

merchandise is purchased on the promise of future payment, a liability would be created, and the journal entry would record an increase in the merchandise account (a debit) and an increase in the liability account (a credit). Recognition of wages earned by employees entails recording an increase in the wage-expense account (a debit) and an increase in the liability account (a credit). The subsequent payment of the wages would be a decrease in the cash account (a credit) and a decrease in the liability account (a debit).

- 21- The passage mainly discusses -----.
- 1) the two aspect of transactions
 - 2) the structure of organizations
 - 3) the journals used to record transactions
 - 4) the early days of the double-entry bookkeeping system
- 22- The purpose of the example in the passage is to explain -----.
- 1) the reasons for on increase in debits
 - 2) the factors affecting the nature of transactions
 - 3) two key differences between a debit and a credit
 - 4) the relationship of accounts with debits and credits
- 23- The word "entails" in line 12 is closest in meaning to -----.
- 1) involves
 - 2) trains
 - 3) works
 - 4) writes
- 24- In contrast to a credit, a debit -----.
- 1) is positively related with the cash account
 - 2) increases when merchandise is bought for cash
 - 3) shapes the nature of financial structures
 - 4) is based on the promise of future payment
- 25- According to the passage, it is NOT true that -----.
- 1) future payment leads to liability
 - 2) credits and debits are recorded on the same side
 - 3) a debit increases whenever a credit increases
 - 4) an account may cause an increase or a decrease in debits

PASSAGE 3:

Of the various specialized areas of accounting that exist, the three most important are auditing, income taxation, and nonbusiness organizations. Auditing is the examination, by an independent accountant, of the financial data, accounting records, business documents, and other pertinent documents of an organization in order to attest to the accuracy of its financial statements. Businesses and not-for-profit organizations in some countries engage certified public accountants (CPAs) to perform audit examinations. Large private and public enterprises sometimes also maintain an internal audit staff to conduct auditable examinations. The second specialized area of accounting is income taxation. Preparing an income-tax form entails collecting information and presenting data in coherent manner; therefore, both individuals and businesses frequently hire accountants to determine their taxes. Tax rules, however, are not identical with accounting theory and practices. Tax regulations are based on laws that are enacted by legislative bodies, interpreted by the courts, and enforced by designated administrative bodies. A third area of specialization is accounting for nonbusiness organizations, such as universities, trade and professional associations, and government agencies. These organizations differ from business enterprises in that they receive resources on some nonreciprocating basis (that is, without paying for such resources), they do not have a profit orientation, and they have no defined ownership interests as such. As a result, they call for differences in record keeping, in accounting measurements, and in the format of their financial statements.

- 26- The first specialized area of accounting -----.
- 1) begins with auditing non-business organizations
 - 2) is based on the examination of documents
 - 3) mainly concerns large enterprises
 - 4) is the most important one