

Accounting

ACCOUNTING REVIEW

revised January, 2015

Resources: Accounting for Club Operations, Chapters 1 - 14
Contemporary Club Management, 3rd ed., Chapters 11 & 12

Competencies:

- | | |
|-----------------------------|------------------------|
| I. Accounting Principles | VI. Cost/Volume/Profit |
| II. The Accounting Cycle | VII. Cash Management |
| III. Branches of Accounting | VIII. Club Technology |
| IV. Financial Statements | IX. Payroll Accounting |
| V. Ratio Analysis | X. Lease Accounting |

Select the "Best" answer

1. The primary role of accounting is:
 - a. to frustrate the club manager
 - b. preparation of the club's tax return
 - c. provide information and support
 - d. control cost
2. For an expense account, the proper end of month balance, after closing the account is:
 - a. debit balance
 - b. credit balance
 - c. zero balance
 - d. need more information
3. For a balance sheet account titled "Accounts Payable" the appropriate balance is:
 - a. debit balance
 - b. credit balance
 - c. zero balance
 - d. need more information
4. In the accounting cycle, before adjusting entries are made:
 - a. bank statement must be reconciled
 - b. first trial balance must be completed
 - c. inventory must be completed
 - d. all of the above
5. Under the accrual method of accounting, expenses are recognized:
 - a. when the bill is paid, regardless of when the expense occurred
 - b. when the expense is incurred, regardless of when the bill is paid
 - c. when the bank reconciliation is completed.
 - d. when the auditor indicates that the club should be recognizing expenses
6. The most accurate ratio to use for evaluating the long-term financial health of the club:
 - a. a liquidity ratio
 - b. a solvency ratio
 - c. the operating efficiency ratio
 - d. the gross profit margin
7. Management begins to prepare the budget when ____
 - a. the board sets the financial objectives
 - b. the board develops a revenue forecast
 - c. the club accountant develops an expense summary
 - d. the club manager gets around to it
8. CVP analysis assumes that all costs are:
 - a. fixed and can be allocated
 - b. variable and difficult to identify
 - c. mixed and able to be separated into fixed and variable components
 - d. variable but can be allocated

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9. Capital leases are usually capitalized over a _____ period.
- ☒ a. 3 year
 - ☐ b. 5 year
 - ☐ c. 7 year
 - ☒ d. depends on the asset being leased
10. When you are analyzing the club's financial results, comparing cost of beverages for the current month with food revenue for the current month is typically referred to as:
- ☐ a. horizontal analysis
 - ☒ b. vertical analysis
 - ☐ c. variance analysis
 - ☒ d. a violation of the matching principle
11. The matching principle indicates that the cost of owning the club's golf carts should be "matched" with golf revenue by using:
- ☐ a. insurance
 - ☐ b. prepaid expenses
 - ☐ c. maintenance and repair
 - ☒ d. depreciation expense
12. Typical asset accounts do NOT include:
- ☐ a. cash and securities
 - ☐ b. accounts receivable
 - ☒ c. accrued wages
 - ☒ d. prepaid expenses
13. In the accounting cycle, a trial balance is usually completed after _____ is/are completed:
- ☐ a. journalizing
 - ☒ b. posting
 - ☐ c. ratios
 - ☐ d. audits
14. An example of a cash flow from investing, that is not a cash flow from operations:
- ☒ a. interest expense
 - ☐ b. sale of memberships
 - ☐ c. gross profit
 - ☒ d. purchasing equipment
15. The BEST basis for comparison in ratio analysis is:
- ☐ a. industry averages
 - ☐ b. historical financial performance
 - ☒ c. budgeted performance
 - ☐ d. CMAA benchmarks
16. Working Capital is defined as;
- ☐ a. current assets minus accumulated depreciation
 - ☒ b. current assets minus current liabilities
 - ☐ c. current assets plus accumulated depreciation
 - ☐ d. current assets plus current liabilities
17. Which of the following cash flow formats is useful for the short term?
- ☐ a. net income approach
 - ☒ b. receipts and disbursements approach *or Direct method*
 - ☐ c. indirect method *- long term*
 - ☐ d. online reconciliation
18. Which method of depreciation does NOT consider the salvage value of the asset?
- ☒ a. double-declining balance
 - ☐ b. net present value
 - ☐ c. sum-of-the-years-digits
 - ☐ d. accounting rate of return
19. Leasing is beneficial to a club's financial health under which of the following situations:
- ☐ a. capital lease with a bargain purchase provision
 - ☒ b. capital lease meets the four requirements and results in a lower debt-to-equity ratio
 - ☒ c. operating lease not carried on the balance sheet, but the club gets the use of the asset
 - ☐ d. leasing is always beneficial to the club

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20. If a club borrows \$800,000 for three years at an annual interest rate of 6% from a bank that requires a \$75,000 compensating balance, what is the effective annual interest rate?

a. 6.6%
b. 9.3%
c. 5.4%
d. 8.7%

$$\begin{aligned} 800,000 \times 6\% &= 48,000 \\ 800,000 - 75,000 &= 725,000 \end{aligned}$$

21. If an invoice offers terms of 3/10/net 20 what would the savings be if the invoice was for \$10,000 and it was paid in 9 days?

a. \$200
b. \$300
c. \$2,000
d. \$0

$$\begin{aligned} \frac{300}{9700} &= .03 \quad \frac{365}{10} \quad 36.5 \times .03 \quad 112.9 \end{aligned}$$

22. The present value of \$25,000 to be received 3 years from now is:

a. \$20,765 if the discount rate is 6%
b. \$20,990 if the discount rate is 6%
c. \$29,775 if the discount rate is 6%
d. more than if the discount rate was higher than 6%

$$\begin{aligned} FV &= PV \times (1+i)^N \\ PV &= FV \times \frac{1}{(1+i)^N} \quad 3\text{ yrs} \\ &= 25,000 \times \frac{1}{1.19,017} \end{aligned}$$

23. If the useful life of the asset is 4 years, what would the double declining rate be?

a. 25%
b. 33%
c. 50%
d. 66%

$$\begin{aligned} \frac{100\%}{4\text{ yrs}} \quad 25 \times 2 \quad 50\% \end{aligned}$$

24. After taking a physical inventory the inventory account is adjusted by:

a. making a credit entry to inventory and a debit to reflect cost of sales
b. making a debit entry to record the value of the inventory that was consumed
c. the person taking the physical count
d. making a credit entry to cost of sales and a debit to reflect the inventory balance

25. In question #21, calculate the effective interest rate of the cash discount

a. 3%
b. 10%
c. 56.4%
d. 112.9%

Accounting & Financial Management Topics

1. Introduction to Accounting
2. Generally Accepted Accounting Principles
3. The Accounting Cycle
4. Double-entry bookkeeping
5. Statement of Financial Position
6. Statement of Financial Activities
7. Cash Flow Statement
8. Ratio Analysis (2 indicators, 3 sources, 3 users, and 5 classes)
9. Cost Concepts (C/V/P Analysis, cost-based pricing)
10. Budgets & Budgeting
11. Operating Budgets
12. Cash Budgets
13. Current Asset Management (working capital, inventory valuation)
14. Managing Current Liabilities (effective interest rates)
15. Internal Controls
16. Capital Budgeting (Time Value of Money, P.A.I.N.)
17. Fixed Asset Management (4 Factors & 4 Methods of Depreciation)
18. Payroll Accounting
19. Club Technology
20. Lease Accounting

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- a. 6.6%
- b. 9.3%
- c. 5.4%
- d. 8.7%

$$.06 \times 800,000 = 48,000$$

$$\frac{48,000}{800,000 - 75,000} = 6.6\%$$

21. If an invoice offers terms of 3/10/net 20 what would the savings be if the invoice was for \$10,000 and it was paid in 9 days?

- a. \$200
- b. \$300
- c. \$2,000
- d. \$0

$$10,000 \times .03 = 300$$

$$10,000 - 300 = 9,700$$

$$10,000 \times .03 = 300$$

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$$10,000 \times .03 = 300$$

$$10,000 - 300 = 9,700$$

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- b. \$20,990 if the discount rate is 6%
- c. \$29,775 if the discount rate is 6%
- d. more than if the discount rate was higher than 6%

$$25,000 / (1.06)^3 = 1.191016 = 20,990.48$$

23. If the useful life of the asset is 4 years, what would the double declining rate be?

- a. 25%
- b. 33%
- c. 50%
- d. 66%

$$100 / 4 = 25 \times 2 = 50\%$$

24. After taking a physical inventory the inventory account is adjusted by:

- a. making a credit entry to inventory and a debit to reflect cost of sales
- b. making a debit entry to record the value of the inventory that was consumed
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- b. 10%
- c. 56.4%
- d. 112.9%

\$ DISC

$$300 / 9700 \times \frac{365}{10}$$

$$103092789 \times 36.5$$

- ✓ 1. Under the matching principal of GAAP, cost of food sold should be "matched" with: *Revenues*
- a. Food Purchases
 - ☒ b. Food Revenues
 - c. Food Average Check
 - d. Total Revenues
- ✓ 2. Typical Asset Accounts do NOT include
- ☒ a. Accounts Payable
 - b. Accounts Receivable
 - c. Prepaid Insurance
 - d. Inventory ✓
- ✓ 3. In the Accounting Cycle, a trial balance is usually completed after ____ is/are completed.
- a. Journalizing
 - ☒ b. Posting to General Ledgers
 - c. Financial Statements
 - d. None of the Above
- ✓ 4. When comparing a balance sheet amounts from the current period to those from a previous period, you are conducting a ____ analysis.
- ☒ a. Horizontal
 - b. Vertical
 - c. Base Year
 - d. Industry
5. Which of the following is NOT a class of cash flows:
- a. Operating activities
 - b. Investing activities
 - c. Financing activities
 - ☒ d. Costing activities
- ✓ 6. In conducting ratio analysis, the best base of comparison is:
- a. Industry averages
 - b. Historical averages
 - ☒ c. Budgeted averages
 - d. Competitive averages
- ✓ 7. CVP Analysis is useful for all but which of the following purposes?
- a. Identifying the break-even point
 - ☒ b. Negotiating insurance premiums
 - c. Analyzing various "what if" scenarios
 - d. Budgeting for income tax effects
- ✓ 8. Which of the following budgets is typically concerned with revenues and expenses?
- ☒ a. Operating
 - b. Cash
 - c. Capital
 - d. Physical
- ✓ 9. The method of cash budgeting that is useful for short-term decision periods is called:

- a. Intuitive method
- b. Indirect method
- c. Net income approach
- d. Receipts and cash disbursements approach

- ✓ 10. The net present value of a \$10,000 amount to be received 3 years in the future is: $= P \times \frac{1}{(1+i)^3}$
- a. \$7,513 if interest rates are 10%
 - b. \$8,211 if interest rates are 10%
 - c. \$13,310 if interest rates are 10%
 - d. Cannot be calculated
- $P \times \frac{1}{(1+i)^n}$
- $= 10,000 \times \frac{1}{1.33}$
- $= 10,000 \times .751$
- $= \$7518$

- ✓ 11. Which of the following depreciation methods is NOT an accelerated method?

- a. Straight-Line
- b. Double declining balance
- c. Sum-of-the-year digits
- d. Units of production

- ✓ 12. If a club borrows \$200,000 for three years at an annual interest rate of 8% from a bank that requires a \$20,000 compensating balance, what is the effective annual interest rate?

- a. 8.5%
- b. 8.9%
- c. 9.5%
- d. 10%

$$\text{Eff. Ann. Int. Rate} = \frac{\text{Loan} \times \text{Ann Int. Rate}}{\text{Loan} - \text{Comp Bal Requirements}}$$

$$\frac{200,000 \times .08}{180,000} = \frac{16,000}{180,000} = .0888 = 8.88\%$$

- ✓ 13. Preset keys on a POS system include all but which of the following types of information

- a. Price
- b. Recipe unit
- c. Menu descriptor
- d. Tax status

- ✓ 14. Leasing can be beneficial to a clubs financial situation because:

- a. Capital leases typically have a bargain purchase provision ✗
- b. If the lease is capital lease, it will meet the four requirements and result in a lower debt-to-ratio equity ratio. ✗
- c. If the lease is an operating lease it is not carried on the balance sheet, but the use of the asset and the benefits it generates can still be realized.
- d. Leasing is not beneficial because it is more expensive and cannot be easily terminated by the lessee. ✗

- ✓ 15. A range purchased for \$8,000 two years ago has been appraised at \$9,500. The ranges is not written up at \$9,500 because of the _____ principle.

- a. Cost
- b. Matching
- c. Going concern
- d. Market value

- ✓ 16. If assets equal \$75,000 and owners' equity equals \$350,000, liabilities must equal:

- a. \$750,000
- b. \$400,000

$$A = L + OE$$

$$75,000 = x + 350,000$$

↖ ↗

$$A = L + OE$$

debit + - -
credit - + +

- c. \$350,000
☒ d. Cannot be determined
17. When equipment is purchased on an account, the effect on trial balance totals is to:

- a. Increase debits; decrease credits
☒ b. Increase debits; increase credits
 c. Decrease debits; increase credits
 d. Decrease debits; decrease credits

Assets increase = debit
 Liabilities increase = credit

18. A credit of \$200,000 to the income summary account for closing the revenue accounts and a debit of \$150,000 to the income summary account for closing expense results in a _____ to close the income summary to the Capital account.

- ☒ a. Debit of \$50,000
 b. Debit of \$150,000
 c. Credit of \$150,000
 d. Credit of \$10,000

	Debit	Credit
Revenue		200000
Expenses	150000	
Capital	50000	
	200000	200000

19. A club purchased equipment for \$8,000. The terms of the sale were 2/10, 2/30. In addition, installation of the equipment cost \$1,000. Assuming the cash discount is taken, the equipment should be recorded at:

- a. \$7,840
 b. \$8,000
☒ c. \$8,840
 d. \$9,000

8000
 2%
 160

$$= 8000 \times 2\%$$

$$= 160$$

$$= 8000 - 160$$

$$= 7840$$

add 1,000
 in to record
 \$8840

20. Deferred compensation generally includes benefits and:

- a. Base pay
 b. Merit pay
☒ c. Incentive pay
 d. Sales commissions

21. If an employee has a drug problem, he or she might benefit from an optional benefit plan called:

- a. A dependent care program
 b. A deferred payment program
☒ c. An employee assistance program
 d. A flexible spending program

22. Which of the following is NOT an example of an operating ratio?

- a. Average food service check
☒ b. Current ratio
 c. Labor cost percentage
 d. Food cost percentage

23. A club operation budgeted revenues of \$5,000 during a period when \$6,000 of revenues were actually generated. The percentage variance is:

- a. 16.67%
 b. 200%
☒ c. 20%
 d. 0.2%

5,000 budget
 6,000 actual
 variance %

$$= \frac{6000}{5000}$$

$$= 1.2$$

Remove the 100
 assumption
 = 20%

✓ 24. If a club borrows \$200,000 for 2 years at an annual interest rate of 10% from a bank that requires a \$40,000 compensating balance, what is the effective interest rate?

- a. 8.3%
- b. 9.1%
- c. 11.1%
- d. 12.5%

$$EIR = \frac{\text{Loan} \times \text{Ann Int Rate}}{\text{Loan} - \text{Comp Bal}}$$

✓ 25. The value in one year of \$2,000 today, given an interest rate of 15% is:

- a. \$1,700
- b. \$2,300
- c. \$2,030
- d. Cannot be determined

$$= 2000 \times 15\% \\ = 300$$

$$= \frac{200000 \times .1}{200000 - 40000} \\ = \frac{20000}{160000} \\ = .125$$

✓ 26. The capital budgeting model which does not consider cash flows is the:

- a. Payback model
- b. Accounting rate of return model
- c. Net present value model
- d. Internal rate of return model

7 27. Which of the following accounting computer applications maintains a trial balance file?

- a. Accounts receivable module
- b. Accounts payable module
- c. Financial reporting module
- d. Payroll module

✓ 28. The primary role of accounting is:

- a. To frustrate the manager
- b. Preparation of the club's tax return
- c. Provide information and support to management
- d. Control cost

✓ 29. For an expense account, the proper end of month balance, after closing the account is:

- a. Debit balance
- b. Credit balance
- c. Zero balance
- d. Cannot tell without more information

X 30. For a balance sheet account titled "Accounts Receivable" the appropriate balance is:

- a. Debit balance
- b. Credit balance
- c. Zero balance
- d. Cannot tell without more information

✓ 31. In the accounting cycle, adjusting entries are made:

- a. When the transaction occurs
- b. Before the first trial balance
- c. After the first trial balance
- d. After the adjusted trial balance

✓ 32. Under the accrual method of accounting, expenses are recognized:

- a. When the bill is paid, regardless of when the expense occurred
- ☒ b. When the expense was incurred, regardless of when the bill was paid
- c. When the revenue associated with the expense is recognized
- d. When the auditor indicates that the club should be recognizing expenses x

Accrual Accounting
~~revenues earned~~
~~expenses incurred~~

33. The best ratio to use in clubs for both managers and board members is:

- a. Current ratio
- b. Debt ratio
- ☒ c. Operating efficiency ratio
- d. Gross profit ratio

34. Management begins to prepare the budget when _____

- ☒ a. The board sets the financial objective
- b. The board develops a revenue forecast
- c. The club accountant develops an expense summary
- d. The club manager gets around to it.

35. CVP analysis assumes that all costs are:

- a. Fixed and can be allocated
- b. Variable and difficult to identify
- ☒ c. Mixed and able to be separated into fixed and variable components
- d. Variable but can be allocated

36. Operating leases are usually capitalized over a _____ period.

- a. 3 year
- b. 5 year
- c. 7 year
- ☒ d. Are not capitalized

37. When doing a comparison of financial results, comparing cost of food for the current month with food revenue for the current month is typically referred to as:

- ☒ a. Horizontal analysis
- b. Vertical analysis
- c. Variance analysis
- d. Longitudinal analysis

38. The matching principal indicates that the cost of a golf cart should be "matched" with golf revenue by using:

- a. Insurance
- b. Prepaid expenses
- c. Accrued wages
- ☒ d. ~~Prepaid expenses~~ Depreciation

A/D line on financials

39. Typical asset accounts do NOT include:

- a. Cash and securities
- b. Accounts receivable
- ☒ c. Accrued wages
- d. Prepaid expenses

40. In the accounting cycle, a trial balance is usually completed after _____ is/are completed.

- a. Journalizing
- b. Posting
- c. Ratios
- d. Audits

41. Which of the following is a cash flow from investing, but not from operations:

- a. Interest expense
- b. Sale of memberships
- c. Gross profit
- d. Purchasing equipment

42. The BEST basis for comparison in ratio analysis is:

- a. Industry averages
- b. Historical information
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43. Working capital is defined as:

- a. Current assets minus accumulated depreciation
- b. Current assets minus current liabilities
- c. Current assets plus accumulated depreciation
- d. Current assets plus current liabilities

44. Which of the following cash flow formats is useful for the short term?

- a. Net income approach
- b. Receipts and disbursements approach
- c. Indirect method
- d. Online reconciliation

45. Which capital budgeting method does NOT consider value of cash flows that occur after the payback date?

- a. Double-declining balance — not cash flow
- b. Net present value
- c. Internal rate of return
- d. Accounting rate of return

46. Leasing is beneficial to a club's financial health under which of the following situations?

- a. Capital lease with a bargain purchase provision
- b. Capital lease meets the four requirements and results in a lower debt-to-equity ratio
- c. Operating lease not carried on the balance sheet, but the club gets the use of the asset
- d. Leasing is always beneficial to the club

47. POS systems typically have all the following software files except for:

- a. Open check
- b. Menu item
- c. Labor master
- d. Wi-fi power platform

48. If a club borrows \$500,000 for three years at an annual interest rate of 8% from a bank that requires a \$25,000 compensating balance, what is the effective annual interest rate?

$$EIR = \frac{\text{Loan} \times \text{Ann Rate Interest}}{\text{Loan} - \text{Comp. Balance}}$$

- a. 7.6%
- b. 8.0%
- ☒ c. 8.4%
- d. 8.7%

$$= \frac{500000 \times .08}{500000 - 25000}$$

$$= \frac{40000}{475000} = .084$$

49. If an invoice offers terms of 2/10 net 30 what would the savings be if the invoice was for \$10,000 and it was paid in 9 days?

- ☒ a. \$200
- b. \$300
- c. \$2,000
- d. \$0

$$= 10000 \times 2\%$$

$$= 200$$

50. In the above question, calculate the effective interest rate of the cash discount

- a. 2%
- b. 10%
- c. 24.6%
- ☒ d. 37.2%

$$\text{EIR of cash discount} = \frac{\text{cash disc}}{\text{invoice amt} - \text{cash disc}} \times \frac{\text{days in yr}}{\text{diff of end disc. pd and final due day}}$$

51. If beverage cost is \$3,000 higher than budget and the gross profit on beverage is 60%, how much more beverage revenue must be generated to achieve budgeted gross profit in dollars?

- a. \$1,800
- b. \$3,000
- c. \$5,000
- ☒ d. Not enough information to calculate the answer

$$\frac{3000}{9500} \times \frac{365}{20}$$

$$= .020(365/20)$$

$$= 37.2\%$$

52. The net present value of \$25,000 to be received 3 years from now is:

- a. \$20,765 if the discount rate is 6%
- ☒ b. \$20,990 if the discount rate is 6%
- c. \$29m775 if the discount rate is 6%
- d. More than if the discount rate was higher than 6%

$$P \times \frac{1}{(1+L)^n} \quad P \times \frac{1}{(1+.06)^3} \quad P \times \frac{1}{1.19}$$

53. If the useful life of the asset is 3 years, what would the double declining rate be?

- a. 25%
- b. 33%
- c. 50%
- ☒ d. 66%

$$\frac{100\%}{3} = 33\% \times 2 = 66\%$$

ignores salvage value

$$\frac{100\%}{\# \text{ years}}$$

$$25000 \times .84 = \$21,000$$

54. After taking a physical inventory the inventory account is adjusted by:

- ☒ a. Making a credit entry to inventory and a debit to reflect cost of sales
- b. Making a debit entry to record the correct value of the inventory
- c. The person taking the physical count
- d. Making a credit entry to the cost of sales and a debit to reflect the inventory balance

55. Under the matching principle of GAAP, the cost of a stove should be "matched" with the revenue it helps to generate by using:

- a. Insurance
- b. Prepaid expenses
- ☒ c. Food revenue
- d. Depreciation

56. Typical asset accounts do NOT include:

- a. Cash securities
- b. Accounts receivable
- ☒ c. Accrued wages
- d. Prepaid expenses

57. In the accounting cycle, a trial balance is usually completed after _____ is/are completed:

- a. Journalizing
- ☒ b. Posting
- c. Ratios
- d. Audits

58. Which of the following is NOT a class of cash flows?

- a. Operating activities
- ☒ b. Costing activities
- c. Investing activities
- d. Financing activities

59. The BEST basis for comparison in ratio analysis is:

- a. Industry averages
- b. Historical financial performance
- ☒ c. Budgeted performance
- d. CMAA benchmarks

60. Working Capital is defined as:

- a. Current assets minus accumulated depreciation
- ☒ b. Current assets minus current liabilities
- c. Current assets plus accumulated depreciation
- d. Current assets plus current liabilities

61. Which of the following cash flow formats is useful for the short term:

- a. Net income approach
- ☒ b. Receipts and disbursements approach
- c. Indirect method
- d. Online reconciliation

62. Which of the following depreciation methods is NOT an accelerated method:

- a. Double-declining balance
- b. Sum-of-the-years digits
- ☒ c. Units of production
- d. Reverse declining balance

Straight line method is NOT accelerated

No such thing

63. Leasing can be beneficial to a club's financial health under which of the following situations:

- a. Capital lease with a bargain purchase provision
- b. Capital lease that meets the four requirements will result in a lower debt-to-equity ratio
- ☒ c. Operating lease not carried on the balance sheet, but the club gets the use of that asset.
- d. Leasing is always beneficial to the club

64. All POS systems have the following types of keys except

- a. Presets
- ☒ b. Numeric key pad

c. PLU key

→ d.) Modifiers

65. When making comparisons of the balance sheet, comparing the current period to the prior period is referred to as:

- a. Ratio analysis
- b. Vertical analysis
- c. Horizontal analysis
- d. Industry benchmarking

66. If a club borrows \$300,000 for four years at an annual interest rate of 6% from a bank that requires a \$30,000 compensating balance, what is the effective annual interest rate?

- a. 5.5%
- b. 6.0%
- c. 6.7%
- d. 24%

$$EAI = \frac{300,000 \times 6\%}{30,000 - 30,000} = \frac{18000}{27000} = 0.666 = 6.7\%$$

67. In an invoice offers terms of 2/10/net 30 what would be the savings if the invoice was for \$15,000 and it was paid in 8 days?

- a. \$300
- b. \$450
- c. \$1,500
- d. \$3,000

$$15000 \times .02 = 300$$

68. The net present value of \$20,000 to be received 3 years from now is:

- a. \$17,147 if the discount rate is 8%
- b. \$21,600 if the discount rate is 8%
- c. \$15,876 if the discount rate is 8%
- d. More than if the discount rate was higher than 8%

$$P \times \frac{1}{(1+i)^n}$$

$$P \times \frac{1}{1.259}$$

$$P \times \frac{1}{(1+.08)^3}$$

$$= 20,000 \times .794 = 15885.6$$

69. If the useful life of the asset is 4 years, what would the double declining rate be?

- a. 25%
- b. 40%
- c. 50%
- d. 8%

$$\frac{100\%}{4} = 25\% \times 2 = 50\%$$

70. The most accurate value of current inventory will be represented by which method of valuation?

- a. LIFO
- b. FIFO
- c. Weighted average
- d. Retail method

definitions

51/70 answers correct = 73%

Principles of Accounting

1. Refers to accounting for revenues, expenses, assets, and liabilities.

- ☒ a. Cost Accounting
- ☒ b. Financial Accounting
- ☒ c. Managerial Accounting
- d. Tax Accounting

2. The branch of accounting dealing with the recording, classification, allocation, and reporting of current and prospective costs.

- a. Auditing
- b. Financial Accounting
- c. Managerial Accounting
- ☒ d. Cost Accounting

3. Designed to provide information to various management levels for the purpose of enhancing controls.

- ☒ a. Accounting System
- b. Auditing
- c. Tax Accounting
- d. Managerial Accounting

4. Relating to the preparation and filing of tax forms with government agencies.

- a. Financial Accounting
- b. Cost Accounting
- ☒ c. Tax Accounting
- d. Accounting Information System

5. Involved with the reviewing and evaluating documents, records, and control systems.

- a. Cost Accounting
- b. Financial Accounting
- ☒ c. Auditing
- d. None of the above

6. Is how we capture, process and present information.

- ☒ a. Accounting info System
- b. Auditing
- c. Financial Accounting
- d. Tax Accounting

Principles of Accounting

7. It is the transaction price or cost that establishes the accounting value for the product or service purchased.

- a. Business Entity
- b. Unit of measurement
- c. Going Concern
- ☒ d. Cost Principle

8. Maintain its own set of accounts that are separate from other financial interests of its members.

- a. Consistence Principle
- b. Going Concern
- c. Objective Evidence
- ☒ d. Business Entity

9. The preparation of accounting records and reports under the assumption that the club will continue indefinitely and that liquidation is not prospect; also referred to as continuity of the business unit.

- ☒ a. Going Concern
- ☒ b. Full Disclosure
- c. Consistency Principle
- d. Unit of measurement

10. That the monetary values stated in financial statements should represent a stable unit of value so that meaningful comparisons of current and past periods are possible.

- ☒ a. Objective Evidence
- b. Full Disclosure
- c. Matching Principle
- ☒ d. Unit of measurement

11. The preferred basis of accounting transactions and the resulting accounting records.

- a. Consistency Principle
- ☒ b. Full Disclosure
- c. Unit of Measurement
- ☒ d. Objective Evidence

12. That financial statements must provide information on all the significant facts that have a bearing on their interpretation

- a. Conservatism Principle
- ☒ b. Full Disclosure
- c. Unit of measurement
- d. Matching Principle

Principles of Accounting

13. A principle that requires that once an accounting method has been adopted, it should be followed from period to period in the future unless a change in accounting methods is warranted and disclosed.

- a. Going Concern
- ☒ b. Consistency Principle
- c. Materiality Principle
- d. Cash Basis

14. A principle that requires recording expenses in the same period as the revenues to which they relate.

- a. Accrual Basis
- b. Full Disclosure
- ☒ c. Matching Principle
- d. Materiality Principle

15. That recognizes expenses as soon as possible, but delay the recognition of revenues until they are used.

- a. Unit of measurement
- b. Objective Evidence
- c. Full Disclosure
- ☒ d. Conservatism Principle

16. Requires that events be recognized and recorded by accounting procedures if they make a difference as determined by some relative standard of comparison.

- ☒ a. Matching Principle
- b. Cash Basis
- ☒ c. Materiality Principle
- d. Matching Principle

17. Reporting revenues and expenses at the time they are collected or paid.

- a. Full Disclosure
- b. Objectives Evidence
- ☒ c. Cash Basis
- d. Accrual Basis

Principles of Accounting

18. Reporting revenues and expenses in the period in which they are considered to have earned or incurred, regardless of the actual time of collection or payment.

- a. Unit of measurement
- b. Full Disclosure
- c. Consistency Principle
- ☒ d. Accrual Basis

19. Which of the following is an unsecured liability?

- ☒ a. Accounts Payable
- b. Accrued expenses
- c. Unearned Income
- ☒ d. All the above

20. Which of the following is a secured liability?

- a. Note Payable
- ☒ b. Mortgage Payable
- ☒ c. Unearned Income
- d. All the Above

21. The Accounting Cycle, place it in the correct order.

- 2 Posting
- 1 Journal
- 4 Adjusting Entries
- 5 Preparation of Financial Statement
- 3 Trial Balance

22. The club becomes its own entity?

- a. Sole Proprietorship
- b. Partnership
- c. Limited Partnership
- ☒ d. Corporation

23. Revenues minus expenses equal?

- a. Cash
- ☒ b. Profit
- c. Account Payable
- d. Member equity

Principles of Accounting

24. Normal Balances Assets, place (a.) debit or (b.) credit next to the right account

<u>D</u>	ASSET
<u>C</u>	LIABILITY..
<u>C</u>	EQUITY
<u>C</u>	REVENUE ...
<u>D</u>	EXPENSE ...

25. The statement of financial position is also known as?

- a. Asset
- b. Revenues
- ☒ c. Balance Sheet
- d. Balance Expense

26. The statement of actives is also known as?

- a. Horizontal Analysis
- b. Base Year Comparison
- c. Ratio Analysis
- ☒ d. P&L Statement