Accounting and financial ratios

1 What is the accounting equation?
A. Assets - liabilities = stockholders' equity
B. Assets + liabilities = stockholders' equity
C. Liabilities - stockholders' equity = assets
D. All of the above

2 Bookkeeping is a systematic method of recording credit transactions in the books of accounts.
A. True
B. False

3 Which of the following reports the revenues and expenses for a specific period of time?
A. Income Statement
B. Balance Sheet
C. Cashflow statement
D. None of the above

4 Which principle/guideline requires a company's balance sheet to report its land at the amount the company paid to acquire the land, even if the land could be sold today at a significantly higher amount?

A. Economic Entity
B. Monetary Unit
C. Cost
D. Consistency

5 Which principle/guideline is associated with the assumption that the company will continue on long enough to carry out its objectives and commitments?

A. Time Period
B. Economic Entity
C. Materiality
D. Going concern

6 Which principle/guideline directs a company to show all the expenses related to its revenues of a specified period even if the expenses were not paid in that period?

A. Post
B. Matching
C. Monetary Unit
D. Going concern

7 An amount owed by a business:

A. Liability
B. Asset
C. Revenue
D. Expense

8 Which concept states that "You have to report accounting info at regular intervals?"

A. Entity
B. Conservatism
C. Reliability
D. Time-Period

9 This concept means not overstating assets, owner's equity, and revenues, and not understating liabilities and expenses

A. Materiality
B. Entity
C. Time-period
D. Conservatism

10 The materiality concept is:

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A. Only using GAAP accounting for things that are significant to the company's financial statements
B. Not overstating assets, owner's equity, and revenues, and not understating liabilities and expenses
C. Reporting enough information for insiders to make an informed decision about the company
D. Reporting numbers without calculating inflation

11 Which one of the following is not an external user of accounting information?

A. Investor
B. Creditor
C. Manager
D. Customer

12 Who is known as the father of accounting?

A. Leonardo da Vinci
B. Fra Luca Pacioli
C. Al Khawarizmy
D. Al Mazendarany

13 Which of the following is not a core financial statement?

A. The Income Statement
B. Statement of Cash Flows
C. The Trial Balance
D. The Balance Sheet

14 What are the main sections on a balance sheet?

A. Assets, liabilities, income
B. Assets, liabilities, equity
C. Assets, liabilities, expenses
D. Assets, gains, revenue

15 Which of the following scenarios increases accounts payable?

A. A customer fails to pay an invoice.
B. A supplier delivers raw materials on credit.
C. Office supplies are purchased with cash.
D. None of the above

16 When are liabilities recorded under the accrual basis of accounting?

A. When incurred
B. When paid
C. At the end of the fiscal year
D. When bank accounts are reconciled

17 Which financial statement is a report of a company’s revenues and expenses during a certain time period?

A. Statement of Changes in Equity
B. Income Statement
C. Statement Of Cash Flows
D. Funda flow statement

18 Which is not classified as a current asset?

A. Cash
B. Product inventory
C. Liquid assets
D. Property

19 Which formula is used to calculate operating income?

A. Revenue + Direct Operating Cost = Operating Income

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B. Indirect Operating Cost - Revenue = Operating Income
C. Gross Income - Operating Expenses = Operating Income
D. Gross Profit - Indirect Operating Cost = Operating Income

20 What does COGS stand for?

A. Cost of Great Sales
B. Cost of Goods Sold
C. Creation of Gross Sales
D. Control of Goods Sold

21 An income statement is also known as a profit and loss statement.

A. True
B. False

22 Expenses that have to be paid, irrespective of the volume of business done by the company are called:

A. Cost of Sales
B. Variable Expenses
C. EBITDA
D. Fixed Expenses

23 Liquidity Ratios: Indicator of short-term debt-paying ability. Determined by dividing current assets by current liabilities. The higher the ratio, the more liquid the company.
A. True
B. False

24 An example of a liquidity ratio is ... :

A. Fixed Asset Turnover
B. Equity Ratio
C. Acid Test
D. All of the above

25 Which ratio indicates the ability of a firm to pay current obligations from the more liquid current assets?

A. Quick or acid test ratio
B. Debt-to-equity ratio
C. Current ratio
D. Debt ratio

26 Short-term creditors are most interested in this ratio.

A. Current ratio
B. Quick ratio
C. Debt-top-equity ratio
D. Debt to total asset ratio

27 It is classified as leverage ratio.
A. Current ratio
B. Debt ratio
C. Quick ratio
D. Net working capital

28 Which of the following describes profitability ratios?

A. They measure the relationship of revenues to expenses.
B. They determine how profitable an organization is.
C. They measure an organization's profitability across years.
D. They reflect an organization's efficiency.

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