

**FILL IN THE BLANK** (note: some terms will not be used)

accounting  
accounting cycle  
accounting transaction  
accounts  
accrual accounting  
annual report  
benchmark company  
chief executive officer

chief financial officer  
chief operating officer  
debt financing  
due care  
equities  
equity financing  
financial leverage  
financial ratios

fundamental accounting equation  
information integrity  
information system  
operating income  
ratio analysis  
retained earnings  
solvency

1. \_\_\_\_\_ is the ability of an organization to meet its financial obligations as they become due.
  2. \_\_\_\_\_ is a statement of financial performance issued at the end of a fiscal year.
  3. \_\_\_\_\_ is a way to study relationships in a company's financial resources in order to understand and improve financial performance.
  4. Commitment to completing all tasks thoroughly and with the highest level of quality is called \_\_\_\_\_.
  5. \_\_\_\_\_ offers an ownership interest to investors.
  6. \_\_\_\_\_ are the steps completed to ensure the accuracy of accounting records.
  7. \_\_\_\_\_ is a set of processes, people, and equipment for converting data into information.
  8. Profits earned by a company that are not paid to shareholders as dividends are called \_\_\_\_\_.
  9. Financial records for assets, liabilities, and categories of owner's equity are called \_\_\_\_\_.
  10. Using debt financing to increase the rate of return on assets is called \_\_\_\_\_.
  11. The \_\_\_\_\_ is responsible for carrying out the strategy and policy of the board of directors.
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### **THINK CRITICALLY**

12. Why does a company need both accounting and finance personnel? What types of problems might occur if accounting and finance personnel do not cooperate and work effectively together?

13. Many types of activities occur in a business that result in the need for an accounting transaction. Make a list of at least ten activities that would occur in a large retail store that would result in an accounting entry. Classify each as revenue moving in, revenue moving out, or another type of activity that results in a change in an account.
14. Assume that students in your school are expected to exercise due care in performing their duties just as accountants are. Provide several examples of how that might affect the daily activities of students.
15. What does it mean that the board of directors represents the shareholders of a corporation? Do you believe that a focus on shareholders and profit may lead to the types of ethical problems that have been seen in some large corporations recently? Why or why not?
16. What is the difference between liquidity and profitability? How can a company that is liquid have problems with profitability? How can a profitable company have liquidity problems?



#### EXCEL PROBLEMS

Use Excel to solve the problems below and email the spreadsheet as an attachment.  
**MAKE SURE TO USE FORMULAS IN YOUR WORK!**  
 (don't just type the answers)

17. Complete the following accounting equations by calculating the missing values.

Assets	Liabilities	Owner's Equity
\$1,046,326	\$583,221	
	862,210	\$923,010
\$542,119		\$210,990

18. Calculate each financial ratio using the information provided.
- current ratio: current assets \$865,921, current liabilities \$441,020
  - quick ratio: current assets \$428,200, current liabilities \$301,905, inventory \$25,025
  - accounts receivable turnover: total sales \$986,550, accounts receivable \$96,010