

## Accounting Quiz for Prospective Business Owners

While entrepreneurs are generally eager to take on the small-business challenges of marketing, sales and customer service, many would prefer to avoid accounting tasks. According to the Illinois CPA Society, every small-business owner should develop a basic understanding of accounting. Answer “true” or “false” to the following statements to see how you measure up:

### True or False?

1. The purpose of accounting is just to determine whether a business is profitable or unprofitable. \_\_\_\_\_
2. A balance sheet shows a business' financial condition at a specific moment in time, usually at the close of an accounting period. \_\_\_\_\_
3. Owners' equity, also called capital, is any debt owed to the business owners. \_\_\_\_\_
4. Accounts receivable, patents, and machinery are all considered assets. \_\_\_\_\_
5. An “income statement” is another name for a “profit and loss statement.” \_\_\_\_\_
6. Retained earnings are what the business owner keeps. \_\_\_\_\_
7. The financial statement that summarizes information concerning the cash inflows and outflows during a period is the profit and loss statement. \_\_\_\_\_
8. GAAP stands for “Generally American Accounting Principles.” \_\_\_\_\_
9. Assets less liabilities equal owner's equity. \_\_\_\_\_
10. You don't need to understand accounting if you have a CPA.  
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