

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. What is the purpose of the accounting cycle?

2. Provide an example of each of the professional practices expected of accountants.

3. Recording an activity that results in a change to an organization's resources is done through ____
 - a. financial statements
 - b. financial transactions
 - c. the accounting cycle
 - d. the accounting equation

4. True or False? ____ Accounting deals with the financial future of a business while finance deals with its past.

5. Which of the following is not a purpose of completing the accounting cycle? ____
 - a. to ensure the completeness and accuracy of accounting records
 - b. to prepare summary financial statements
 - c. to close the books of a company in order to report on its financial condition as of a specific date
 - d. all of the above are purposes

6. True or False? ____ A business should use common and consistent financial reporting periods in order to compare past, current, and future financial performance.

7. The accounting principle of ____ states that a company's financial statements and supporting information should contain all relevant facts and explanations.
 - a. revenue recognition
 - b. historic costs
 - c. full disclosure
 - d. conservatism

8. Which of the following is a responsibility of finance rather than accounting? ____
 - a. organizing a system of financial records
 - b. recording financial data
 - c. analyzing and choosing among investment alternatives
 - d. preparing financial statements

9. Which of the following is the first step in the accounting cycle? ____
 - a. financial statements are prepared
 - b. a trial balance of accounts is prepared
 - c. journal entries are posted in the appropriate accounts
 - d. transactions are recorded in journals

10. The accounting procedure that recognizes revenues and expenses when they are incurred rather than when cash is received or spent is known as ____
 - a. expense and revenue matching
 - b. accrual accounting
 - c. the accounting cycle
 - d. full disclosure