FINAL EXAM

Course # 171004
Accounting for Management

based on the electronic .pdf file(s):

Accounting for Management
by: Dr. Jae K. Shim, Ph.D., 2014, 166 pages

12 CPE Credit Hours
Accounting & Auditing

This exam sheet is made available for your convenience in answering questions while offline. Please note that you will still need to enter your answers on the online exam sheet for grading. Instructions are provided at the end of this document.

Chapter 1 - Introduction to Accounting

1. The group that focuses on the trend in net earnings and makes capital structure decisions is:

   ______ The Securities and Exchange Commission.

   ______ The Internal Revenue Service.

   ______ Creditors.

   ______ Management.

2. The area of accounting that is concerned with providing information for external users is referred to as:

   ______ Financial accounting.

   ______ Governmental accounting.

   ______ Management accounting.

   ______ Nonprofit accounting.

3. Which of the following is NOT one of the three primary financial statements?

   ______ Statement of cash flows.

   ______ Income statement.

   ______ Retained earnings statement.

   ______ Balance sheet

4. A governmental body created by the Sarbanes-Oxley Act is the:

   ______ Financial accounting standards board (FASB).

   ______ Securities and exchange commission (SEC).

   ______ Public Company Accounting Oversight Board (PCAOB).

   ______ American accounting association (AAA).

5. The global focus in financial reporting does NOT include:

   ______ Non-financial data.

   ______ External drivers favored.

   ______ Narrative information

   ______ Less emphasis on accounting conventions.

6. The basic accounting equation is:

   ______ Assets = liabilities + owners' equity.

   ______ Assets + liabilities = owners' equity.

   ______ Assets + owners' equity = liabilities.

   ______ Liabilities - owners' equity = assets.

7. The three major types of business entities are:

- [ ] Profit, nonprofit, and corporate organizations.
- [ ] Corporations, associations, and nonprofit organizations.
- [ ] Corporations, partnerships, and proprietorships.
- [ ] Institutions, partnerships, and corporations.

Chapter 2 - Understanding the Financial Statements

8. Which of the following is true of the balance sheet?

- [ ] It includes revenue and expense accounts.
- [ ] It identifies a company's assets and liabilities as of a specific date
- [ ] It shows the results of operations for an accounting period.
- [ ] It discloses the amount of dividends paid.

9. Which of the following is the correct way to date an income statement?

- [ ] For the year ended December 31, 20x7.
- [ ] At December 31, 20x7.
- [ ] As of December 31, 20x7
- [ ] During the period 20x6 -20x7.

10. Which of the following financial statements shows an entity's operating performance?

- [ ] The statement of financial position.
- [ ] The statement of cash flows.
- [ ] The statement of earnings.
- [ ] The statement of changes in owners' equity.

Chapter 3 - Recording Financial Information and Accounting Convention

11. The idea that an increase or decrease on one side of the accounting equation must be offset exactly by an increase or decrease on the other side of the accounting equation is:

- [ ] The additive concept.
- [ ] The going concern assumption.
- [ ] The monetary measurement concept.
- [ ] Double-entry accounting.

12. Which of the following statement is false regarding the basic accounting equation?

- [ ] Assets + liabilities + owners' equity.
- [ ] The basis for double entry accounting
- [ ] Each transaction has a duel effect.

⎿_____ A transaction affects either both sides of the equation by the same amount or one side of the equation only.

13. The basic accounting equation:

- _____ Is out of balance after each journal entry.
- _____ Should always balance.
- _____ Is balanced only at the end of the period with closing entries.
- _____ Is balanced only at the end of the period with adjusting entries.

14. Which of the following would usually NOT happen in a single transaction?

- _____ Increase assets, decrease liabilities.
- _____ Increase assets, increase liabilities.
- _____ Increase liabilities, decrease owners' equity.
- _____ Decrease assets, decrease owners' equity.

15. The declining-balance method of depreciation produces a(n):

- _____ Decreasing depreciation expense each period.
- _____ Increasing depreciation expense each period.
- _____ Declining percentage rate each period.
- _____ Constant amount of depreciation expense each period.

16. A truck was purchased for $15,000 and it was estimated to have a $3,000 salvage value at the end of its useful life. Annual depreciation expense of $2,400 was recorded using the straight-line method. The annual depreciation rate is:

- _____ 25%.
- _____ 2%.
- _____ 20%.
- _____ 16%.

Chapter 4 - Analysis of the Financial Statements

17. In assessing the financial prospects for a firm, financial analysts use various techniques. An example of vertical, common-size analysis is

- _____ Advertising expense for the current year is 2% of sales.
- _____ An assessment of the relative stability of a firm’s level of vertical integration.
- _____ A comparison in financial ratio form between two or more firms in the same industry.
- _____ Advertising expense is 2% greater compared with the previous year.

18. _____________________ indicates in which direction a company is headed.

- _____ Vertical common-size analysis.
- _____ Horizontal common-size analysis.
- _____ Trend analysis.

______ Ratio analysis.

19. A measure of long-term debt-paying ability is a company’s

______ Length of the operating cycle.

______ Times interest earned.

______ Return on assets.

______ Inventory turnover.

20. If a company is profitable and is effectively using leverage, which one of the following ratios is likely to be the largest?

______ Return on total assets.

______ Return on operating assets.

______ Return on common stockholders’ equity.

______ Return on total shareholders’ equity.

21. What ratio is used to measure a firm's solvency?

______ Debt ratio.

______ Current ratio.

______ Asset turnover.

______ Return on equity.

22. What ratio is used to measure a firm's liquidity?

______ Debt ratio.

______ Asset turnover.

______ Current ratio.

______ Return on equity.

23. What ratio is used to measure a firm's efficiency at managing its inventory?

______ Current ratio.

______ Inventory turnover.

______ Return on sales.

______ Return on equity.

24. What ratio is used to measure the profit earned on stockholders’ investment in the company?

______ Current ratio.

______ Asset turnover.

______ Return on net sales.

______ Return on equity.

25. What ratio represents an indication of investors' expectations concerning a firm's growth potential?

______ Earnings per share.

______ Return on equity.

⎿______ Price-earnings ratio.

⎿______ Asset turnover.

Chapter 5 - What is Management Accounting?

26. In JIT production, each operation buys or produces:

⎿______ In very small quantities just in time for use.

⎿______ All that it can to offset fixed costs.

⎿______ A fixed percentage in excess of orders to insure adequate quality stock.

⎿______ All that it can in order to build inventories.

27. Depreciation of the factory building would be classified as:

⎿______ Direct materials.

⎿______ Direct labor.

⎿______ Manufacturing overhead.

⎿______ Selling and administrative.

28. Total quality management (TQM) focuses attention on all of the following EXCEPT the

⎿______ Production process.

⎿______ Customer.

⎿______ Service process.

⎿______ Bottleneck management.

29. Management accounting is important because it helps

⎿______ Investors evaluate the stock of the company.

⎿______ Creditors decide on the credit worthiness of the firm.

⎿______ Managers conduct their managerial functions.

⎿______ Stockholders to assess how well managers performed during the period.

Chapter 6 - Product Costing Methods: Job Order Costing, Process Costing, and Activity-Based Costing

30. The predetermined overhead rate is calculated as

⎿______ Actual overhead costs divided by actual units produced.

⎿______ Actual units produced divided by actual overhead costs.

⎿______ Estimated level of volume or activity divided by estimated overhead costs.

⎿______ Estimated overhead costs divided by estimated level of volume or activity.

31. Activity-based costing (ABC) does NOT include

______ Continuous improvement efforts.

______ Business process reengineering.

______ Flexible budgeting.

______ Cost driver analysis.

32. A basic assumption of activity-based costing (ABC) is that

______ A. All manufacturing costs vary directly with units of production.

______ Products or services require the performance of activities, and activities consume resources.

______ Only costs that respond to unit-level drivers are product costs.

______ Only variable costs are included in activity cost pools.

Chapter 7 - Cost Behavior and Cost-Volume-Profit Analysis

33. Which of the following questions would NOT be answered by cost-volume-profit (CVP) analysis?

______ What sales volume is necessary to earn a desired profit?

______ How would changes in selling price, variable costs, fixed costs, and output affect profits?

______ How can mixed costs separated into a variable and fixed component.

______ How would a change in the mix of products sold affect the break even and target income volume and profit potential?

34. The following information pertains to the Lurkins Company: Sales price per unit = $300; Variable cost per unit = $220; Total fixed costs = $500,000; Net income = $100,000. Unit sales for the company must have been:

______ 7,500.

______ 2,727.

______ 2,000.

______ 1,667.

35. Use the following information: Sales = $360,000; Variable costs = $270,000; Fixed costs = $50,000; Expected sales volume = 10,000 units. The breakeven point in sales dollars is

______ $66,667

______ $56,250

______ $200,000

______ $450,000

36. Baker Company sells its product for $60. In addition, it has a variable cost IS $24 and total fixed costs of $9,000. What is the break-even point in units for Baker Company?

______ 375 units.

______ 3,600 units.

______ 250 units.

______ 2,400 units.

37. Baker Company sells its product for $60. In addition, it has a variable cost ratio of 40 percent and

total fixed costs of $9,000. How many units must be sold in order to obtain a before-tax profit of $12,000?

- ______ 350 units.
- ______ 584 units.
- ______ 875 units.
- ______ 333 units.

38. A company with $280,000 of fixed costs has the following data: For Product A, Sales price per unit = $5 and Variable costs per unit = $3. For Product B, Sales price per unit = $6 and Variable costs per unit = $5. Assume three units of A are sold for each unit of B sold. Sales for product B at the breakeven point will equal

- ______ 160,000 units
- ______ 40,000 units
- ______ 100,000 units
- ______ 120,000 units

Chapter 8 - Budgeting and Standard Cost Systems

39. The last step in the budgeting process is the preparation of the:

- ______ Production budget.
- ______ Cash budget.
- ______ Sales budget.
- ______ Sales forecast.

40. Financial budgeting refers to:

- ______ All budgets of the firm.
- ______ Cash budget and pro forma balance sheet.
- ______ Budgets for sales.
- ______ Budgets for production.

41. Which of the following is NOT considered an operating budget?

- ______ Selling and administrative expenses budget.
- ______ Direct labor budget.
- ______ Cash budget.
- ______ Sales budget.

42. A budget is NOT

- ______ A planning tool.
- ______ A control tool.
- ______ An external financial report.
- ______ A set of pro forma (projected or planned) financial statements..

43. A standard cost is a(an)

- ______ Product cost developed using values set forth in the Manual of Standards for Weights and Measures published by the U.S. Bureau of Standards.
- ______ Product cost, developed by using the average estimated component costs established for the industry within which the company operates.
- ______ Estimated cost to manufacture a single unit of product.
- ______ Estimate of the cost of an equivalent product produced by a company's lowest-cost competitor.

44. Use the following for information: Projected sales for Tony, Inc. for next year and beginning and ending inventory data are as follows: Sales = 20,000 units; Beginning inventory = 1,000 units; Desired ending inventory = 5,000 units. According to the production budget, how many units should be produced?

- ______ 16,000
- ______ 20,000
- ______ 24,000
- ______ 21,000

45. Under a standard cost system, the materials price variances are usually the responsibility of the

- ______ Production manager.
- ______ Purchasing manager.
- ______ Cost accounting manager.
- ______ Sales manager.

46. How is labor rate variance computed?

- ______ The difference between standard and actual rates, times standard hours.
- ______ The difference between standard and actual hours, times actual rate.
- ______ The difference between standard and actual rates, times actual hours.
- ______ The difference between standard and actual hours, times the difference between standard and actual rates.

Chapter 9 - Responsibility Accounting

47. ______________________ is most likely the measure of performance for a profit center.

- ______ Price variance.
- ______ Contribution margin.
- ______ Return on investment.
- ______ Efficiency measure.

48. Return on investment may be calculated by multiplying asset turnover by

- ______ Average collection period.
- ______ Debt ratio.
- ______ Margin.

______ Fixed-charge coverage.

49. Which of the following responsibility centers may be evaluated on the basis of residual income (RI)?

______ Cost center.

______ Profit center.

______ Investment center.

______ Revenue center.

50. If a division generates a positive residual income then the division's

______ Performance was above expectations.

______ Operating income exceeds the division's minimum return.

______ Profitability was greater than that of other divisions in the company.

______ Asset turnover was very high.

51. ABC Co. had the following 20x9 financial statement relationships: Asset turnover = 5; Profit margin = 2%. What was Select's 20x9 percentage return on investment?

______ 0.1%.

______ 0.4%.

______ 2.5%.

______ 10.0%.

Chapter 10 - Relevant Costs and Short-Term Decisions

52. A joint product should be processed beyond split-off if:

______ Additional revenue from further processing exceeds joint costs

______ Additional revenue from further processing exceeds allocated Joint costs

______ Additional revenue from further processing exceeds allocated joint costs and additional costs of further processing

______ Additional revenue from further processing exceeds additional costs of further processing

53. With regard to impact on decision making, accountants classify costs as

______ Relevant, opportunity, and sunk.

______ Variable, fixed, and mixed.

______ Expired, unexpired, and period.

______ Historical, replacement, and budgeted.

54. Jago Co. has two products that use the same manufacturing facilities and cannot be subcontracted. Each product has sufficient orders to utilize the entire manufacturing capacity. For short-run profit maximization, Jago should manufacture the product with the

______ Lower total manufacturing costs for the manufacturing capacity.

______ Lower total variable manufacturing costs for the manufacturing capacity.

______ Greater gross profit per hour of manufacturing capacity.

|______ Greater contribution margin per hour of manufacturing capacity.

55. The solution of the product mix problem with multiple constraints is considerably more complex and requires a technique known as ____________.

|______ Linear programming.

|______ Segment profitability analysis.

|______ Theory of constraints.

|______ Contribution margin analysis.

56. Common mistakes you make in decision making are to include:

|______ Expected future costs.

|______ Unitized fixed costs.

|______ Total costs.

|______ Relevant cost.

57. In joint-product costing and analysis, which one of the following costs is relevant when deciding the point at which a product should be sold to maximize profits?

|______ Separable costs after the split-off point.

|______ Joint costs to the split-off point.

|______ Sales salaries for the period when the units were produced.

|______ Purchase costs of the materials required for the joint products.

Chapter 11 - Capital Budgeting Decisions

58. Which of the following methods uses income instead of cash flows?

|______ Payback.

|______ Accounting rate of return.

|______ Internal rate of return.

|______ Net present value.

59. Russell Corp. is considering the purchase of a new machine for $76,000. The machine would generate an annual cash flow of $23,214 for five years. At the end of five years, the machine would have no salvage value. What is the payback period in years for the machine approximated to two decimal points?

|______ 3.00.

|______ 9.48.

|______ 3.27.

|______ 4.00.

60. Which of the following capital investment models would be preferred when choosing among mutually exclusive alternatives?

|______ Payback period.

|______ Accounting rate of return.

|______ IRR.

______ NPV.

Instructions for Submitting Answers Online:

- *Sign In at www.ApexCPE.com*
- *Click the "My CPE" tab at the top of the page.*
- *Click "My CPE Courses".*
- *Find the current CPE year and click "Go to My Courses".*
- *Find this course and click the "Go to Course" link.*
- *Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.*
- *Enter your answers on the online exam sheet.*
- *Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.*
- *A short evaluation page will display. Please provide your feedback for the course.*
- *Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.*
- *You may print your Certificate of Completion by selecting File Print from your browser. Certificates remain online for at least five years from the certificate date.*

If you have any questions, please call us at 800.273.9619 or send an email to support@apexcpe.com