

Student Name :

Student No. :

(Exam.time : 90 minutes)

A . Read the following text and then answer the questions : (3 points)

To be successful , a business must make decisions that enable it to operate profitably and to stay solvent . A company that has sufficient cash to pay its debts promptly is said to be solvent . In contrast , a company that finds itself unable to meet its obligations as they fall due is called insolvent .

How do business executives know whether a company is solvent or insolvent ? The answer to this question in one word is accounting . Accounting is the process by which the profitability and solvency of a company can be measured .

Management needs assurance that the accounting information it receives is accurate and reliable . This assurance comes from the company 's system of internal control . A system of internal control consists of all the measures taken by an organization for the purpose of (1) Protecting its resources against waste , fraud and inefficiency ; (2) Ensuring accuracy and reliability in accounting and operating data; (3) Securing compliance with company policies , and (4) Evaluating the level of performance in all divisions of the company .

A- Choose A , B , C , or D which best completes each item :

1- A company that is not able to pay its debts on their maturity dates is called

- A) bankrupt B) insolvent C) penniless D) solvent

2- The profitability of a company can be measured by Process

- A) accounting B) controlling C) recording D) protecting

3- The assurance that the accounting information received is reliable and accurate comes from control .

- A) financial B) inventory C) internal D) bugetory

4- A system of internal control does not include

- A) evaluating the level of performance
- B) making sure of compliance with company ' s policies
- C) taking the physical count of the ending inventory
- D) protecting company's resources against inefficiency and waste

B- Put " T " for true and " F " for false statements :

..... 1-The measures to get assurance of the operation business activities in accordance with predetermined policy are included in internal control system.

..... 2-The measurement of the profitability of a company is not made possible through the application of an accounting system.

B. Fill in the blanks with the appropriate form of the words given :(2 points)

Audit

- 1- The accounts were during the previous week.
- 2- The found some errors in financial records.

Profit

- 1- He is doubtful about the of that investment .
- 2- The accountant received advices from his manager .

C. Choose A, B, C, or D which best completes each item. (3 points)

1- A title which authorizes the holder to practice as an independent public accountant is called

- A) CPA
- B) MIS
- C) APB
- D) FASB

2- The accounting system used for not-for-profit institutions like hospitals and universities is included in accounting .

- A) public
- B) private
- C) governmental
- D) financial

3- Preparing the records and the financial statements of any business , the accountant assumes that the firm will continue in existence for the foreseeable future because of

A) conservation

B) the going-concern assumption

C) the accounting entity concept

D) the matching principle

4-The fact that the financial statements generated by a business entity's books must be supported by evidence refers to

A) cost principle

B) consistency principle

C) objectivity principle

D) materiality

D.Fill in the blanks with the following words : (Note : one word is extra).(4 points)

(enterprise- soundness-granting- institutions- suppliers- status- taxation- economic- risks)

Accounting provides the conceptual framework for gathering data and the language for communicating these data to different individuals and Investors in a business need information about its financial and its future prospects . Bankers and appraise the financial of a business organization and assess the involved before making loans or credit .

E. Translate the following paragraph into Persian: (8 points)

I) The principle of consistency implies that a particular accounting method , once adopted , will not be changed period to period . This assumption is important because it assists users of the financial statements in interpreting changes in financial position and changes in net income . Consider the confusion which would result if a company ignored the principle of consistency and changed its method of depreciation every year .

II) The underlying purpose of accounting is to provide financial information for decision making about an economic entity . The economic entity we concentrate upon is a business enterprise . Business executives and managers need the financial information provided by an accounting system to help them plan and control the activities of the business .

III) Liabilities are obligations of the entity that require future payment or the rendering of services. Examples are accounts payable , taxes payable , accrued expenses , unearned revenue , bonds payable , mortgages payable , and leases payable. Liabilities may be of a current or noncurrent nature.

*GOOD LUCK
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