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ACC/561 Final Examination Study GuideThis study guide will prepare you for the Final Examination you will complete in the final week. It contains practice questions, which are related to each week’s objectives. In addition, refer to each week’s readings and your student guide as study references for the Final Examination. Week One: Financial Reporting and Analysis Objective: Differentiate between financial statements. 1. The \_\_\_\_\_ is also called the statement of financial position. a. income statement b. balance sheet c. statement of retained earnings d. statement of cash flows Objective: Differentiate between financial statements. . \_\_\_\_\_ is the field of accounting that develops information for external decision makers, such as stockholders, suppliers, banks, and government regulatory agencies. a. Auditing b. Tax accounting c. Management accounting d. Financial accounting Objective: Differentiate between financial statements. 3. The primary users of management accounting information are \_\_\_\_\_. a. bankers b. governmental regulatory authorities c. internal decision makers d. suppliers Objective: Evaluate financial statements of nongovernment organizations. 4. The Rebecca Company acquired merchandise inventory costing $10, 000 on September 1.

The company will not pay for the inventory until October 1. This transaction will affect the Rebecca Company by increasing the merchandise inventory account by $10, 000 and by \_\_\_\_\_. a. increasing the accounts payable account by $10, 000 b. decreasing the accounts payable account by $10, 000 c. increasing the capital account by $10, 000 d. decreasing the capital account by $10, 000 Objective: Evaluate financial statements of nongovernment organizations. 5. Etiwanda Company’s accountant recorded a debit to the accounts payable account and a credit to the cash account. This transaction will \_\_\_\_\_. . increase cash and decrease accounts payable b. decrease cash and increase accounts payable c. increase cash and increase accounts payable d. decrease cash and decrease accounts payable Objective: Evaluate financial statements of nongovernment organizations. 6. The accrual basis of accounting recognizes transactions’ effects on financial statements in the period when \_\_\_\_\_. a. revenues are earned and expenses are incurred b. cash is received or disbursed c. the transaction occurs d. the accounting equation is decreased Objective: Recognize the major aspects of the regulatory environment. . Limited liability means that \_\_\_\_\_. a. the corporation’s creditors have claims on only the assets of the corporation and not on the assets of the owners of the corporation b. the creditors of a corporation can receive only up to, and no more than, the amount due to them c. the company is required to pay only current liabilities in the current year and has no obligation to pay long-term liabilities in the current year d. corporations can have liabilities up to only a certain amount due to limits on the company's borrowing capability Week Two: Apply Financial Information

Objective: Evaluate the financial condition of a company. 8. The accounting convention of \_\_\_\_\_ guides the significance of an item of financial data in relation to other financial data. a. objectivity b. cost-benefit c. conservatism d. materiality Objective: Evaluate the financial condition of a company. 9. The accounting convention of \_\_\_\_\_ permits a company to immediately expense assets, such as a garbage can, with small values and long, useful lives. a. objectivity b. continuity c. materiality d. conservatism Objective: Evaluate the financial condition of a company. 10.

The accounting convention of \_\_\_\_\_ means selecting the method of measurement that yields the gloomiest immediate results. a. cost-benefit b. objectivity c. materiality d. conservatism Objective: Evaluate the financial condition of a company. 11. Valuing assets at market value to facilitate the measurement of economic income violates the \_\_\_\_\_ accounting convention. a. materiality b. matching c. historical-cost d. cost-benefit Week Three: Product Costing Objective: Differentiate between various costing methods. 12. Absorption costing assigns \_\_\_\_\_ to the product. a. variable manufacturing costs . all variable costs c. all variable manufacturing and fixed manufacturing costs d. all variable and fixed costs Objective: Differentiate between various costing methods. 13. Martinez Company has two service departments, Maintenance and Personnel, and two production departments, Mixing and Finishing. Maintenance costs are allocated based on square footage, while personnel costs are allocated based on number of employees. The following information has been gathered for the current year: MaintenancePersonnelMixingFinishing Direct department costs$50, 400$33, 600$42, 000$5, 600

Square footage1, 6008003, 2002, 400 Number of employees16244864 If the step-down method is used to allocate costs and the Maintenance Department is allocated first, then the amount of overhead allocated from Personnel to Maintenance is \_\_\_\_\_. a. $4, 998 b. $4, 200 c. $3, 539 d. $0 Objective: Differentiate between various costing methods. 14. Kevin Company has two service departments, Maintenance and Personnel, as well as two production departments, Mixing and Finishing. Maintenance costs are allocated based on square footage while personnel costs are allocated based on number of employees.

The following information has been gathered for the current year: MaintenancePersonnelMixingFinishing Direct department costs$126, 000$84, 000$105, 000$175, 000 Square footage8004001, 6001, 200 Number of employees8122432 If the step-down method of allocating costs is used and the Personnel Department is allocated first, then the amount of overhead allocated from Personnel to Finishing is \_\_\_\_\_. a. $42, 000 b. $72, 000 c. $31, 500 d. $105, 000 Objective: Differentiate between various costing methods. 15. Murphy Company has two service departments, Maintenance and Personnel, and two production departments, Mixing and Finishing.

Maintenance costs are allocated based on square footage while personnel costs are allocated based on number of employees. The following information has been gathered for the current year: MaintenancePersonnelMixingFinishing Direct department costs$126, 000$84, 000$105, 000$175, 000 Square footage8004001, 6001, 200 Number of employees8122432 If the step-down method of allocating costs is used and the Personnel Department is allocated first, then the amount of overhead allocated from Personnel to Mixing is \_\_\_\_\_. a. $31, 500 b. $58, 500 c. $63, 000 d. $78, 000 Objective: Make management decisions using costing methods. 16. \_\_\_\_ is used for external reporting. a. Absorption costing b. Variable costing c. Direct costing d. Average costing Objective: Make management decisions using costing methods. 17. Launching a new product line is an example of \_\_\_\_\_. a. decision making b. planning c. controlling d. organization Objective: Make management decisions using costing methods. 18. Which of the following is a cost driver of customer service costs? a. Hours spent on designing products b. Travel costs of the vice president of production c. Number of service calls d. Office rent for the accounting office Week Four: Cost–Volume–Profit Analysis

Objective: Explain the components of cost–volume–profit analysis. 19. Walnut Corporation sells desks at $480 per desk. The costs associated with each desk are as follows: Direct materials: $195 Direct labor: $126 Variable factory overhead: $51 Total fixed costs for the period are $456, 840. The contribution margin per desk is \_\_\_\_\_. a. $195 b. $108 c. $51 d. $126 Objective: Explain the components of cost–volume–profit analysis. 20. If the sales price per unit is $100, the total fixed costs are $75, 000, and the break-even volume in dollar sales is $250, 000, the variable cost per unit is \_\_\_\_\_. . $70 b. $100 c. $75, 000 d. $30 Objective: Use cost–volume–profit analysis and break-even analysis to make business decisions. 21. Hug Me Company produces dolls. Each doll sells for $20. Variable costs per unit total $14, of which $6. 25 is for direct materials and $5. 25 is for direct labor. If total fixed costs are $435, 000, then the break-even volume in dollars is \_\_\_\_\_. a. $1, 450, 000 b. $1, 023, 529 c. $621, 429 d. $435, 000 Objective: Use cost–volume–profit analysis and break-even analysis to make business decisions. 22. If the sales price per unit is $100, the unit variable cost is $75, and otal fixed costs are $150, 000, then the break-even volume in dollar sales rounded to the nearest whole dollar is \_\_\_\_\_. a. $600, 000 b. $150, 000 c. $200, 000 d. $1, 500 Week Five: Budgetary Planning and Control Objective: Prepare various types of budgets. 23. Differences between the static budget and the flexible budget are caused by \_\_\_\_\_. a. problems of cost control b. poor usage of material and labor c. a combination of price and material variances d. actual activity differing from expected activity levels Objective: Prepare various types of budgets. 24. Budgets \_\_\_\_\_. a. are quantitative expressions of action plans b. valuate the accuracy of forecasted spending amounts by highlighting deviations between actual expenditures and the budgeted amount c. are deviations from a plan d. ignore areas that are presumed to be running smoothly Objective: Prepare various types of budgets. 25. \_\_\_\_\_ is the first step in designing a management control system. a. Evaluating management's performance b. Establishing organizational goals c. Preparing financial statements d. Distinguishing between profit centers and cost centers Objective: Analyze the uses of different types of budgets. 26. The master budget quantifies targets for \_\_\_. a. sales b. product design c. arkets d. efficiency activity Objective: Analyze the uses of different types of budgets. 27. The master budget forecasts\_\_\_. a. sales. b. the number of employees. c. the number of product designs. d. cost allocation among departments. Week Six: Decision Making Objective: Determine relevant costs to make business decisions. 28. The \_\_\_\_\_ method of measuring cost functions is the least reliable. a. high–low b. visual-fit c. simple-least-squares-regression d. multiple-least-squares-regression Objective: Determine relevant costs to make business decisions. 29. Managers should apply two principles to obtain accurate and useful cost functions.

These principles are \_\_\_\_. a. plausibility and believability b. plausibility and reliability c. reliability and validity d. believability and validity Objective: Determine relevant costs to make business decisions. 30. As the cost-driver activity level increases within the relevant range, \_\_\_\_\_. a. total fixed costs increase b. fixed costs per unit decrease c. total variable costs decrease d. variable costs per unit decrease Answer Key 1. b 2. d 3. c 4. a 5. d 6. a 7. a 8. d 9. c 10. d 11. c 12. c 13. d 14. a 15. a 16. a 17. a 18. c 19. b 20. a 21. a 22. a 23. d 24. a 25. b 26. a 27. a 28. a 29. b 30. b