

Lesson 1 — What Is Accounting?

Name: _____ Date: _____ Score: ____/20

Part A — Key Definitions (5 points)

Match each term with its correct definition.

| Term | Your Definition |
|-----------------------|-----------------|
| Accounting | |
| Bookkeeping | |
| Financial Statement | |
| GAAP | |
| Managerial Accounting | |

Part B — True or False (5 points)

| Statement | T / F |
|--------------------------------------------------------------------------------------------|-------|
| Bookkeeping and accounting mean exactly the same thing. | |
| Financial accounting reports are primarily used by internal managers. | |
| GAAP stands for Generally Accepted Accounting Principles. | |
| Profit = Revenue + Expenses. | |
| The main goal of accounting is to provide useful financial information to decision-makers. | |

Part C — Short Answer (10 points)

1. List THREE external users of financial statements and explain what information each user needs.

2. A friend says: 'My business made \$80,000 in sales this year, so I made \$80,000 profit.' What is wrong with this statement?

3. Explain the difference between cash-basis and accrual-basis accounting with one example each.
