

Name: \_\_\_\_\_ Student Number: \_\_\_\_\_

TA: \_\_\_\_\_ Section Time: \_\_\_\_\_

**Code of Conduct:** By signing below you acknowledge that you are a member of a learning community at the Foster School of Business that is committed to the highest academic standards and that you adhered to these standards while completing this exam. Specific to this exam, by signing below you acknowledge that you did not receive or give help to others, nor did you witness others receiving or giving help to others, during the exam.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**A215**  
**Winter 2013**  
**Exam I**  
**KEY**

- Relax.
- You have one hour and twenty minutes to complete this exam.
- For problems that require calculations show your work.
- Relax.
- Provide your answers in the space provided (not on a separate answer sheet).
- Please check to see that you have 13 pages (they are numbered).
- Relax...and get started.

The questions below come directly from my lecture slides, the text, quiz section materials, or the homework problems.

1. (2 pts) Accounting is considered the “language of \_\_\_\_\_”  
**ANSWER (CH1): business**

2. (3 pts) Companies engage in three types of business activities, which are represented by the three sections of the cash flow statement. What are the three sections of the cash flow statement?

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**ANSWER (CH1 & CH 4): Operating, investing, financing**

3. (2 pts) One of the major disadvantages of organizing a business as a public corporation has to do with taxes. What is the phrase used to describe this disadvantage?

\_\_\_\_\_  
**ANSWER (CH1): Double taxation (also correct: corporate tax rate > personal tax rate)**

4. (2 pts) At the end of fiscal 2012, Bolt Company sells a Jamaican shirt to a customer on credit. The customer promises to pay early in fiscal 2013. This transaction will affect three of the four financial statements at the end of fiscal 2012. Which financial statement will it *not* affect?

\_\_\_\_\_  
**ANSWER (CH1, 2 & 3): Cash flow statement**

5. (4 pts) The FASB and the IASB set and modify accounting standards. What do we call these standards (provide a name for full credit. An acronym is worth half credit):

FASB standards are called: \_\_\_\_\_

IASB standards are called: \_\_\_\_\_

**ANSWER (CH1): Generally Accepted Accounting Principles (GAAP). We also accepted  
 Financial Accounting Standards (FAS)  
 International Financial Reporting Standards (IFRS)**

6. (2 pts) There are six steps in measuring external transactions. What is the first step?

\_\_\_\_\_  
**ANSWER (CH2): Analyze source documents or receipts**

7. (2 pts) If an investor would like to know the aggregate amount of profit that a company has earned over its lifetime and not paid back to investors in the form of a dividend, which account on the balance sheet should the investor examine?

**ANSWER (CH2 & 4): Retained earnings**

8. (2 pts) After creating a trial balance, Mr. Gatlin totals up his debit column and credit column. They are equal; both have a balance of \$540,000. Does this imply that Mr. Gatlin has recorded all of his company's transactions correctly? (circle one)

Yes, Mr. Gatlin knows his stuff.

No, Mr. Gatlin should pay closer attention in A215.

**ANSWER (CH2): No. It is possible that Mr. Gatlin forgot to record a transaction (so both the debit and credit side are missing the transaction), or recorded a transaction for the wrong amount (both sides reflect the wrong amount, so they equal).**

9. (2 pts) What is the principle that states that a company should recognize revenue in the period in which it is earned?

The \_\_\_\_\_ principle.

**ANSWER (CH3): Revenue recognition**

10. (3 pts) Does a credit increase or decrease the following accounts (circle one answer per account):

Interest revenue	Increase	Decrease
Sales returns	Increase	Decrease
Dividends	Increase	Decrease

**ANSWER (multiple chapters)**

Interest revenue	<b>Increase</b>
Sales returns	<b>Decrease</b>
Dividends	<b>Decrease</b>