

Financial accounting standards board essay sample

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1. A company's ending accounts receivable balance and the period's advertising expense would be found on which financial statements, respectively balance sheet and income statement (Yes. Accounts receivable will be on the balance sheet and the advertising expenses on the income statement) 2. How does financial accounting differ from managerial accounting managerial accounting deals with internal reporting and financial deals with internal reporting (Yes. Managerial accounting deals with internal reporting and financial accounting deals with external entities) 3. What calculation would you use to determine the net income Revenues minus expenses equal net income. (Yes. Net Income = revenues - expenses) 4. Your healthcare organization recently purchased some office equipment on account.

The proper entry would involve a debit to Office Equipment and credit to Accounts Payable. (Yes. The proper entry would be a debit to Office Equipment and a credit to Accounts Payable.) 5. The income statement and balance sheet approaches are used to estimate uncollectible accounts. Which of the following comments applies to both of these approaches The aging process is often used to obtain proper valuation amounts. (Yes. The aging process is often used to obtain proper valuation amounts.) 6. Kaplan's Medical Clinic uses the allowance method of accounting for bad debts. The company recently wrote off the \$135 balance of Karen Sorrell as uncollectible.

As a result of the write-off, Kaplan's Medical Clinic will experience a \$135 decline in the net realizable value of Accounts Receivable. (Yes. Kaplan would experience a \$135 decline in the net realizable value of Accounts

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Receivable.) 7. The inventory cost flow assumption in which the oldest costs incurred become part of cost of goods sold when units are sold is FIFO. (YES.

First in First Out (FIFO) is the inventory cost flow assumption in which the oldest costs incurred become part of cost of goods sold when units are sold)

8. Depreciation is a system of cost allocation, not valuation. (Yes.

Depreciation is a system of cost allocation, not valuation.) 9. Regulations and

Rules in the Accounting Practice: There are basic accounting rules that all organizations must follow. The purpose of these rules is to make sure that sound accounting principles are being followed. There are private entity rules and governmental entity rules. Which of the following acronym would best describe these regulations and rules GAAP Generally Accepted Accounting Principles

FASB Financial Accounting Standards Board

GASB Governmental Accounting Standards Board (Yes. The correct acronyms are GAAP Generally Accepted Accounting Principles; FASB Financial

Accounting Standards Board; GASB Governmental Accounting Standards

Board 10. Determining which type of organization to form can take some

time to figure it out and can be based on your preferences. Why do many

health organizations choose the corporate structure both a and b (Yes. The corporate structure provides for limited liability and ease of transferring

ownership.) 11. Which type of organization divides equity by percentage of ownership partnership (Yes. A partnership divides equity by percentage of

ownership 12. The Discount on Notes Payable account

is associated with a note payable when interest is included in the obligation's face value. (Yes. The discount on notes payable account is associated with a note payable when interest is included in the obligation's face value.) 13.

Assume that Robert Conrad, a nurse, worked 45 hours last week. He is paid \$28 per hour, with hours in excess of 40 being compensated at one and one half times the regular rate. Income tax withholdings amounted to \$270; his medical insurance deduction was \$30. The Social Security tax rate is 6% on the first \$55,000 earned per employee, and Medicare is 1.5% on the first \$130,000. Cumulative gross pay before considering the preceding data totaled \$54,202. What is Conrad's take-home pay \$962.17 (Yes. Correct Calculation: $([40 \text{ hours} \times \$28] + [5 \text{ hours} \times \$42]) = \$1,330$; $[\$55,000 - \$54,202] \times 0.06 = \$47.88$; $\$1,330 \times 0.015 = \19.95 ; $\$1,330 - \$47.88 - \$19.95 - \$270 - \$30 = \962.17) 14. London Corporation paid \$1,000 of accounts payable with cash on the last day of the month.

The company had a current ratio of 4 before the disbursement. As a result of this payment, the current ratio will increase. (Yes. Making an accounts payable payment with cash on the last day of the month will increase the current ratio.) 15. Many similarities exist when we compare service, merchandising, and manufacturing organizations. Which type of business in the healthcare industry would fit the manufacturing classification both a and b (Yes. Manufacturing of medical equipment and manufacturing of drugs would fit the manufacturing classification.) 16. If the total fixed cost and the contribution margin per unit of product are given, explain how to compute the number of units that must be sold to break even The contribution margin per unit of product is divided into the total fixed cost to obtain the number of

units that must be sold to break even. (Yes. The contribution margin per unit of product is divided into the total fixed cost to obtain the number of units that must be sold to break even.)

17. What are the criteria for determining whether materials are direct or indirect all of the above (Yes. The quantities of materials are identifiable with the production of a specific product or service; are easily and economically traced to the product or service; and have costs that represent a significant part of the total product or service costs.) 18. What best describes the purpose of a budget

Budgets are “ plans of action” tools (Yes. Budgets are “ plans of action” tools

19. What is the advantage of the accounting rate of return method?

It is easily applied because it uses readily available financial accounting data. (Yes. It is easily applied because it uses readily available financial accounting data

20. Which of the following are common causes for labor efficiency variances? Check all that apply

Use of lower-skilled or higher-skilled workers. (Yes. Common causes for labor efficiency variances include use of lower-skilled or higher-skilled workers; effects of the learning curve; lower-quality or higher-quality materials; changes in methods or scheduling; and installation of new equipment.)