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| *Indicate the answer choice that best completes the statement or answers the question.* |

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| 1. Which of the following is true of government accountants in the United States?   |  |  |  | | --- | --- | --- | |  | a. | They provide services such as tax preparation, external auditing, or management consulting to clients on a fee basis. | |  | b. | They help ensure that a nation's banks and other financial institutions comply with the rules and regulations controlling their behavior. | |  | c. | They perform a narrow set of accounting functions solely for federal government agencies. | |  | d. | They do not need to adhere to the generally accepted accounting principles. | |

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| 2. While performing a financial analysis for his organization, Morris discovers that there has been mismanagement of employee funds over the past three months. He immediately reports this to his supervisors. In this scenario, Morris is most likely a(n) \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | public prosecutor | |  | b. | government accountant | |  | c. | internal auditor | |  | d. | public accountant | |

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| 3. To give the company's stockholders, creditors, and other external stakeholders an accurate idea of the company's overall performance, Rowensport Corporation, a multinational company, releases statements that contain details of the company's profits and losses over the past five years. In this scenario, the company is most likely involved in \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | financial accounting | |  | b. | cost accounting | |  | c. | follow-up auditing | |  | d. | social auditing | |

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| 4. Grydon Inc. has applied for a business loan in the United Bank. To best assess the loan case, the loan officer at the bank, Cerejo, decides to look at the company's net income. Cerejo will find this information in Grydon's \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | profit and loss statement | |  | b. | statements of cash flow | |  | c. | stockholders' equity statement | |  | d. | statement of retained earnings | |

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| 5. Which of the following is true of balance sheets?   |  |  |  | | --- | --- | --- | |  | a. | The balance sheets of different firms vary in specifics. | |  | b. | They identify the sources and uses of cash for firms in a given accounting period. | |  | c. | All balance sheets are organized to reflect the profitability index of firms. | |  | d. | They do not include the value of the intangible assets of firms. | |

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| 6. In the accounting equation, assets are equal to:   |  |  |  | | --- | --- | --- | |  | a. | liabilities plus owners' equity. | |  | b. | liabilities divided by gross profit. | |  | c. | stockholders' equity subtracted from liabilities. | |  | d. | owners' equity multiplied by net income. | |

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| 7. In the context of balance sheets, patents, trademarks, and copyrights are examples of \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | fixed assets | |  | b. | current assets | |  | c. | liquid assets | |  | d. | intangible assets | |

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| 8. Miller is the owner of a restaurant that has several franchises. One of the franchisees owes Miller a sum of $18,000 for the goods that he had bought from Miller on credit. In this scenario, the money owed to Miller is known as \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | checkoff | |  | b. | the freight expense | |  | c. | accounts receivable | |  | d. | the laid-down cost | |

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| 9. Fred, a financial accountant at a multinational company, is asked by his supervisor to find out the exact income the company earns from the sale of its products over the next five weeks. To do this, for the next five weeks, Fred matches the revenue earned from the sale of the company's products and matches the expenses incurred by the company to the revenue they help produce. In this scenario, which of the following has Fred used to get the required information?   |  |  |  | | --- | --- | --- | |  | a. | Accrual-basis accounting | |  | b. | Horizontal analysis | |  | c. | Liquidity index | |  | d. | Static analysis | |

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| 10. Andrew is performing an audit of the financial statements of a cosmetics company. While analyzing the financial statements, he identifies some minor concerns. However, he believes that on balance the company's statements are accurate and its accounting methods are consistent with the generally accepted accounting principles. In this scenario, the independent auditor's report will most likely offer a(n) \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | qualified opinion | |  | b. | unqualified opinion | |  | c. | adverse opinion | |  | d. | concurring opinion | |

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| 11. Aegirine Corp., a publicly traded firm based in New Mexico, manufactures iron. According to U.S. securities laws, the firm must:   |  |  |  | | --- | --- | --- | |  | a. | declare any discrepancies in its financial statements before they come up in the independent auditor's report. | |  | b. | refrain from involving any third party in the process of auditing to maintain confidentiality. | |  | c. | let an independent CPA (Certified Public Accountant) firm perform an annual external audit of its financial statements. | |  | d. | hire auditors to analyze its financial statements and file them with the Internal Revenue Service. | |

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| 12. A pharmaceutical company wanted to create a budget that was practical and that would enable its managers to make more accurate comparisons between actual costs and budgeted costs. Thus, the company created a budget that was developed over a range of possible sales levels and was designed to show the appropriate budgeted level of costs for each different level of sales. Given this information, which of the following budgets did the company create?   |  |  |  | | --- | --- | --- | |  | a. | A rolling budget | |  | b. | A flexible budget | |  | c. | A black budget | |  | d. | A static budget | |

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| 13. A book publishing company follows a budgeting approach wherein the senior managers of the company prepare the annual budget with little or no input from the supervisory and middle managers. The company uses this approach as the owners of the company believe that the senior managers are more aware of the long-term strategic needs of the company. In this scenario, the book publishing company is using \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | top-down budgeting | |  | b. | incremental budgeting | |  | c. | bottom-up budgeting | |  | d. | zero-based budgeting | |

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| 14. As part of its financial budget, Clover & Max, an advertising agency, prepared a document that identified the agency's planned investments in major fixed assets and long-term projects. The given information indicates that the agency prepared the:   |  |  |  | | --- | --- | --- | |  | a. | statement of cash flows. | |  | b. | static budget. | |  | c. | capital expenditure budget. | |  | d. | sales budget. | |

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| 15. Grengard Corp., a public relations firm, pays a hefty rent for its office space as it is set up in one of the best commercial areas of London. In the given scenario, the rent paid by the firm for its office space is an example of \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | incremental costs | |  | b. | indirect costs | |  | c. | out-of-pocket costs | |  | d. | opportunity costs | |

**Answer Key**

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| 2. c |

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| 3. a |

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| 4. a |

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| 5. a |

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| 6. a |

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| 7. d |

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| 8. c |

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| 9. a |

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| 10. a |

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| 11. c |

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| 12. b |

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| 13. a |

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| 14. c |

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| 15. c |