A basic understanding of accounting would assist in the interpretation and analysis of financial statements released by a company like Google and would therefore make the financial position of the company more clear and a decision to purchase (or not purchase) its stock more straightforward.

Google’s mission is to organize the world’s information and make it universally accessible and useful.

“Googol” is the mathematical term for a 1 followed by 100 zeros. Google’s play on the term reflects the company’s mission to organize the immense amount of information available on the web.

Google’s interface can be customized into more than 100 languages.

Google’s culture is unlike any in corporate America—lava lamps and large rubber balls dot company headquarters and the company’s chef used to cook for the Grateful Dead. Google Inc. puts employees first when it comes to daily life in all of their offices.

Managers use financial information to make decisions about adding new products and services, offering current products and services, and choosing vendors.

These questions are designed to check students’ understanding of new terms, concepts, and procedures presented in the chapter.

1. The purpose of the Public Company Accounting Oversight Board is to oversee the accounting profession through its investigative and enforcement powers and to discipline corrupt accountants and auditors.
2. The Public Company Accounting Reform and Investor Protection Act of 2002 was passed in response to the wave of corporate accounting scandals starting with the demise of Enron Corporation in 2001, the arrest of top executives at WorldCom and Adelphia Communications Corporations, and ultimately, the demise of Arthur Andersen, an international public accounting firm.
3. Establish accounting policies, direct the accounting system, prepare and interpret financial statements, provide financial advice, prepare tax forms.
4. Advice on how to structure financial affairs in order to reduce taxes without violating tax laws.
5. Auditing, tax, and management advisory services.
6. Public, managerial, and governmental.
7. SEC, AICPA, AAA.
9. Measure business performance; separate entity.
10. Sole proprietorship (owned by one person). Partnership (owned by two or more people). Corporation (can be owned by one person or many).
11. Regulation of financial reporting by publicly owned corporations.
CRITICAL THINKING PROBLEM 1.1

Student answers will vary. The student’s reasons for choosing one form of ownership over another are more important than the specific choice made.

Sole proprietorship:
Advantage—Ned would be his own boss and could direct the business as he wants.
Disadvantages—Ned would be responsible for the debts and taxes of the business and may be limited in the amount of capital he could borrow to finance the business.

Partnership:
Advantage—Ned would have one or more partners to assist with business operations and to contribute capital.
Disadvantages—Ned would have to share control of the business, as well as its profits. Ned could be liable for the debts of the partnership.

Corporation:
Advantages—The business would be a separate entity. Capital would be easier to raise and liability would be limited to the assets of the business.
Disadvantages—A corporation is a more complicated form of ownership and is usually more expensive to form. There is also more government regulation and, consequently, more paperwork with a corporation.

Business Connections

Managerial Focus:
1. Financial information is used to evaluate performance and make decisions about a business or a nonprofit organization.
2. The manager makes financial decisions based upon the financial information provided by the accountant.
3. Every business needs an efficient accounting system which accumulates financial data, classifies and summarizes the information. Without an accounting system, suppliers, lenders, investors, and governmental tax authorities would not be able to accurately make decisions based on the financial information of the company.
4. Analyze financial statements and review accounting procedures for internal controls.
5. Keep your employees, creditors, and investors happy. Yes, financial information is a tool for making business decisions.
6. Inaccurate accounting records and poor business decisions.
7. For comparable reporting practices.
8. Yes. The firm’s financial records need to be separate from the owner’s personal financial records in order to evaluate and measure the performance of the business.
Ethical Dilemma:
Yes. Ethics and accounting are intertwined.

Streetwise:
1. Shareholders, Associates, Customers, Suppliers and Communities. Information as to why sales have fallen for 2006 and how to increase sales in 2007. This information provides an overall picture as to the financial stability of the company.
2. One successful strategy was the acquisition of Hughes Supply which makes The Home Depot the second largest commercial distribution business in the United States. The second successful strategy was the acquisition of The Home Way in China which has the fastest growing home improvement markets in the world.

Financial Statement Analysis:
Analyze:
1. Economic entity because it is a business for profit.
2. Clothing, accessories, outerwear and footwear.
3. Investors, suppliers, and banks. To assist the users when making financial decisions.

Analyze Online:
1. 15 to 25 year-olds.
2. American Eagle launched its new intimates sub-brand, aerie by American Eagle. The aerie collection of dormwear and intimates includes bras, undies, camis, hoodies, robes, boxers and sweats for the AE girl.
3. Company overview, management, corporate governance, corporate social responsibility, stock quote/chart, fundamentals, presentations, press releases, audio archives, analyst coverage, annual reports, calendar of events & SEC filings.

Extending the Thought:
A CPA must not be an employee of the company they are auditing nor employed by the IRS. They must have no vested interest in the outcome of the audit. The CPA should not be a stockholder or accept any gifts from the company they are auditing.

Business Communication:
Answers will vary. Students’ memos might include the responsibility of recording business transactions.
Team Work:
Balance Sheet, Income Statement and Cash Flow Statement should be required. Banks might also require a list of your customers and vendors. There is no requirement to indicate to the bank problems you are having with certain customers and vendors.

Internet Connection:
As of March 2008, 161 statements have been issued. In groups of 25.

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Chapter 1 Practice Test Answer Key

<table>
<thead>
<tr>
<th>Part A True-False</th>
<th>Part B Completion</th>
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<tbody>
<tr>
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<td>1. SEC</td>
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<tr>
<td>2. F</td>
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<tr>
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