

Practice Quiz Ch 6

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. The Rockside Restaurant is seeking a loan from a local bank. The bank is interested in the restaurant's ability to pay its current liabilities. Which of the following financial statements should the manager of the restaurant be prepared to discuss with the bank officials?
- a. balance sheet
 - b. statement of cash flows
 - c. aging of the account receivable report
 - d. income statement
- _____ 2. Which of the following items is shown on the balance sheet of a hospitality company?
- a. human resource assets
 - b. loyal customer base
 - c. value of the property's location
 - d. purchased goodwill
- _____ 3. All of the following are generally considered current liabilities EXCEPT:
- a. payroll taxes payable
 - b. long-term debt
 - c. accrued expenses
 - d. accounts payable
- _____ 4. Which generally accepted accounting principle requires that a footnote section be a part of the financial statement presentation?
- a. full disclosure principle
 - b. materiality principle
 - c. consistency principle
 - d. business entity principle
- _____ 5. Which of the following is a major section of a balance sheet?
- a. expenses
 - b. revenue
 - c. assets
 - d. sales
- _____ 6. Net working capital is best defined as:
- a. total assets divided by total liabilities
 - b. current assets divided by current liabilities
 - c. the difference between total assets and total liabilities
 - d. the difference between current assets and current liabilities
- _____ 7. Which of the following would be listed under the liabilities section of a balance sheet?
- a. accounts receivable
 - b. notes payable
 - c. furnishings and equipment
 - d. accumulated depreciation
- _____ 8. China, glassware, silver, and linen belong in which category of assets?
- a. prepaid expenses
 - b. other assets
 - c. property and equipment
 - d. investments
- _____ 9. Which generally accepted accounting principle requires that a footnote section be a part of the financial statement presentation?
- a. full disclosure principle
 - b. materiality principle
 - c. consistency principle
 - d. business entity principle
- _____ 10. The current bank loan agreement between the ABCD Hotel and the local Bank stipulates a current ratio of 2 to 1. Which of the following financial statements would the bank review on a periodic basis to ensure that the hotel was in compliance with terms of the loan?
- a. statement of cash flows
 - b. aging of accounts receivable report
 - c. income statement
 - d. balance sheet

- ____ 11. All of the following would be listed under the liabilities section of a balance sheet EXCEPT:
- a. notes payable
 - b. accounts receivable
 - c. accounts payable
 - d. mortgage payable
- ____ 12. Under which of the following categories is prepaid expenses reported on the balance sheet?
- a. current liabilities
 - b. current assets
 - c. investments
 - d. noncurrent receivables
- ____ 13. Which of the following is generally considered a current liability?
- a. long-term debt
 - b. accounts payable
 - c. mortgage payable
 - d. none of the above
- ____ 14. In which of the following areas of a comprehensive financial report would the Summary of Significant Accounting Policies be most likely to appear?
- a. the assets section
 - b. the consolidated financial statements section
 - c. the footnotes
 - d. the liabilities section
- ____ 15. Which of the following is a purpose of footnotes to financial statements?
- a. to provide additional explanations necessary for understanding the company's financial position
 - b. to acknowledge the cooperation of executive officers in the preparation of the statements
 - c. to counter any negative impression that balance sheet figures may suggest
 - d. all of the above
- ____ 16. Which of the following financial reports most completely reflects the financial position of a business at a given point in time?
- a. balance sheet
 - b. statement of cash flows
 - c. income statement
 - d. statement of retained earnings
- ____ 17. Which of the following financial statements would show how quickly a hospitality operation could convert assets into cash?
- a. income statement
 - b. balance sheet
 - c. statement of cash flows
 - d. aging of account payable report
- ____ 18. All of the following are considered current assets *except*:
- a. checking and savings accounts
 - b. bank accounts with restricted use
 - c. certificates of deposit
 - d. house banks
- ____ 19. Among current assets, the category cash includes all of the following *except*:
- a. checking and savings accounts
 - b. bank accounts with restricted use
 - c. certificates of deposit
 - d. house banks
- ____ 20. All of the following items are shown on the balance sheet of a hospitality company *except*:
- a. account payable
 - b. accounts receivable
 - c. purchased goodwill
 - d. customer loyalty value
- ____ 21. Which of the following would be included in the investments category on the balance sheet?
- a. all marketable securities
 - b. property not currently used in operations
 - c. notes receivable due within twelve months
 - d. leasehold improvements
- ____ 22. The class of assets on the balance sheet that includes land, building, and furnishings that are in use is:
- a. fixed assets
 - c. investments

- b. property and equipment
- d. liabilities

- _____ 23. Which of the following financial statements would bankers review most carefully before issuing loans to hospitality companies?
- a. statement of retained earnings
 - b. statement of cash flows
 - c. aging of accounts receivable report
 - d. balance sheet
- _____ 24. Security deposits would be included under which category on the balance sheet?
- a. other assets
 - b. property and equipment
 - c. noncurrent receivables
 - d. prepaid expenses
- _____ 25. Which of the following expresses a limitation of the balance sheet?
- a. The balance sheet reflects only the business's human resource investment and not its return on that investment.
 - b. The accuracy of the balance sheet varies with the profitability of the business.
 - c. A balance sheet's valuation of purchased goodwill is subject to the accountant's personal bias.
 - d. The balance sheet does not reflect the current values of some assets.

