

1.

The fraud triangle shows that three factors that push a person to commit fraud are opportunity, pressure, and rationalization.

- True
 False

2.

The income statement reports revenues and expenses and computes net income or loss over a period of time.

- True
 False

3.

Financial accounting focuses on the needs of external users, who get accounting information from general-purpose financial statements.

- True
 False

4.

The accounting principle that requires accounting information to be based on actual cost and requires assets and services to be recorded initially at the cash or cash-equivalent amount given in exchange, is the:

- Accounting equation.
→ Measurement (Cost) principle.
 Going-concern assumption.
 Cost-benefit constraint.
 Business entity assumption.

5.

Which of the following factors is *not* a component of the fraud triangle?

- Opportunity
- Pressure
- Rationalization
- All of the above are components of the fraud triangle.

6.

Charlie's Chocolates' has accounts receivable of \$84,000 and accounts payable of \$37,000. The company has revenues of \$117,000 and expenses of \$81,000. Calculate its net income.

- \$47,000.
- \$117,000.
- \$81,000.
- \$36,000.
- \$83,000.

Net Income = Revenues – Expenses

Net Income = \$117,000 – \$81,000; Net Income = \$36,000

7.

Cruz Company had revenues of \$80,175 and expenses of \$50,000 for the year. Its assets at the beginning of the year were \$400,000. At the end of the year, assets were worth \$450,000. Calculate its return on assets.

- 7.1%
 7.5%
 6.7%
 20.0%
 18.8%

Return on Assets = Net Income/Average Total Assets

Return on Assets = (Revenues – Expenses)/Average Total Assets

Return on Assets = (\$80,175 – \$50,000)/[(\$400,000 + \$450,000)/2]

Return on Assets = \$30,175/\$425,000 = 7.1%

8.

Determine the net income of a company for which the following information is available for the month of September.

| | |
|-------------------|------------|
| Service revenue | \$ 300,000 |
| Rent expense | 48,000 |
| Utilities expense | 3,200 |
| Salaries expense | 81,000 |

- \$263,800.
- \$432,200.
- \$171,000.
- \$167,800.
- \$252,000.

Revenues – Expenses = Net Income

Service Revenue – Rent Expense – Utilities Expense – Salaries Expense

$\$300,000 - \$48,000 - \$3,200 - \$81,000 = \$167,800$

9.

Cruz Company had revenues of \$98,000 and expenses of \$59,000 for the year. Its assets at the beginning of the year were \$409,000. At the end of the year, assets were worth \$459,000. Calculate its return on assets.

- 9.0%.
- 9.5%.
- 8.5%.
- 24.0%.
- 22.6%.

Return on Assets = Net Income/Average Total Assets

Return on Assets = (Revenues – Expenses)/Average Total Assets

Return on Assets = (\$98,000 – \$59,000)/[(\$409,000 + \$459,000)/2]

Return on Assets = \$39,000/\$434,000 = 0.0899 = 9.0%

10.

Which of the following is liability account?

- Accounts Payable.
- Accounts Receivable.
- Cash.
- Supplies.
- Prepaid Insurance.