

Accounting I Chapter 2

True/False

Indicate whether the statement is true or false.

- ___ 1. All types of businesses sell a product.
- ___ 2. In a free enterprise system, businesses compete for customers.
- ___ 3. For accounting purposes, a business is an entity separate from its owners.
- ___ 4. A business owner must always get permission to operate from the state government.
- ___ 5. Basic accounting rules and procedures differ from business to business.
- ___ 6. All businesses set up their accounting systems in the same manner.
- ___ 7. Corporations often start out as sole proprietorships or partnerships.
- ___ 8. A business is earning a profit if the selling price of its product covers the cost of the raw materials needed to make the product.
- ___ 9. The life of a business is divided into specific periods for reporting purposes.
- ___ 10. Service businesses are not intended to operate at a profit.

Multiple Choice

Identify the choice that best completes the statement or answers the question.

Matching

Match each item with the correct statement below.

- a. accounting period
- b. accounting system
- c. business entity
- d. capital
- e. charter
- f. corporation
- g. entrepreneur
- h. free enterprise system
- i. financial accounting
- j. financial reports
- k. GAAP
- l. going concern
- m. loss
- n. management accounting
- o. manufacturing business
- p. merchandising business
- q. partnership
- r. profit
- s. service business
- t. sole proprietorship

21. A(n) _____ is an individual who transforms ideas for products or services into real-world businesses.

_____ 22. Following the _____ accounting assumption, the accountant prepares reports as though the business will operate indefinitely.

_____ 23. The _____ is the period of time covered by an accounting report.

_____ 24. _____ is money invested in a business by its owner(s) or the money provided by banks or investors.

_____ 25. A(n) _____ is a business organization that must get permission from the state to operate.

_____ 26. A business that produces items to sell to individuals and other businesses is known as a(n) _____.

_____ 27. In a(n) _____, people are free to produce the goods and services they choose.

_____ 28. A business with a single owner is a(n) _____.

_____ 29. _____ are the rules accountants follow when recording and reporting accounting information.

_____ 30. A business is operating at a(n) _____ if it earns more money than it spends.

Accounting I Chapter 2
Answer Section**TRUE/FALSE**

1. ANS: F	PTS: 1	
2. ANS: T	PTS: 1	
3. ANS: T	PTS: 1	NAT: NBEA I.A.
4. ANS: F	PTS: 1	
5. ANS: F	PTS: 1	NAT: NBEA I.A.
6. ANS: F	PTS: 1	NAT: NBEA I.A.
7. ANS: T	PTS: 1	
8. ANS: F	PTS: 1	
9. ANS: T	PTS: 1	
10. ANS: F	PTS: 1	

MULTIPLE CHOICE

11. ANS: B	PTS: 1	
12. ANS: C	PTS: 1	
13. ANS: B	PTS: 1	
14. ANS: D	PTS: 1	
15. ANS: A	PTS: 1	
16. ANS: C	PTS: 1	
17. ANS: A	PTS: 1	
18. ANS: B	PTS: 1	NAT: NBEA I.A.
19. ANS: B	PTS: 1	NAT: NBEA I.A.
20. ANS: D	PTS: 1	NAT: NBEA I.A.

MATCHING

21. ANS: G	PTS: 1	
22. ANS: L	PTS: 1	NAT: NBEA I.A.
23. ANS: A	PTS: 1	NAT: NBEA I.A.
24. ANS: D	PTS: 1	NAT: NBEA I.A.
25. ANS: F	PTS: 1	NAT: NBEA I.A.
26. ANS: O	PTS: 1	NAT: NBEA I.A.
27. ANS: H	PTS: 1	NAT: NBEA I.A.
28. ANS: T	PTS: 1	NAT: NBEA I.A.
29. ANS: K	PTS: 1	NAT: NBEA I.A.
30. ANS: R	PTS: 1	NAT: NBEA I.A.

Accounting I Chapter 2 [Answer Strip]**ID: A**D 14. L 22.A 23.A 15. D 24.F 25.T 2. C 16. O 26.H 27.T 3. T 28.F 29.F 4. K 29.F 30.F 5. A 17. R 30.F 6. B 18.F 7. F 8.T 9. B 19.F 10. D 20.B 11.C 12.B 13.G 21.