# BAF3M – Accounting Unit 1

# Chapter 1 — Test Questions

K/U

Knowledge: The following statements are either true or false. Circle “T” if the statement is true; circle “F” if the statement is false. ( /8 marks)

|  |  |  |  |
| --- | --- | --- | --- |
| **a)** | Preparing your income tax return is made easier by a knowledge of accounting. | T | F |
|  |  |  |  |
| **b)** | Many senior management positions require one of the three accounting designations (CA, CMA, CGA). | T | F |
|  |  |  |  |
| **c)** | Owner’s equity is the owner’s final claim in assets. It is also called net worth or capital. | T | F |
|  |  |  |  |
| **d)** | A medical clinic is considered to be a merchandising business. | T | F |
|  |  |  |  |
| **e)** | A merchandising business buys goods and resells them at a higher price. | T | F |
|  |  |  |  |
| **f)** | Amounts owed to others for purchases on credit are called an Accounts Payable | T | F |
|  |  |  |  |
| **g)** | Board of directors are the owners of a corporation. | T | F |
|  |  |  |  |
| **h)** | Computers will soon make accounting skills unnecessary. | T | F |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

 2. For each of the following, circle the letter representing the most appropriate response. ( /8 marks)

 **1)** A good accounting system should provide adequate information for the use of:

K/U

 a. the management of the firm.

 b. the owner of the firm.

 c.the government.

 d. lenders.

 e. all of the above.

 **2)** Auditing may be described as:

 a. serving the general public.

 b. the accounting procedures of a large company.

 c. testing a firm’s records and procedures for accuracy.

 d. keeping accounting records for the government.

 **3)** Accounting controls and GAAPs serve to promote employee:

 a. happiness.

 b. loyalty.

 c. health.

 d. honesty.

 4**)** Which of the following is not a merchandising firm?

 a. a grocery store

 b. Canadian Tire

 c. a hairdresser

 d. Eaton’s

 5**)** A business with more than one owner is called:

 a. a sole proprietorship.

 b.a partnership.

 c. a limited proprietorship.

 d. a franchise.

 6**)** A fiscal period may be described as:

 a. the time period required to complete the accounting cycle.

 b. the time period required to collect all debts.

 c. the time needed to pay all debts.

 d. the amount of time needed to earn a profit.

 7**)** A business called “Holiday Homes Inc.” is organized as:

 a. a sole proprietorship.

 b. a partnership.

 c. a corporation.

 d. a government agency.

 8**)** Computers are important in accounting, but they cannot perform the task of:

 a. sorting.

 b. calculating.

 c. storing.

 d.decision making.

3. Identify each of the following: ( /4 marks) \* Put an ‘X’ in the appropriate box

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Asset** | **Liability** | **Owner’s Equity** |
| Mortgage |  |  |  |
| H. Stepanek, Capital |  |  |  |
| Cash |  |  |  |
| Accounts Payable |  |  |  |

**Thinking/Inquiry: ( /5 marks)**

T/I

 a**)** Other than a banker and a manager, name three other groups/users of accounting that might be interested in a firm’s financial information.

 1.

 2.

 3.

 b) One reason why a banker might want to see a firm’s financial information is

 .

 c) One reason why a manager might be interested in a firm’s financial information is

 .

Application: ( /10 marks)

AHS Company Ltd.

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | Amount | Liabilities | Amount |
| Bank | $9,000 | Accounts Payable | $3,500 |
| Accounts Receivable | $13,000 | Bank Loan | $11,000 |
| Supplies | $1,800 |  |  |
| Equipment | $42,000 |  |  |

Assets: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Liabilities: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Owner’s Equity: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Complete the Chart:

|  |  |  |  |
| --- | --- | --- | --- |
| AssetsLiabilities Owner’s Equity | $8,500 1,500\_\_\_\_\_\_\_\_ | AssetsLiabilitiesOwner’s Equity | $65,000\_\_\_\_\_\_\_\_\_\_$20,000 |
| AssetsLiabilitiesOwner’s Equity | $560 85\_\_\_\_\_\_\_ | AssetsLiabilitiesOwner’s Equity | \_\_\_\_\_\_\_\_\_$6,78915,432 |

Q1: Daniel Gordon has assets of $150,000 and liabilities of $55,000. What is his equity?

Q2: Michelle Bates has $14,000 in assets and her equity is $6,000. What are her liabilities?

Q3: Stephen Heldsinger has liabilities of $50,000 (yes, that’s right!) and equity is $25,000. What are his assets?

Communication: ( /10 marks)

1. Ethics Case Study: Pick ***one*** to answer how you would handle the situation using the Decision Making Model (6 Steps). ( /6 marks)

**Scenario 1**
Brad Shoreman is a drummer in a band based out of Southern Ontario. He asks you to help him with his personal tax return. He believes that any cash “gigs” should not be included in his personal income because they are not traceable and the government gets enough of their money. You like their music and enjoy the free tickets supplied to you. What will you do when he demands that this revenue not be included?

**Scenario 2**
As the new accountant for the Get Gas Here Truckstop & Restaurant, an employee has told you about a common practice that occurs at the truck stop. Gas bar attendants are frequently asked by truckers to over-bill the gas component of a bill and give the truckers cash in exchange. For example, a trucker who fills up with $200 worth of gas will have the attendant bill $300 on the trucker’s credit card. To make things balance out, the trucker gets $100 cash given to them with the $200 worth of gas. The trucker then bills the trucking company they are working with for $300 for fuel costs.

1. Explain what a GAAP/IFRS is and why they are necessary in Accounting. (2 marks) ***List and explain one*** GAAPs/IFRSs of your choice that we have covered so far. ( /2 marks)