

Accountancy test questions



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The correct answers are in bold text. 1) Which of the following is an external user of accounting information? a. Managers b. Labor unions c. Finance directors d. Company officers 2) The accounting process is correctly sequenced as A. communication, recording, identification. b identification, communication, recording. c. recording, communication, identification. d. identification, recording, communication. 3) Communication of economic events is the part of the accounting process that involves a. recording and classifying information. b. identifying economic events. C. quantifying transactions into dollars and cents. D. preparing accounting reports. 4) The body of theory underlying accounting is not based on a. definitions. b. physical laws of nature. C. concepts. D. principles. 6) The private sector organization involved in developing accounting principles is the a. Financial Auditors' Standards Body. b. Feasible Accounting Standards Body. c. Financial Accounting Studies Board. d. Financial Accounting Standards Board. 7) All of the financial statements are for a period of time except the A. tatement of cash flows. B. income statement. C. retained earnings. D. balance sheet. 8) After a business transaction has been analyzed and entered in the book of original entry, the next step in the recording process is to transfer the information to A. financial statements. B. the company's bank. C. stockholders' equity. D. ledger accounts. 9) Auditing is a. conducted by the Securities and Exchange Commission to ensure that registered financial statements are presented fairly. b. the examination of financial statements by a CPA in order to express an opinion n their fairness. c. a part of accounting that involves only recording of economic events. d. an area of accounting that involves such activities as cost accounting, budgeting, and accounting information systems. 10) In recording an accounting transaction

in a double-entry system A. there must only be two accounts affected by any transaction. b. the number of debit accounts must equal the number of credit accounts. c. there must always be entries made on both sides of the accounting equation. D. the amount of the debits must equal the amount of the credits. 1) If a company has overdrawn its bank balance, then a. it cannot be detected by observing the balance of the cash account. B. the cash account debits will exceed the cash account credits. c. its cash account will show a debit balance. d. its cash accounts will show a credit balance 12) An account will have a credit balance if the A. last transaction entered was a credit. B. first transaction entered was a credit. c. credits exceed the debits. d. debits exceed the credits. 13) On August 13, 2008, Dudbury Enterprises purchased office equipment for \$1, 000 and office supplies of \$200 on account.

Which of the following journal entries is recorded correctly and in the standard format? Office Equipment 1, 000 Office Supplies 200 Account Payable 1, 200 18) Adjusting entries are required a. when revenues are recorded in the period in which they are earned. b. when the company's profits are below the budget. c. when expenses are recorded in the period in which they are incurred. d. because some costs expire with the passage of time and have not yet been journalized. 27) The worksheet does not show a. the trial balance before adjustments. B. the ending balance in the retained earnings account. . revenue and expense account balances. d. net income or loss for the period. 28) In order to close the dividends account, the a. retained earnings account should be debited. b. retained earnings account should be credited. c. income summary account should be credited. d.

income summary account should be debited. 39) The entity responsible for setting International Accounting Standards is: A. The Financial Accounting Foundation B. The Financial Accounting Standards Board C. The International Accounting Standards Board d. The International Monetary Fund

Joe is warehouse custodian and also maintains the accounting record of the inventory held at the warehouse. An assessment of this situation indicates A. establishment of responsibility is violated. b. documentation procedures are violated. c. independent internal verification is violated. d. segregation of duties is violated. 41) An employee authorized to sign checks should not record A. cash disbursement transactions. b sales transactions. c. owner cash contributions. d. mail receipts. 42) Allowing only the treasurer to sign checks is an example of A. establishment of responsibility.

B documentation procedures. c other controls. d. segregation of duties. 38) The importance of a good system of internal controls was recognized with the passage of A. the Securities and Exchange Act of 1933. b the Securities and Exchange Act of 1994. c the Sarbanes-Oxley Act of 2002. d. the Blue Sky Laws. 36) Which one of the following is not an objective of a system of internal controls? A. overstate liabilities in order to be conservative B. Enhance the accuracy and reliability of accounting records C. Reduce the risks of errors D. Safeguard company assets