

1. How would you classify Accounts Payable in the financial statements?
 - a. Asset
 - b. Liability
 - c. Common stock
 - d. Revenue

2. Which of these is not a liquidity ratio?
 - a. Current ratio
 - b. Asset turnover ratio
 - c. Inventory turnover ratio
 - d. Receivables turnover ratio

3. **Which principle/guideline requires a company's balance sheet to report its land at the amount the company paid to acquire the land, even if the land could be sold today at a significantly higher amount?
 - a. Cost
 - b. Economic Entity
 - c. Monetary Unit
 - d. Conservatism

4. The U.S. government agency with authority over the financial reporting requirements of publicly traded corporations is:
 - a. AICPA
 - b. FASB
 - c. IRS
 - d. SEC

5. Earnings per share" means earnings per share of:
 - a. Net Income
 - b. Treasury Stock
 - c. Preferred Stock
 - d. Common Stock

6. Macroeconomics is the study of _____
 - a. Individual building blocks in the economy
 - b. The relationship between different sectors of the economy
 - c. Household purchase decisions
 - d. The economy as a whole

7. Which financial statement shows how changes in balance sheet accounts and income affect cash and cash equivalents?
 - a. Balance sheet
 - b. Income statement
 - c. Statement of retained earnings
 - d. Statement of cash flows

8. Under the accrual basis of accounting, revenues are reported in the accounting period when the
 - a. Cash is received
 - b. Service or goods have been delivered
 - c. Boss says to record it
 - d. Never

9. What is the main purpose of financial accounting?
 - a. Compliance with internal controls
 - b. Provide useful, financial information to stakeholders
 - c. Keep track of company expenses

- d. Minimize company taxes
 - e.
10. _____ is an economic system in which all or most of the factors of production and distribution are privately owned and operated for profit.
- a. Capitalism
 - b. Socialism
 - c. Communism
 - d. Consumer price index (CPI)
11. Use the basic accounting equation to answer this question. The total assets of a company are \$500,000 and its liabilities are equal to one-fifth of its total assets. What is the amount of stockholders' equity?
- a. \$100,000
 - b. \$200,000
 - c. \$400,000
 - d. \$500,000
12. A measure of liquidity that is the difference between the amounts of current assets and current liabilities is which of these?
- a. Other Assets
 - b. Intangible Assets
 - c. Working Capital
 - d. Cash
13. Which measure is an evaluation of a company's ability to pay current liabilities?
- a. Current cash debt coverage ratio
 - b. Current ratio
 - c. Both a and b
 - d. None of the above
14. What is the study of how society chooses to employ resources to produce goods and services and distribute them for consumption among various competing groups and individuals?
- a. Microeconomics
 - b. Economics
 - c. Mixed Economy
 - d. Gross Domestic Product (GDP)
15. A corporation pays its annual property tax bill of approximately \$12,000 in one payment each December 28. During the year, the corporation's monthly income statements report Property Tax Expense of \$1,000. This is an example of which accounting principle/guideline?
- a. Conservatism
 - b. Matching
 - c. Monetary Unit
 - d. Full Disclosure
16. Revenues minus expenses equals
- a. Gross profit
 - b. Retained earnings
 - c. Net income
 - d. Assets
17. The three phases of the marketing process are
- a. Directing, controlling and SWOT Analysis
 - b. Planning, implementation and control
 - c. Segmenting a market, targeting a group, and promoting a product
 - a. Analyzing, performing and evaluating

18. A specific group of potential consumers toward which an organization directs its marketing program is referred to as
- Mass market
 - Market aggregation
 - Target market**
 - Promotional market
19. Entries to revenue accounts such as Sales), asset accounts (such as Property, Plant, & Equipment), and liability accounts (such as Accounts Payable) are usually
- Debits for all
 - Credit (Sales), Debit (Assets), Credit (Liabilities)**
 - Debit (Sales), Debit (Assets), Credit (Liabilities)
 - Credits for all
20. A person who starts a business to produce a new product is known in the marketplace as a
- Bureaucrat
 - Manager
 - Entrepreneur**
 - Chief Executive Officer (CEO)
21. What is inflation?
- The cost of producing services or goods.
 - A situation in which price increases are slowing
 - A general rise of the cost of goods and services over time**
 - A situation in which prices are stable
22. _____ is the periodic rises and falls that occur in all qualities over time.
- Demand
 - Supply
 - Market
 - Business cycle**
23. What is the accounting equation?
- Assets = liabilities + stockholders' equity**
 - Assets + liabilities = stockholders' equity
 - Liabilities - stockholders' equity = assets
24. An appropriate journal entry for depreciation expense would debit "Depreciation Expense" and credit what account?
- Cash
 - Income
 - Rent Expense
 - Accumulated Depreciation**
25. What is an index that helps investors determine the overall direction of stock prices?
- Dow Jones**
 - NASDAQ
 - New York Stock Exchange
 - None of the above