TT TEXTBOOK TESTBANKS

Test Bank for Understanding Financial Accounting Canadian Edition 4th Burnley

TEST BANK SAMPLE PREVIEW

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Understanding Financial Accounting, 4Ce **(Burnley)**
Chapter 1 Overview of Corporate Financial Reporting

TRUE-FALSE STATEMENTS

1) Decision makers are often referred to as users of the financial statements and include investors and creditors.
Answer: TRUE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Define financial accounting and understand its relationship to economic decision-making.
CPA: Financial Reporting
AACSB: Analytic

2) The primary purpose of financial accounting information is to aid users in their economic decision-making relative to the organization.
Answer: TRUE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Define financial accounting and understand its relationship to economic decision-making.
CPA: Financial Reporting
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3) The section of an annual report that contains management's discussion of the company's operating results is referred to as the Statement of Management's Responsibility.
Answer: FALSE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Define financial accounting and understand its relationship to economic decision-making.; Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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4) The shareholders are an example of an internal user of annual report information.
Answer: FALSE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify the main users of financial accounting information and explain how they use this information.
CPA: Financial Reporting
AACSB: Analytic

5) Information contained in the financial statements of a company is of use to both internal and external users.
Answer: TRUE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify the main users of financial accounting information and explain how they use this information.
CPA: Financial Reporting
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6) A private company may have a single shareholder, while a public company may have many shareholders.
Answer: TRUE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify the main users of financial accounting information and explain how they use this information.
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7) A firm's activities can be divided into borrowing, investing, and operating.
Answer: FALSE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Explain the three categories of business activities and identify examples of transactions related to each category.
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8) If an investor owns 10% of the shares of a company, they normally own 10 shares of the company.
Answer: FALSE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Explain the three categories of business activities and identify examples of transactions related to each category.
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AACSB: Analytic

9) Dividends are payments made by the company to distribute future profits.
Answer: FALSE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Explain the three categories of business activities and identify examples of transactions related to each category.
CPA: Financial Reporting
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10) A gain or increase in the value of shares is known as capital appreciation.
Answer: TRUE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Explain the three categories of business activities and identify examples of transactions related to each category.
CPA: Financial Reporting
AACSB: Analytic

11) Creditors are entities that lend money to a company rather than buying shares of a company.
Answer: TRUE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Explain the three categories of business activities and identify examples of transactions related to each category.
CPA: Financial Reporting
AACSB: Analytic

12) The financial statements of a company are prepared by the shareholders.
Answer: FALSE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
CPA: Financial Reporting
AACSB: Analytic

13) Assets are typically listed in the order of their liquidity on the classified Statement of Financial Position.
Answer: TRUE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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AACSB: Analytic

14) Prepaid expenses can be found on the Statement of Income.
Answer: FALSE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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AACSB: Analytic

15) The Statement of Financial Position measures cash inflows and outflows of a company over a period of time.
Answer: FALSE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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16) Profit is determined by subtracting the income earned during the period from the expenses incurred during the same period.
Answer: FALSE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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17) Income can also include gains that a company generates from sales that are outside their normal course of operations.
Answer: TRUE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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18) Expenses are defined as increases in economic benefits.
Answer: FALSE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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19) Gross profit is equal to the sales received from goods less the operating expenses incurred during the period.
Answer: FALSE
Diff: 1
Bloomcode: Knowledge
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20) Net earnings is the amount of the company's revenue that remains after all its expenses are accounted for.
Answer: TRUE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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21) Retained earnings are the earnings that have been kept and NOT paid out as dividends.
Answer: TRUE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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AACSB: Analytic

22) Liquidity refers to how long something will be received, realized, or consumed.
Answer: FALSE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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AACSB: Analytic

23) Canadian companies use a 12-month period to distinguish between items that are current from those that are non-current.
Answer: TRUE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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24) Working capital measures the company's ability to meet its short-term obligations using its non-current assets.
Answer: FALSE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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25) Deferred revenue represents customer deposits.
Answer: TRUE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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AACSB: Analytic

26) Shareholders' equity is often referred to as the net assets of the company.
Answer: TRUE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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27) Share capital records the amount that investors have received in the form of dividends.
Answer: FALSE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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28) Companies that are growing normally have negative cash flows from investing activities.
Answer: TRUE
Diff: 1
Bloomcode: Comprehension
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
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29) IFRS is the financial reporting standard that must be followed by Canadian public companies.
Answer: TRUE
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
CPA: Financial Reporting
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30) The MD&A section of the annual report provides a discussion of the risks facing the company and information about future plans.
Answer: TRUE
Diff: 2
Bloomcode: Knowledge
Learning Objective: Identify and explain the content and reporting objectives of the four basic financial statements and the notes to the financial statements.
CPA: Financial Reporting
AACSB: Analytic

MULTIPLE CHOICE QUESTIONS

31) The annual report includes everything, EXCEPT for
A) managerial statements.
B) management discussion and analysis.
C) financial statements.
D) notes to the financial statements.
Answer: A
Diff: 1
Bloomcode: Knowledge
Learning Objective: Define financial accounting and understand its relationship to economic decision-making.
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32) Financial accounting is also referred to as
A) internal reporting.
B) management reporting.
C) external financial reporting.
D) stakeholder reporting.
Answer: C
Diff: 2
Bloomcode: Knowledge
Learning Objective: Define financial accounting and understand its relationship to economic decision-making.
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AACSB: Analytic

33) In which section of the annual report does management comment on the company and its operating results?
A) report to the shareholders
B) management's discussion and analysis
C) corporate profile
D) selected financial data
Answer: B
Diff: 2
Bloomcode: Knowledge
Learning Objective: Define financial accounting and understand its relationship to economic decision-making.
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34) Which of the following is an internal user of the annual report information?
A) creditors
B) management
C) regulators
D) shareholders
Answer: B
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify the main users of financial accounting information and explain how they use this information.
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35) Who do the shareholders typically elect to represent their interests?
A) senior management
B) chief financial officer
C) board of directors
D) chief operating officer
Answer: C
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify the main users of financial accounting information and explain how they use this information.
CPA: Financial Reporting
AACSB: Analytic

36) All of the following are external users EXCEPT
A) labour unions.
B) management.
C) regulators.
D) journalists.
Answer: B
Diff: 2
Bloomcode: Knowledge
Learning Objective: Identify the main users of financial accounting information and explain how they use this information.
CPA: Financial Reporting
AACSB: Analytic

37) Those who lend money or otherwise extend credit rather than invest it directly in the company are known as
A) investors.
B) regulators.
C) creditors.
D) unions.
Answer: C
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify the main users of financial accounting information and explain how they use this information.
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38) Why are regulators NOT interested in financial statements?
A) Ensuring companies follow federal and provincial financial reporting regulations.
B) Enforcing stock exchange rules regarding timing and format of financial disclosures.
C) Helping companies maximize their profits.
D) Preventing non-compliant companies from trading on stock exchanges.
Answer: C
Diff: 2
Bloomcode: Knowledge
Learning Objective: Identify the main users of financial accounting information and explain how they use this information.
CPA: Financial Reporting
AACSB: Analytic

39) Creditors include which of the following?
A) suppliers
B) financial institutions
C) employees
D) All of the choices are correct.
Answer: D
Diff: 1
Bloomcode: Knowledge
Learning Objective: Identify the main users of financial accounting information and explain how they use this information.
CPA: Financial Reporting
AACSB: Analytic

40) Privately held corporations
A) always have multiple shareholders.
B) always require a board of directors to represents its interests.
C) raise capital through the sale of shares.
D) are not traded on the stock market.
Answer: D
Diff: 2
Bloomcode: Comprehension
Learning Objective: Identify the main users of financial accounting information and explain how they use this information.; Describe the major forms of business organization and explain the key distinctions among them.
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AACSB: Analytic

41) The form of business ownership that most effectively limits the risk of ownership is
A) sole proprietorship.
B) general partnership.
C) corporation.
D) all forms of business ownership, since they are equally risky.
Answer: C
Diff: 2
Bloomcode: Comprehension
Learning Objective: Describe the major forms of business organization and explain the key distinctions among them.
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42) Jennifer is a university student looking to earn some cash for tuition over the summer months (April-August). She has decided to start a lawn care business, what business structure would best suit her needs?
A) private corporation
B) public corporation
C) general partnership
D) sole proprietorship
Answer: D
Diff: 2
Bloomcode: Comprehension
Learning Objective: Describe the major forms of business organization and explain the key distinctions among them.
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43) A corporation whose shares are not listed on the stock exchange is referred to as a
A) proprietorship.
B) publicly traded corporation.
C) small business corporation.
D) privately held corporation.
Answer: D
Diff: 1
Bloomcode: Knowledge
Learning Objective: Describe the major forms of business organization and explain the key distinctions among them.
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44) Businesses can be operated in a number of different forms, such as a
A) corporation.
B) partnership.
C) proprietorship.
D) All of the choices are correct.
Answer: D
Diff: 1
Bloomcode: Knowledge
Learning Objective: Describe the major forms of business organization and explain the key distinctions among them.
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45) Which statement is INCORRECT with regard to the characteristics of a corporation?
A) It is a separate legal entity.
B) It can be sued.
C) Shareholders liability is limited to their investment.
D) It cannot be publicly accountable.
Answer: D
Diff: 2
Bloomcode: Knowledge
Learning Objective: Describe the major forms of business organization and explain the key distinctions among them.
CPA: Financial Reporting
AACSB: Analytic

46) Which of the following statements best describes a proprietorship?
A) A proprietorship can be comprised of single or multiple owners.
B) The owners are taxed separately from the business.
C) It is the most expensive business structure to establish.
D) The owner is responsible for the debt of the company.
Answer: D
Diff: 2
Bloomcode: Knowledge
Learning Objective: Describe the major forms of business organization and explain the key distinctions among them.
CPA: Financial Reporting
AACSB: Analytic

47) Which of the following statements best describes a partnership?
A) A partnership is a separate legal entity from its owners.
B) There is only a single owner.
C) It is the most expensive business structure to establish.
D) The owners are responsible for the debt of the company.
Answer: D
Diff: 2
Bloomcode: Knowledge
Learning Objective: Describe the major forms of business organization and explain the key distinctions among them.
CPA: Financial Reporting
AACSB: Analytic