

Management – Chapter 6 Answers

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|------------------------|--------------------------|-----------------------|-------------------|
| 1. Account | 13. Double-entry | 24. Journal | 36. Shareholders |
| 2. Accounting | accounting | 25. Ledger | 37. Sole |
| 3. Accounting entity | 14. Estimation | 26. Liability | Proprietorship |
| 4. Accounting equation | 15. Expenses | 27. Matching | 38. Stable dollar |
| 5. Accrual | 16. External users | 28. Materiality | concept |
| 6. Assets | 17. Financial statements | 29. Money measurement | 39. Stockholders |
| 7. Audit | 18. Fiscal year | 30. Owners' equity | 40. Stockholders' |
| 8. Conservatism | 19. Full disclosure | 31. Partnership | equity |
| 9. Consistency | 20. GAAP | 32. Periodicity | 41. Trial balance |
| 10. Corporation | 21. Going concern | 33. Posting | |
| 11. Credit | 22. Historical cost | 34. Relevance | |
| 12. Debit | 23. Internal users | 35. Revenue | |

- 34 _____ Accounting info must make a difference in the specific decisions that are to be made from the info.
- 18 _____ Accounting period that consists of 12 consecutive months. May follow the calendar year of the natural business year.
- 19 _____ All info that may be relevant to decision makers be communicated to them through the financial statements.
- 26 _____ An obligation or debt of an entity that is owed to other parties
- 3 _____ Any business, individual or not-for-profit org whose financial affairs can be viewed as distinct from those of any other unit.
- 38 _____ Assumes that a dollar today is worth the same amount as a dollar used to buy an asset in the past.
- 24 _____ Books of original entry where transactions are recorded in chronological order.
- 37 _____ Business owned by one individual
- 31 _____ Business with two or more owners, operating as co-owners and sharing the profits and losses of the business in an agreed proportion.
- 29 _____ Common unit of measure must be used for recording economic events.
- 1 _____ Device used to collect and summarize info and is sometimes called a ledger account
- 35 _____ Earnings resulting from the receipt of cash or other assets (or the reduction of liability) in exchange for goods sold by an entity or services performed by an entity.
- 6 _____ Economic resources from which an owner can expect to receive benefits now or in the future.
- 12 _____ Entry recorded on the left side of the T-account
- 11 _____ Entry recorded on the right side of the T-account
- 27 _____ Expense incurred in earning revenues should be matched with those revenues to determine net income. Expenses should be report in the same period as the revenues to which they correspond.
- 32 _____ Life of an entity must be divided into time intervals for reporting purposes as decision makers need accounting info about the entity periodically to make decisions. Therefore, the accountant must make periodic reports about the economic affairs of the entity.
- 41 _____ Listing of all the ledger account balances
- 23 _____ Managers of a business represent one important group of users of accounting info
- 9 _____ Once an accounting or reporting method is selected, it should be used from one period to another.
- 36 _____ Owners of the corporation and those who own capital stock in the corporation.
- 39 _____ Owners of the corporation and those who own capital stock in the corporation.
- 2 _____ Process of recording, measuring, summarizing, analyzing and interpreting financial info and communicating this info to various users for decision-making purposes
- 25 _____ Record of all the accounts maintained by an entity
- 13 _____ Recording of an equal amount of debits and credits (dual concept) By recording data in this fashion, a periodic check of the equality of the total debit and credit balances in the accounts can be made and used to help discover errors made in recording transactions.

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- 29 _____ Refers to the relative importance of an item or event to the decisions that users will be making. If an item is very insignificant compared to others, it is not necessary to follow accounting theory precisely. The important consideration is whether knowledge of the item would influence the decisions of users.
- 4 _____ Representation of the following relationship: assets are equal to liabilities plus owners' equity
- 30 _____ Resources invested in the business by owners, a residual claim that legally the claims of creditors come first and that owners are entitled to whatever remains after creditors are paid.
- 40 _____ Resources invested in the business by owners, a residual claim that legally the claims of creditors come first and that owners are entitled to whatever remains after creditors are paid .
- 5 _____ Revenues should be reported when earned rather than when the cash is received and expenses should be reported when incurred rather than when paid
- 7 _____ Reviewing a company's financial statements to determine their conformity with generally accepted accounting principles
- 10 _____ Separate legal entity created by state or federal law and is a separate accounting entity that usually has the same legal rights and obligations as individuals. They issue shares of capital stock in exchange for money, assets or services.
- 20 _____ Set of rules that govern the format of the financial statements and the methods of recording the data summarized within them
- 14 _____ Since accountants divide the life of an entity into periodic time intervals, much of what is included in financial reports is an estimate, which results in many of the amounts included in the periodic financial reports being estimated.
- 17 _____ Standard, general purpose reports of a company and includes the balance sheet, the income statement, the statement of retained earnings and statement of cash flow.
- 21 _____ States that the accountant assumes that the entity is going to exist for an indefinite period of time.
- 15 _____ The costs of goods and services consumed by the entity as a result of earning revenue.
- 22 _____ The original purchase cost that should be used to value assets for financial statement purposes.
- 33 _____ Transfer of info from the journal to the ledger
- 16 _____ Users of accounting data that are outside to the company's management.
- 8 _____ When doubt exists about the valuation of an asset or the recording of an accounting transaction, the accounting method that is the least likely to overstate income and financial position should be chosen.