CHAPTER 1 TEST BANK

TRUE-FALSE STATEMENTS

1. Hospitality managers are the only people who need financial accounting information.

2. Accounting communicates financial information about a business enterprise to both internal and external users.

3. Accountants rely on a fundamental business concept—ethical behavior—in reporting financial information.

4. The Securities and Exchange Commission has the power to enforce the form and content of financial statements of all businesses.

5. The cost principle states that assets should be recorded at their fair market value.

6. Revenues are the stockholders' investment in the business.

7. The basic accounting equation states that Assets + Stockholders' Equity = Liabilities.

8. Internal transactions do not affect the basic accounting equation because they are economic events that occur entirely within one company.

9. In the accounting cycle information flows from the accounting department to the front and back of the house.

10. The Uniform System of Financial Reporting for Spas was developed in 1942.

MULTIPLE CHOICE QUESTIONS

11. Communication of economic events is the part of the accounting process that involves
    a. identifying economic events.
    b. preparing and distributing accounting reports.
    c. quantifying transactions into dollars and cents.
    d. recording and classifying information.

12. In order, the accounting process consists of
    a. recording, identifying, and communicating accounting information.
    b. identifying, communicating, and recording accounting information.
    c. communicating, identifying, and recording accounting information.
    d. identifying, recording and communicating accounting information.

13. Which of the following would *not* be considered an internal user of accounting data for the Harris Country Club?

a. Human resources manager
b. Golf shop manager
c. Executive chef
d. Internal revenue service agent

14. Which of the following would *not* be considered an external user of accounting data for the Harris Country Club?
a. President of the employees' labor union
b. Chief financial officer
c. Lenders
d. Club members

15. Bookkeeping differs from accounting in that bookkeeping primarily involves which part of the accounting process?
a. Identification
b. Communication
c. Recording
d. Analysis

16. Ethics are the standards of conduct by which actions are judged as
a. right or wrong.
b. honest or dishonest.
c. fair or unfair.
d. all of these.

17. Generally accepted accounting principles are
a. guidelines that indicate how to report economic events.
b. income tax regulations of the Internal Revenue Service.
c. theories that are based on physical laws of the universe.
d. principles that have been proven correct by academic researchers.

18. The cost principle requires that when assets are acquired, they be recorded at
a. appraisal value.
b. exchange price paid.
c. selling price.
d. list price.

19. The SEC and FASB are two organizations that are primarily responsible for establishing generally accepted accounting principles. It is true that
a. they are both governmental agencies.
b. the SEC is a private organization of accountants.
c. the SEC often mandates guidelines when no accounting principles exist.
d. the SEC and FASB rarely cooperate in developing accounting standards.

20. GAAP stands for
a. Generally Accepted Auditing Procedures.
b. Generally Accepted Accounting Principles.

c. Generally Accepted Auditing Principles.
d. Generally Accepted Accounting Procedures.

21. The economic entity assumption requires that the activities of
a. different entities be combined if all the entities are corporations.
b. all entities be reported to the Securities and Exchange Commission.
c. a sole proprietorship be combined with the personal economic events of its owners.
d. an entity be kept separate from its owners' activities.

22. Which of the following type of business provides ownership in transferable shares of stock?
a. Partnership
b. Corporation
c. Sole Proprietorship
d. Limited Liability Partnership

23. A basic assumption that requires that the activities of an entity be kept separate from its owners' activities is referred to as the
a. stand alone concept.
b. monetary unit assumption.
c. corporate form of ownership.
d. economic entity assumption.

24. A basic assumption of accounting assumes that the dollar is
a. unrelated to business transactions.
b. a poor measure of economic activities.
c. the common unit of measure for all business transactions.
d. useless in measuring an economic event.

25. The common characteristic possessed by all assets is
a. long life.
b. future economic benefit.
c. tangible nature.
d. monetary value.

26. Stockholders' equity is best depicted by the following:
a. Assets = Liabilities.
b. Liabilities + Assets.
c. Residual equity + Assets.
d. Assets – Liabilities.

27. The basic accounting equation may be expressed as
a. Assets = Equities.
b. Assets – Liabilities = Stockholders' Equity.
c. Assets = Liabilities + Stockholders' Equity.
d. all of these.

28. Liabilities
    a. are future economic benefits.
    b. are existing debts and obligations.
    c. possess service potential.
    d. are things of value used by the business in its operation.

29. Stockholders' equity is often referred to as
    a. excess net income.
    b. leftovers.
    c. residual equity.
    d. second equity.

30. When cash or other assets are distributed to stockholders, these distributions are termed
    a. depletions.
    b. consumptions.
    c. dividends.
    d. a credit line.

31. Sources of increases to stockholders' equity are
    a. additional investments by stockholders.
    b. purchases of merchandise.
    c. dividends.
    d. expenses.

32. Which one of the following presents the correct order for the accounting cycle?
    a. Analyze transactions, post, adjusted trial balance, closing entries, post closing trial balance, financial statements
    b. Post closing trial balance, closing entries, financial statements, adjusted trial balance adjustments, analyze transactions, journalize, post, trial balance
    c. Analyze transactions, journalize, post, trial balance, adjustments, adjusted trial balance, financial statements, closing entries, post closing trial balance
    d. Adjustments, trial balance, posting, journalize, analyze transactions

33. Which one of the following accounting systems is not currently in use in the hospitality industry?
    a. The Uniform System of Accounts for Restaurants
    b. The Uniform Financial System for Gaming
    c. The Uniform System of Financial Reporting for Clubs
    d. The Uniform System of Accounts for the Lodging Industry

34. The Uniform System of Accounts for Restaurants was developed to assist
    a. managers with analyzing labor cost.
    b. operators to interpret financial results.
    c. owners in analyzing the success of their investment.
    d. guests in determining whether they would want to dine at the establishment.

35. Which one of the following is not typically found on the executive committee at a hotel?
    a. General manager
    b. Controller
    c. Concierge
    d. Marketing Director

36. The size of a hotel's accounting department depends on the
    a. number of guests.
    b. size of the hotel.
    c. number of employees.
    d. number of reservations.

37. Which one of the following is not a responsibility of a controller in the foodservice industry?
    a. maintaining guest and city ledgers
    b. accounting management
    c. financial management
    d. yield analysis

38. Food cost analysis is important in a foodservice establishment because
    a. food is expensive.
    b. prices often fluctuate.
    c. beverage sales account for 15 percent of sales.
    d. food should not be wasted.

39. This type of club membership permits the members to use only the food and beverage outlets.
    a. social membership
    b. full membership
    c. athletic membership
    d. dining membership

40. A type of revenue only found in club operations is
    a. golf fees.
    b. membership dues.
    c. food and beverage.
    d. rooms.

COMPLETION STATEMENTS

41. Information is communicated through the preparation of accounting reports, commonly called ___________________.

42. A common set of standards that provides guidelines to accountants and indicates how to report economic events is called _________________.

43. The ________________ principle states that assets should be recorded at the value exchanged at the time the asset is acquired.

44. Dividends ________________ stockholders' equity but are not expenses.

45. The __________committee is made up of all the department heads of a hotel. This group comes together for meetings to make decisions and ensure all information is relayed correctly.

MATCHING

46. Match the definition with the appropriate term below by entering the code letter in the space provided.

A. Bookkeeping
B. Controller
C. Corporation
D. Dividend
E. Ethics
F. Expenses
G. Liabilities
H. Net Income
I. Net Loss
J. Partnership
K. Revenues
L. SEC

_____ 1. The cost of assets consumed in the process of earning revenue.

_____ 2. A distribution by a corporation to its stockholders.

_____ 3. A governmental agency that requires companies to file financial reports in accordance with GAAP.

_____ 4. The amount by which revenues exceed expenses.

_____ 5. The department head of the accounting department.

_____ 6. A business organized as a separate legal entity under state corporations law having ownership divided into transferable shares of stock.

_____ 7. Claims on total assets.
_____ 8. The gross increase in stockholders' equity.
_____ 9. The amount by which expenses exceed revenues.
_____ 10. A part of accounting that involves only the recording of economic events.
_____ 11. The standards of conduct by which one's actions are judged as right or wrong.
_____ 12. An association of two or more persons to carry on as co-owners of a business.

Answers to True-False Statements

Item	Ans.	Item	Ans.
1.	F	6.	F
2.	T	7.	F
3.	T	8.	F
4.	F	9.	F
5.	F	10.	F

Answers to Multiple Choice Questions

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
11.	B	19.	C	27.	D	35.	C
12.	D	20.	B	28.	B	36.	B
13.	D	21.	D	29.	C	37.	D
14.	B	22.	B	30.	C	38.	B
15.	C	23.	D	31.	A	39.	A
16.	D	24.	C	32.	C	40.	B
17.	A	25.	B	33.	B		
18.	B	26.	D	34.	B		

Answers to Completion Statements

41. financial statements
42. generally accepted accounting principles
43. cost
44. reduce
45. executive

Answers to Matching

1. F
2. D

3. L
4. H
5. B
6. C
7. G
8. K
9. I
10. A
11. E
12. J