

Accounting final examination study guide

[Business](#), [Accounting](#)



ACC/561 Final Examination Study Guide This 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 b. 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:

	Maintenance	Personnel	Mixing	Finishing
Direct department costs	\$50,400	\$33,600	\$42,000	\$5,600
Square footage	1,600	800	3,200	2,400
Number of employees	16	24	48	64

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:

Department	Maintenance	Personnel	Mixing	Finishing	Direct department costs
	\$126,000	\$84,000	\$105,000	\$175,000	
Square footage	800	400	1,600	1,200	
Number of employees	8	12	24	32	

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:

Department	Maintenance	Personnel	Mixing	Finishing	Direct department costs
	\$126,000	\$84,000	\$105,000	\$175,000	
Square footage	800	400	1,600	1,200	
Number of employees	8	12	24	32	

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 total 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. evaluate 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. markets 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