1. Which one of the following is not an external user of accounting information?
   1. Regulatory agencies.
   2. Customers.
   3. Investors.
   4. All of these are external users.
2. Which of the following is primary user of accounting information?
   1. Creditors
   2. SEC
   3. IRS
   4. None of these are primary users
3. In order to increase comparability, in recent years, the FASB and IASB have made efforts to reduce the differences between U.S.GAAP and IFRS through a process known as
   1. conservatism
   2. convergence
   3. the cost principle
   4. the fair value principle
4. Liabilities of a company would not include
   1. notes payable.
   2. accounts payable.
   3. salaries and wages payable.
   4. cash.
5. The origins of accounting are generally attributed to the work of
   1. Christopher Columbus.
   2. Abner Doubleday.
   3. Luca Pacioli.
   4. Leonardo da Vinci.
6. Martin Corporation purchased land in 2007 for $290,000. In 2013, it purchased a nearly identical parcel of land for $460,000. In its 2013 balance sheet, Martin valued these two parcels of land at a combined value of $920,000. By reporting the land in this manner, Martin Corp. has violated the
   1. cost principle
   2. convergence
   3. economic entity assumption
   4. monetary unit assumption
7. The private sector organization involved in developing accounting principles is the
   1. Feasible Accounting Standards Body.
   2. Financial Accounting Studies Board.
   3. Financial Accounting Standards Board.
   4. Financial Auditors' Standards Body.
8. Liabilities of a company would not include
   1. notes payable.
   2. accounts payable.
   3. salaries and wages payable.
   4. Cash
9. Andre Dickinson, owner of Andre's Fine Wines, also owns a personal residence that costs $475,000. The market value of his residence is $625,000. During preparation of the financial statements for Andre's Fine Wines, the accounting concept most relevant to the presentation of Andre's home is

a. the economic entity assumption.

b. the fair value principle.

c. the monetary unit assumption.

d. convergence.

10. The cost principle requires that when assets are acquired, they be recorded at

a. appraisal value.

b. cost.

c. market price.

d. book value.

11. The Duce Company has five plants nationwide that cost a total of $100 million. The current fair value of the plants is $500 million. The plants will be recorded and reported as assets at

a. $100 million.

b. $600 million.

c. $400 million.

d. $500 million.

12. The economic entity assumption requires that the activities

a. of different entities can be combined if all the entities are corporations.

b. must be reported to the Securities and Exchange Commission.

c. of a sole proprietorship cannot be distinguished from the personal economic events of its owners.

d. of an entity be kept separate from the activities of its owner.

13. A small neighborhood barber shop that is operated by its owner would likely be organized as a

a. joint venture.

b. partnership.

c. corporation.

d. proprietorship.

14. Owner's equity is best depicted by the following:

a. Assets = Liabilities.

b. Liabilities + Assets.

c. Residual equity + Assets.

d. Assets – Liabilities.

15. Liabilities

a. are future economic benefits.

b. are existing debts and obligations.

c. possess service potential.

d. are things of value used by the business in its operation.

16. The accounting equation for Quattro Enterprises is as follows:

Assets Liabilities Stockholders' Equity

$120,000 = $60,000 + $60,000

If Quattro purchases office equipment on account for $15,000, the accounting equation will change to

Assets Liabilties Stockholders' Equity

a. $120,000 = $60,000 + $60,000

b. $135,000 = $60,000 + $75,000

c. $135,000 = $67,500 + $67,500

d. $135,000 = $75,000 + $60,000

17. A balance sheet shows

a. revenues, liabilities, and stockholders' equity.

b. expenses, dividends, and stockholders' equity.

c. revenues, expenses, and dividends.

d. assets, liabilities, and stockholders' equity.

18. An income statement

a. summarizes the changes in retained earnings for a specific period of time.

b. reports the changes in assets, liabilities, and stockholders' equity over a period of time.

c. reports the assets, liabilities, and stockholders' equity at a specific date.

d. presents the revenues and expenses for a specific period of time.

19. Misra Company compiled the following financial information as of December 31, 2013:

Revenues $170,000

Retained earnings (1/1/13) 30,000

Equipment 40,000

Expenses 125,000

Cash 45,000

Dividends 10,000

Supplies 5,000

Accounts payable 20,000

Accounts receivable 35,000

Common stock 40,000

Misra’s assets on December 31, 2013 are

a. $90,000.

b. $125,000.

c. $180,000.

d $245,000.

20. Misra Company compiled the following financial information as of December 31, 2013:

Revenues $170,000

Retained earnings (1/1/13) 30,000

Equipment 40,000

Expenses 125,000

Cash 45,000

Dividends 10,000

Supplies 5,000

Accounts payable 20,000

Accounts receivable 35,000

Common stock 40,000

Misra’s stockholders' equity on December 31, 2011 is

a. $45,000.

b. $70,000.

c. $105,000.

d. $125,000.