

1-8 Group discussion: users of accounting information.

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

1. Internal Users - managers who plan organize and run a business, marketing managers, Production Supervisors, Finance Directors, CEO's, to decide if a product is profitable, income projections, production scheduling etc.
2. Investors - people who own the business - to Investment Creditors Banks and suppliers to calculate credit risk - IRS - to determine tax liability.
3. Other users. Labor unions - fair wages
Customers - product warranties etc
FTC/SEC etc

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) |

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

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

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

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