

1-8 Group discussion: users of accounting information.

Name three users of accounting information and briefly describe a decision they might make.

1. _____

2. _____

3. _____

1-9 Accounting terms and concepts.

Listed below are several accounting terms and concepts. Match the letter of each with the appropriate phrase which states its meaning.

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|---|---|
| a. Accounting | j. Monetary unit assumption |
| b. Internal users | k. Economic entity assumption |
| c. External users | l. Proprietorship |
| d. Financial accounting | m. Partnership |
| e. Managerial accounting | n. Corporation |
| f. Ethics | o. Unlimited liability |
| g. Generally accepted accounting principles | p. Limited liability |
| h. Cost principle | q. Financial Accounting Standards Board |
| i. Securities and Exchange Commission | r. Sarbanes-Oxley Act (SOX) |

- _____ 1. Common standards that indicate how to report economic events.
- _____ 2. The standards by which one's actions are judged as right or wrong.

- _____ 3. An unincorporated business owned by one person.
- _____ 4. The information system that identifies, records, and communicates the economic events of an organization to interested users.
- _____ 5. The employees of a business who need financial information to plan, organize, and run a business.
- _____ 6. An accounting principle that states that assets should be recorded at their cost.
- _____ 7. The legal concept that owners are not personally liable for the debts of a corporation.
- _____ 8. The field of accounting that provides economic and financial information for investors, creditors, and other external users.
- _____ 9. An assumption that requires that the activities of the entity be kept separate and distinct from the activities of its owner and all other economic entities.
- _____ 10. A business organized under state laws as a separate legal entity from its owners and having ownership divided into transferable shares.
- _____ 11. The field of accounting that provides economic and financial information for manager and other internal users.
- _____ 12. The legal concept that the owners of a business are personally liable for all the debts of the business.
- _____ 13. An assumption stating that only transaction data that can be expressed in terms of money be included in the accounting records.
- _____ 14. Individuals or organizations outside the business that require financial information to make decisions about an entity.
- _____ 15. An association of two or more persons to carry on as co-owners of a business for profit.
- _____ 16. A government agency that requires companies to file periodic financial reports in accordance with generally accepted accounting principles.
- _____ 17. A private organization that establishes generally accepted accounting principles.
- _____ 18. A law passed by Congress in 2002 intended to reduce unethical corporate behavior.

1-10 Accounting terms and concepts.

Listed below are several accounting terms and concepts. Match the letter of each with the appropriate phrase which states its meaning.

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|------------------------------|-----------------------------|
| a. Basic accounting equation | j. External transactions |
| b. Assets | k. Internal transactions |
| c. Liabilities | l. Accounts receivable |
| d. Owner's equity | m. Account payable |
| e. Revenues | n. Income statement |
| f. Expenses | o. Owner's equity statement |
| g. Investments by owners | p. Balance sheet |
| h. Drawings | q. Statement of cash flows |
| i. Transactions | r. Net income |

- _____ 1. A financial statement that reports the assets, liabilities, and owner's equity at a specific date.
- _____ 2. An economic event between the company and some outside enterprise.
- _____ 3. The value of goods or services sold to customers and results in increasing owner's equity.
- _____ 4. Assets must equal the sum of liabilities and owner's equity.
- _____ 5. This amount is the result of revenues being greater than expenses.
- _____ 6. The assets the owner puts into the business.
- _____ 7. The amounts owed to the business by customers on account that result from the sale of goods or services.
- _____ 8. The amount of assets an owner withdraws for personal use.
- _____ 9. A financial statement that summarizes information about the cash inflows and cash outflows for a specific period of time.
- _____ 10. Resources owned by a business.
- _____ 11. The economic events of an enterprise that are recorded by accountants.
- _____ 12. A financial statement that summarizes the change in owner's equity for a specific period of time.
- _____ 13. A specific debt of a business that results from purchases of goods or services.
- _____ 14. The ownership claim on total assets.

- _____ 15. The cost of assets consumed or services used in the process of earning revenues.
- _____ 16. The creditor's claims against the assets as a result of borrowing money or making purchases.
- _____ 17. A financial statement that presents the revenues and expenses of a company for a specific period of time.
- _____ 18. Economic events that occur entirely within one company.

2-8 Accounting terms and concepts.

Listed below are several accounting terms and concepts. Match the letter of each with the appropriate phrase which states its meaning.

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|-----------------|------------------------|
| a. Posting | g. Trial balance |
| b. Ledger | h. Compound entry |
| c. Credit | i. Normal balance |
| d. Debit | j. Double-entry system |
| e. Journalizing | k. Chart of accounts |
| f. Account | l. Journal |

- _____ 1. A record of increases and decreases in specific asset, liability, or owner's equity items.
- _____ 2. An accounting record in which transactions are initially recorded in chronological order.
- _____ 3. An account balance on the side where an increase in the account is recorded.
- _____ 4. A list of accounts and the account numbers that identify their location in the ledger.
- _____ 5. The entering of transaction data in the journal.
- _____ 6. The entire group of accounts maintained by a company.
- _____ 7. The procedure of transferring journal entries to the ledger accounts.
- _____ 8. The left side of an account.
- _____ 9. The right side of an account.
- _____ 10. A list of accounts and their balances at a given time.
- _____ 11. A journal entry that involves three or more accounts.
- _____ 12. A system that records in appropriate accounts the dual effect of each transaction.

3-10 Accounting terms and concepts.

Listed below are several accounting terms and concepts. Match the letter of each with the appropriate phrase which states its meaning.

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|--------------------------------|----------------------------------|
| a. Accrual basis of accounting | h. Matching principle |
| b. Accrued expenses | i. Accrued revenues |
| c. Time period assumption | j. Adjusting entries |
| d. Prepaid expenses | k. Book value |
| e. Fiscal year | l. Revenue recognition principle |
| f. Depreciation | m. Contra asset account |
| g. Adjusted trial balance | n. Unearned revenues |

- _____ 1. The assumption that the economic life of a business can be divided into units of a month, a quarter or a year.
- _____ 2. An accounting period that is one year in length, but not necessarily beginning on January 1 and ending on December 31.
- _____ 3. Revenue should be recognized in the accounting records when it is earned, regardless of when the cash is received.
- _____ 4. "Let the expenses follow the revenues," regardless of when the cash is paid. Efforts should be matched with accomplishments.
- _____ 5. Entries made at the end of accounting periods to ensure that the revenue recognition and matching principles have been properly applied.
- _____ 6. An asset that represents the amount paid in advance for a future expense.
- _____ 7. The systematic allocation of the cost of a plant asset to expense over its useful life in compliance with the matching principle.
- _____ 8. An account that is offset against an asset account on the balance sheet to permit clear disclosure of both the original cost and the expired cost of the asset.
- _____ 9. Original cost less accumulated depreciation.
- _____ 10. A liability that represents the amount received in advance for a service that has not yet been performed or a product that has not yet been delivered.
- _____ 11. Revenues that have been earned, but have been neither received nor recorded.
- _____ 12. Expenses that have been incurred, but have been neither paid nor recorded.
- _____ 13. Transactions are recorded in the time period in which the events occur, rather than in the period in which cash is paid or received.

- d) Assume the company prepares a trial balance as of January 3, 2011. What will the balance in the Salaries Expense account be if the company uses reversing entries?

\$ _____

- e) What will the balance in the Salaries Expense account be if the company does not use reversing entries?

\$ _____

4-6 Accounting terms and concepts.

Listed below are several accounting terms and concepts. Match the letter of each with the appropriate phrase which states its meaning.

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|--------------------------------|-------------------------------|
| a. Current liabilities | i. Accounting cycle |
| b. Liquidity | j. Classified balance sheet |
| c. Order of liquidity | k. Closing entries |
| d. Property, plant & equipment | l. Correcting entries |
| e. Service enterprise | m. Current assets |
| f. Stockholders' equity | n. Income summary |
| g. Temporary accounts | o. Permanent accounts |
| h. Worksheet | p. Post-closing trial balance |

- _____ 1. A multi-columned form used to organize accounting data.
- _____ 2. Revenue, expense and drawing accounts that are closed or zeroed out at the end of the accounting period.
- _____ 3. Asset, contra-asset, liability and owner's capital accounts that are not closed or zeroed out at the end of the accounting period.
- _____ 4. Four journal entries whose purpose is to zero out the temporary accounts and bring the owner's capital account to the proper year end balance.
- _____ 5. A temporary account used only in closing revenue and expense accounts.
- _____ 6. A trial balance that contains only the permanent accounts after the temporary accounts have been zeroed out.
- _____ 7. Steps in the accounting process that are repeated each accounting period.

- _____ 8. Unnecessary entries if the records are free of errors.
- _____ 9. Grouping accounts into subgroups improves the usefulness of this statement.
- _____ 10. Assets that are expected to be converted into cash or used up within one year.
- _____ 11. A type of business that earns revenue by performing a service, not by selling tangible product.
- _____ 12. The order in which current assets are expected to be converted into cash.
- _____ 13. Long-lived assets that are expected to be used by the business, not held for resale.
- _____ 14. Obligations that are expected to be paid within one year.
- _____ 15. The ability of the company to pay its bills when they are due.
- _____ 16. The name given to the owner's equity of a corporation.