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| **True / False**  *Indicate whether the statement is true or false.* |

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| 1. Company managers typically do not want to have more cash than is currently needed in an account that pays no interest.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 2. The owner’s equity is the owner’s share of the worth of a company.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 3. When formatting a financial report, use a single line (bottom border) underneath the last figure above a total to indicate addition or subtraction.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 4. Reviewing expenses from the previous year is not helpful when preparing a budget.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 5. Voucher checks are ordinary checks with an additional portion that gives a description of the payment.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 6. If terms on an invoice are 2/10, net 30, a 2 percent discount can be taken from the invoice amount if the invoice is paid within ten days of the invoice date.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 7. A balance sheet is a document that shows incoming and outgoing cash for a given period.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 8. Vouchers typically are filed in alphabetical order by the company name.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 9. Budget reports compare the money spent in each category to the budgeted amount.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 10. An income statement shows the assets and liabilities for a company.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 11. A statement of account should show a listing of unpaid amounts from only one invoice.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 12. A purchase requisition shows the items requested and an approval to make the purchase.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 13. Accounts payable are the short-term debts the company owes to others.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 14. Electronic funds transfer (EFT) typically cannot be used to pay vendor invoices.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 15. Typically, mass production allows companies to lower costs by making large numbers of products that are exactly the same.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| **Multiple Choice**  *Indicate the answer choice that best completes the statement or answers the question.* |

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| 16. A balance sheet shows   |  |  |  | | --- | --- | --- | |  | a. | the condition of a company as of a specific date | |  | b. | the assets, liabilities, and owner’s equity | |  | c. | the assets and liabilities but not the owner’s equity | |  | d. | both A and B | |

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| 17. When preparing data for a budget   |  |  |  | | --- | --- | --- | |  | a. | do not be concerned about deadlines for submitting data | |  | b. | review expenses from the past year | |  | c. | consider any special needs for the coming year | |  | d. | both B and C | |

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| 18. A document that shows the goods that were actually delivered to the company is a   |  |  |  | | --- | --- | --- | |  | a. | receiving report | |  | b. | purchase order | |  | c. | invoice | |  | d. | credit memo | |

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| 19. The terms on an invoice dated March 10 are 2/10, net 30. The invoice total is $3,000. What is the amount to be paid after taking any allowed discount if the invoice is paid on March 16?   |  |  |  | | --- | --- | --- | |  | a. | $2940 | |  | b. | $2960 | |  | c. | $3000 | |  | d. | none of the above | |

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| 20. A document that shows incoming and outgoing cash for a given period is a   |  |  |  | | --- | --- | --- | |  | a. | income statement | |  | b. | cash flow statement | |  | c. | balance sheet | |  | d. | owner’s equity statement | |

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| 21. A cash flow statement shows $40,000 for total cash inflows and $25,500 for total cash outflows. What is the net cash flow?   |  |  |  | | --- | --- | --- | |  | a. | $65,500 | |  | b. | $20,000 | |  | c. | $14,500 | |  | d. | $45,500 | |

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| 22. A company’s sales for the reporting period were $300,000 and its net income after tax was $54,000. What is the profit margin?   |  |  |  | | --- | --- | --- | |  | a. | 20 percent | |  | b. | 18 percent | |  | c. | 16 percent | |  | d. | 22 percent | |

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| 23. A sales invoice   |  |  |  | | --- | --- | --- | |  | a. | is usually created at the time a company ships the products or performs services for a customer. | |  | b. | can be sent with the products | |  | c. | is usually due immediately | |  | d. | Both A and B | |

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| 24. Petty cash   |  |  |  | | --- | --- | --- | |  | a. | is typically used to pay for small expenses at the office | |  | b. | should always contain at least $5,000 | |  | c. | should not be replenished more than once per year | |  | d. | both B and C | |

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| 25. In which business model are many products made to meet specific customers’ needs?   |  |  |  | | --- | --- | --- | |  | a. | mass production | |  | b. | customized production | |  | c. | mass customization | |  | d. | none of the above | |

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| 26. A detailed plan or estimate of expected income and expenses for a period of time is a   |  |  |  | | --- | --- | --- | |  | a. | balance sheet | |  | b. | budget | |  | c. | cash flow statement | |  | d. | none of the above | |

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| 27. A sales invoice typically includes   |  |  |  | | --- | --- | --- | |  | a. | the invoice date and invoice total | |  | b. | quantities and prices of items purchased | |  | c. | the payment terms | |  | d. | all the above | |

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| 28. The terms on an invoice dated January 3 are 2/10, net 30. The invoice total is $2,000. What amount of discount can be taken if the invoice is paid on January 16?   |  |  |  | | --- | --- | --- | |  | a. | $40 | |  | b. | $60 | |  | c. | none | |  | d. | $200 | |

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| 29. A purchase order shows   |  |  |  | | --- | --- | --- | |  | a. | the goods that were actually received by the company | |  | b. | items ordered and to what address they should be shipped | |  | c. | the items requested and an approval to make the purchase | |  | d. | what is owed for the purchases | |

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| 30. The short-term debts the company owes to others are called   |  |  |  | | --- | --- | --- | |  | a. | accounts receivable | |  | b. | accounts payable | |  | c. | assets | |  | d. | debtors | |

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| 31. Accounting software allows the user to   |  |  |  | | --- | --- | --- | |  | a. | update accounts | |  | b. | create checks | |  | c. | create financial statements | |  | d. | all the above | |

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| 32. A projected income statement   |  |  |  | | --- | --- | --- | |  | a. | lists the revenues and expenses the company expects for the reporting period | |  | b. | shows a net loss if revenues are greater than expenses | |  | c. | shows a net profit if expenses are greater than revenues | |  | d. | all the above | |

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| 33. A report that shows the results of operations for a company for a period of time is   |  |  |  | | --- | --- | --- | |  | a. | an income statement | |  | b. | a budget | |  | c. | a balance sheet | |  | d. | a cash flow statement | |

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| 34. A receiving report shows   |  |  |  | | --- | --- | --- | |  | a. | the goods that were actually received by the company | |  | b. | items ordered and to what address they should be shipped | |  | c. | the items requested and an approval to make the purchase | |  | d. | what is owed for the purchases | |

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| 35. A statement of account   |  |  |  | | --- | --- | --- | |  | a. | lists paid invoices as of a certain date | |  | b. | provides a routine reminder of the amounts owed | |  | c. | can include amounts from several invoices | |  | d. | both B and C | |

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| **Matching** |

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| *Match each item with the correct statement below.*   |  |  | | --- | --- | | a. | asset | | b. | balance sheet | | c. | budget | | d. | credit | | e. | credit memo | | f. | discount | | g. | expense | | h. | interest | | i. | liability | | j. | petty cash | | k. | purchase order | | l. | revenue | | m. | sales invoice | | n. | voucher | |

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| 36. A document that shows the vendor name, payment information, and an approval to make the payment |

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| 37. Money and goods or property owned |

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| 38. Money earned on an investment or paid on money that is borrowed |

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| 39. A document that shows items to be bought and to what address they should be shipped |

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| 40. Financial cost, fee, or charge |

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| 41. Debt owed to others |

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| 42. Money used for paying small expenses |

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| 43. A document that shows charges for goods or services provided to a customer |

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| 44. Permission to pay later for goods or services |

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| 45. Income, money or other gain received |

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| 46. Reduction in an amount paid or owed |

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| 47. A document that shows expected income and expenses for a period of time |

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| 48. A document that shows the financial condition of a company as of a specific date |

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| 49. A document that shows a reduction in the amount owed, such as for returned goods |