being ? (increased or decreased).

8. Debiting a revenue account would result in the account being ? (increased or decreased).

9. A revenue account would be increased by ? (debiting or crediting) the account.

10. Historically, accounting has been concerned with the recording of ? transactions and internal reclassification entries.

SELF STUDY QUESTIONS

Fill in the Blank

In the space provided, write the word or words to either replace the question mark or answer the question.

1. The complete listing of the names (and possibly the account numbers) of all of the accounts in the accounting system of a particular entity is referred to as a(n) ?.

2. The book of original entry is another name for the ?.

3. The book of final entry is another name for the ?.

4. The process by which entries in the journal are transferred to accounts in the ledger is called ?.

5. The equality of debits and credits in all of the accounts of an enterprise is tested by the preparation of a(n) ?.

6. The ? is the source of the information used to prepare a trial balance.

7. A trial balance that balances ? (is or is not) absolute proof that no errors were made in recording the transactions that generated the trial balance.

8. An entry consisting of more than one debit and/or more than one credit is called a(n) ?.

SELF STUDY QUESTIONS

Fill in the Blank

In the space provided, write the word or words to either replace the question mark or answer the question.

1. The purchase of merchandise inventory on account would result in a debit to the ? account.

2. Substantial reductions from list prices offered to certain classes of buyers are called ? discounts.

3. If you were a buyer, which would you prefer a trade discount of 30% or trade discounts of 20% and 10%?

4. If the freight terms are FOB Shipping Point, the ? (buyer/seller) will show the freight charges as an expense on his/her books.

5. The buyer will show the freight charges related to the purchase of merchandise if the freight terms are ?.

6. A(n) ? is a business document used by a seller to inform a customer that his account on the seller's books is being reduced for reasons such as errors, returns, or allowances granted.

7. A(n) ? is a business document used by a buyer to inform a seller that his account on the buyer's books is being reduced for some reason, such as damaged merchandise.

8. Reductions in sales, resulting from merchandise being returned by customers or from the seller's reduction in the original sales price would be shown on the books of the seller in the ? account.

9. Reductions in purchases, resulting from merchandise being returned to the seller or from the seller's reduction in the original purchase price would be shown on the books of the purchaser in the ? account.

SELF STUDY QUESTIONS

Fill in the Blank

10. An available discount granted by a seller for early payment of an invoice would be shown on the books of the seller in the ? account.

11. An available discount taken by a buyer for early payment of an invoice would be shown on the books of the purchaser in the ? account.

12. What account(s) are deducted from gross sales to obtain net sales?

13. What account(s) are deducted from gross purchases to obtain net purchases?

SELF STUDY QUESTIONS

Fill in the Blank

Section 1

Module 6

In the space provided, write the word or words to either replace the question mark or answer the question.

1. A(n) ? ledger consists of a group of related accounts showing the details of the balance of a related general ledger account.

2. A(n) ? account is an account in the general ledger that is supported by a detailed classification of accounting information in a subsidiary record.

Circle the letter of the best answer.

1. The dominant form of business organization in the United States in terms of dollar sales volume, earnings, and employees is
 - A. the sole proprietorship
 - B. the partnership
 - C. the corporation
 - D. not known

2. A factor which distinguishes the corporate form of organization from a sole proprietorship or partnership is that
 - A. a corporation is organized for the purpose of making a profit
 - B. a corporation is subject to numerous federal and state government regulations
 - C. a corporation is an accounting economic entity
 - D. the corporation's nominal accounts are closed at the end of the accounting period

3. Which one of the following would not be considered an advantage of the corporate form of organization?
 - A. limited liability of owners
 - B. separate legal existence
 - C. continuous life
 - D. government regulation

4. Limited liability means
 - A. the creditors of the corporation have claims only on the assets of the corporation and not the assets of the owners of the corporation
 - B. the creditors of a corporation can only receive up to and no more than the amount due to them
 - C. that the company is only required to pay current liabilities in the current year and has no obligation to pay long-term liability in the current year
 - D. that corporations can only have liabilities up to a certain amount due to limits on the company's borrowing capability
 - E. that in the even of liquidation, owners need to contribute only enough additional money so as to fully pay off the creditors of a corporation

5. A major disadvantage of a corporation is
 - A. government regulation
 - B. limited liability of stockholders
 - C. transferable ownership rights
 - D. none of the above

6. When interest rates on bonds rise, which of the following happens to old bonds outstanding
- A. market values rise and yields decline
 - B. market values rise and yields rise
 - C. yields rise and market values decline
 - D. yields decline and market values decline
7. An Equipment Trust Certificate is likely to be issued by a(n)
- A. computer company
 - B. airline
 - C. electric company
 - D. accounting firm
8. A bond selling at a premium with a stated rate of 5% if held to maturity would have a yield:
- A. lower than 5%
 - B. at 5%
 - C. higher than 5%
 - D. cannot be determined
9. Unsecured bonds are called
- A. term bonds
 - B. debentures
 - C. collateral trust bonds
 - D. registered bonds
 - E. serial bonds
10. Debentures are
- A. serial bonds
 - B. ordinary bonds
 - C. secured bonds
 - D. unsecured bonds
11. The terms of the borrowing for a bond issue are contained in a master contract between the corporation and the bondholders. The master contract is known as the
- A. bond indenture
 - B. debenture
 - C. deed of trust
 - D. letter of agreement
 - E. bond trustee report

12. Bonds that give the issuing company the right to retire the bonds at a stated price before the obligatory maturity date are referred to as
- A. convertible bonds
 - B. redeemable bonds
 - C. callable bonds
 - D. registered bonds
 - E. refundable bonds
13. Callable bonds
- A. can be redeemed by the issuer at some time at a pre-specified price
 - B. can be converted to stock
 - C. mature in a series of payments
 - D. none of the above
14. Bonds usually sell at a discount when
- A. investors are willing to invest in the bonds at the stated interest rate
 - B. investors are willing to invest in the bonds at rates that are lower than the stated interest rate
 - C. investors are willing to invest in the bonds only at rates that are higher than the stated interest rate
 - D. a capital gain is expected
15. When interest rates on bonds rise, which of the following happens to old bonds outstanding?
- A. market values rise and yields decline
 - B. market values rise and yields rise
 - C. yields rise and market values decline
 - D. yields decline and market values decline
16. Which one of the following is not an ownership right of a stockholder in a corporation?
- A. to vote in the election of directors
 - B. to declare dividends on the common stock
 - C. to share in assets upon liquidation
 - D. to share in corporate earnings
17. The feature which enables the preferred stockholders to exchange their preferred shares for common shares is the
- A. callable feature
 - B. cumulative preference
 - C. convertible feature
 - D. participating feature

18. Shareholders are entitled to all of the following except:
- A. to vote on certain matters concerning the company at the annual meeting.
 - B. to share in corporate profits
 - C. to share residually in the corporation's assets upon liquidation
 - D. to acquire inventory of the company at cost
 - E. to acquire more shares of subsequent issues of stock
19. A preemptive right is
- A. the right of the corporation to enter into legally binding contracts without the direct approval of the shareholders
 - B. the right of stockholders to fire and replace the board of directors
 - C. the right of stockholders to acquire a pro-rata amount of any new issues of common stock
 - D. the right of stockholders to supersede the actions of top management
 - E. the right of top management to act on behalf of the stockholders
20. Selling new corporate securities to a small group of sophisticated investors without registering the securities is called:
- A. secondary placement
 - B. exchange placement
 - C. private placement
 - D. Regulation A placement
21. Accountants who offer their professional services and those of their employees to the public for a fee are called
- A. public accountants
 - B. private accountants
 - C. accounting educators
 - D. government accountants
 - E. underwriters
22. The term generally used to describe an accounting activity that is concerned with checking, reviewing, testing, and verifying the accounting work of others, generally with the objective of expressing a formal opinion on the fairness of the resulting information is
- A. management advisory services
 - B. auditing
 - C. tax planning
 - D. bookkeeping
 - E. information systems design

23. The term generally used to describe a phase of public accounting dealing with the design, installation, and improvement of a client's accounting system, plus advice on planning, budgeting, forecasting, and all other phases of accounting is
- A. management advisory services
 - B. auditing
 - C. tax planning
 - D. budgeting
 - E. information systems design
24. The full name of the national organization of certified public accountants is
- A. the Institute of Management Accountants
 - B. the American Accounting Association
 - C. the Financial Accounting Standards Board
 - D. the American Institute of Certified Public Accountants
 - E. the Accounting Principles Board
25. Accountants employed in a particular business firm, other than an accounting firm, are said to be engaged in industrial or
- A. government accounting
 - B. public accounting
 - C. private accounting
 - D. accounting education
26. The phase of accounting that has to do with collecting, determining, and controlling costs, particularly costs of producing a given product or service, is called
- A. auditing
 - B. management advisory services
 - C. cost accounting
 - D. budgeting
 - E. internal auditing
27. The term generally used to describe an accounting procedure carried on by employees within the organization who examine the records and activities to see that the integrity of the accounting records is maintained and to check on conformity with management's policies and procedures is
- A. management advisory services
 - B. internal auditing
 - C. tax planning
 - D. budgeting
 - E. information systems design

28. What is the full name of the national accounting organization that is concerned primarily with the use of accounting information within the enterprise, as for example, cost accounting and information systems?
- A. the Institute of Management Accountants
 - B. the American Accounting Association
 - C. the Financial Accounting Standards Board
 - D. the American Institute of Certified Public Accountants
 - E. the Accounting Principles Board
29. What is the full name of the national general accounting society that has particular appeal to teachers of accounting?
- A. the National Association of Accountants
 - B. the American Accounting Association
 - C. the Financial Accounting Standards Board
 - D. the American Institute of Certified Public Accountants
 - E. the Accounting Principles Board
30. The full name of the successor to the APB is
- A. the Securities and Exchange Commission
 - B. the American Institute of Certified Public Accountants
 - C. the Financial Accounting Standards Board
 - D. the Federal Accounting Standards Board
31. What is the full name of the predecessor to the FASB?
- A. the Securities and Exchange Commission
 - B. the Committee on Accounting Procedures
 - C. the American Institute of Certified Public Accountants
 - D. the Accounting Principles Board
32. The most significant current source of generally accepted accounting principles in the nongovernmental sector is the
- A. New York Stock Exchange
 - B. Securities and Exchange Commission
 - C. Accounting Principles Board
 - D. Cost Accounting Standards Board
 - E. none of the above
33. Generally accepted accounting principles currently are promulgated primarily by the
- A. Accounting Principles Board
 - B. Federal Trade Commission
 - C. Securities and Exchange Commission
 - D. Financial Accounting Standards Board
 - E. all of the above

34. The organization that currently has the primary responsibility for the development and issuance of GAAP is the
- A. American Institute of Certified Public Accountants
 - B. Accounting Principles Board
 - C. Committee on Accounting Procedure
 - D. Financial Accounting Standards Board
 - E. all of the above
35. The FASB statements
- A. must be followed literally in preparing financial statements
 - B. must be followed in a general way in preparing financial statements
 - C. must be followed unless it can be shown clearly that another method better reflects the substance or reality of the transaction in question
 - D. seldom are followed in preparing financial statements
36. The regulatory body with statutory authority to impose accounting and reporting practices upon publicly traded companies is the
- A. American Institute of Certified Public Accountants
 - B. Securities and Exchange Commission
 - C. Financial Accounting Standards Board
 - D. Accounting Principles Board
37. Which of the following does not represent one of the basic objectives of external financial statements?
- A. to provide information useful for evaluating management
 - B. to provide information useful for predicting, comparing, and evaluating enterprise earning power
 - C. to provide information useful for all management decisions
 - D. to provide information useful for evaluating, comparing, and predicting potential cash flows of the enterprise
38. Which of the following statements is not an objective of financial reporting?
- A. provide information that is useful in investment and credit decisions
 - B. provide information about enterprise resources, claims to those resources, and changes in them
 - C. provide information on the liquidation value of an enterprise
 - D. provide information that is useful in assessing cash flow prospects
 - E. provide information on financial position and results of operations

39. The information provided by financial reporting usually pertains to
- A. individual business enterprises, rather than to industries or an economy as a whole or to members of society as consumers
 - B. business industries, rather than to individual enterprises or an economy as a whole or to members of society as consumers
 - C. individual business enterprises, industries, and an economy as a whole, rather than to members of society as consumers
 - D. an economy as a whole and to members of society as consumers, rather than to individual enterprises or industries
 - E. none of the above

Circle the letter of the best answer.

1. The concept of the accounting entity is applicable
 - A. wherever accounting is involved
 - B. only to business organizations
 - C. only to the legal aspects of business organizations
 - D. only to the economic aspects of business organizations

2. The economic entity assumption
 - A. is inapplicable to unincorporated businesses
 - B. recognizes the legal aspects of business organizations
 - C. requires periodic income measurements
 - D. is applicable to all forms of business organization
 - E. none of the above

3. The elements of financial statements include investments by owners. These are increases in an entity's net assets (total assets less total liabilities) resulting from owners':
 - A. transfers of assets to the entity
 - B. rendering services to the entity
 - C. satisfaction of liabilities of the entity
 - D. all of the above
 - E. none of the above

Circle the letter of the best answer.

1. According to Statement of Financial Accounting Concepts No. 1, a primary objective of financial reporting is to provide information that is useful to
 - A. taxing authorities
 - B. present and potential investors and creditors and their advisors
 - C. regulatory or registration authorities
 - D. management
 - E. stock exchanges

2. The complete listing of the names (and possibly the account numbers) of all of the accounts in the accounting system of a particular entity is referred to as a
 - A. general ledger
 - B. general journal
 - C. chart of accounts
 - D. special journal
 - E. subsidiary ledger

3. Which of the following statements about accounting procedures is not correct?
 - A. the journal shows in one place all the information about specific transactions, arranged in chronological order
 - B. a ledger account shows in one place all the information about changes in a specific asset or liability, or in owner's equity
 - C. posting is the process of transferring debit and credit changes in account balances from the ledger to the journal
 - D. the end product of the accounting cycle consists of formal financial statements, such as the balance sheet and the income statement

4. An accounting record into which the essential facts and figures in connection with all transactions are initially recorded is called the
 - A. ledger
 - B. account
 - C. trial balance
 - D. financial statement
 - E. journal

5. Which of the following is also called a "book of original entry"?
 - A. journal
 - B. ledger
 - C. T-account
 - D. trial balance

6. The following journal entry was made in Dixie Stores' accounting records:

Cash	12,000	
Notes Receivable	48,000	
Land		60,000

This transaction:

- A. involves the purchase of land for \$60,000
 - B. involves a \$12,000 cash payment
 - C. involves the sale of land for \$60,000
 - D. causes an increase in total assets of \$12,000
7. The equality of debits and credits in all of the accounts of an enterprise is tested by the preparation of a(n)
- A. balance sheet
 - B. general ledger
 - C. income statement
 - D. trial balance
 - E. chart of accounts
8. The source of the information used to prepare a trial balance is the
- A. chart of accounts
 - B. general journal
 - C. general ledger
 - D. balance sheet
 - E. income statement
9. On March 31, the ledger for Manor House Cleaning Service consists of the following:
- | | | | | | |
|---------------------|-------|---------|-------------------|-------|---------|
| Cleaning Equipment | | \$1,780 | Accounts Payable | | \$1,570 |
| M. Poppins, Capital | | 3,500 | Office Equipment | | 1,200 |
| Accounts Receivable | | 2,100 | Cash | | 690 |
| Salaries Payable | | 960 | Cleaning Supplies | | 260 |

In a trial balance prepared on March 31, the total of the credit column is:

- A. \$6,030
- B. \$2,530
- C. \$9,530
- D. \$8,560

SELF STUDY QUESTIONS

Multiple Choice

Section 1

Module 4

10. If the trial balance does not balance, this indicates that
- A. the business suffered a loss
 - B. debit and credit entries are not equal
 - C. the owners' equity account has been increased as a result of a profit
 - D. the company spent more cash than it took in

Circle the letter of the best answer.

1. If merchandise purchased on account is returned, the buyer may inform the seller of the details by issuing
 - A. a debit memorandum
 - B. a credit memorandum
 - C. an invoice
 - D. a bill

2. If merchandise is sold on account to a customer for \$1,000, terms 1/10, n/30, the amount of the discount for early payment would be:
 - A. \$0
 - B. \$10.00
 - C. \$100.00
 - D. \$300.00

3. Sorter Co. sells merchandise on account to Beecher Co., terms FOB shipping point. Sorter Co. pays the transportation costs and adds them to the invoice. The accounts debited by Sorter Co. (seller) and Beecher Co. (buyer) to record the transportation costs are, respectively:
 - A. Freight-out, Purchases
 - B. Accounts Receivable, Accounts Payable
 - C. Sales, Freight-in
 - D. Accounts Receivable, Freight-in

4. Substantial reductions from list prices offered to certain classes of buyers are called
 - A. purchase discounts
 - B. sales discounts
 - C. cash discounts
 - D. trade discounts

SELF STUDY QUESTIONS

Essay

Section 1

Module 1

1. What are the three major forms of legal organization of businesses?
2. What is mutual agency?
3. What is a term bond?
4. What is a serial bond?
5. What is a debenture?
6. What is a mortgage bond?
7. What is a collateral trust bond?
8. What is an equipment trust bond?
9. What is an income bond?
10. What is a callable bond?
11. What is a convertible bond?
12. What is a registered bond?
13. What is a coupon bond?
14. How would you distinguish between a term bond and a serial bond?
15. How would you distinguish between a registered bond and a coupon bond?
16. What are the three essential characteristics of accounting, as discussed in class?
17. How should a person differentiate between accounting and bookkeeping?
18. In addition to the preparation and filing of tax returns, what other tax service(s) is/are provided by public accountants for their client?

SELF STUDY QUESTIONS

Essay

Section 1

Module 2

1. How should a person describe the accounting entity concept?
2. How should a person define the accounting term assets?
3. How should a person define the accounting term liabilities?
4. How should a person define the accounting term owners' equity?

SELF STUDY QUESTIONS

Essay

Section 1

Module 4

1. What factors determine the number of accounts a business will use?
2. What factors determine how frequently a company will post its journal entries?

1. Assuming the same journal formats as illustrated in the supplementary reading material on special journals, what types of entries would be recorded in each of the journals listed below?
 - Sales Journal
 - Purchases Journal
 - Cash Receipts Journal
 - Cash Payments Journal
2. What are the major benefits obtained by using special journals?
3. Is the balance of a controlling account equal to the total of its subsidiary ledger accounts at all times? Explain.