



PRE-ASSESSMENT: ACCOUNTING FOR DECISION MAKERS (PVAC)



Attempt #1

Status: Passed

1. What does accounting focus on?

	YOUR ANSWER	CORRECT ANSWER
The impact a business's activities have on its relationships with customers		
The impact a business's activities have on the environment		
The impact a business's activities have on its public image		
The impact a business's activities have on its overall financial performance		

2. Which report summarizes cash collections and cash expenditures from operating, investing, and financing activities over a period of time?


	YOUR ANSWER	CORRECT ANSWER
Cash receipts and disbursements sheet		
Cash flow schedule		
Summary of cash receipts		
Statement of cash flows		

3. Which users would have a primary concern with an organization's ability to provide healthcare benefits?

	YOUR ANSWER	CORRECT ANSWER
Competitors		
Employees	✓	✓
Vendors		
Suppliers		

 4. Which benefit does a corporation gain by following Generally Accepted Accounting Principles (GAAP)?

	YOUR ANSWER	CORRECT ANSWER
A decrease in its income tax obligations		
A decrease in the amount of net income it reports		
An increase in its comparability to other companies		✓
An increase in the amount of assets it reports	✓	

 5. Which body regulates a certified public accounting firm's audit practices when the firm is auditing a large publicly traded company?

	YOUR ANSWER	CORRECT ANSWER
The Public Company Accounting Oversight Board (PCAOB)	✓	✓
The Financial Accounting Standards Board (FASB)		
Another certified public accounting (CPA) firm		
The Internal Revenue Service (IRS)		

 6. What has had the most significant impact on accounting practices?

	YOUR ANSWER	CORRECT ANSWER
Certification requirements	✓	
New product innovations		
Information technology		✓
Mobile computing		



7.

What two items of information are revealed on the balance sheet?

Choose 2 answers

	YOUR ANSWER	CORRECT ANSWER
Ownership	✓	✓
Debt	✓	✓
Expenses		
Revenues		
Costs		



8.

Which term is defined as the residual interest in the net assets of a company?

	YOUR ANSWER	CORRECT ANSWER
Operating income		
Liabilities		
Revenues		
Owners' equity	✓	✓

9. A corporation has total liabilities of \$300 million, total owners' equity of \$100 million, and current assets of \$50 million.

What is the value of the firm's long-term assets?

	YOUR ANSWER	CORRECT ANSWER
\$250 million		
\$350 million	✓	✓
\$400 million		
\$450 million		

10. Which situation should result in revenue recognition on the income statement for the year ending 12/31/14 if the firm is using accrual-basis accounting?

	YOUR ANSWER	CORRECT ANSWER
In 2014, a company enters into a contract whereby it agrees to provide services to a customer next year (2015).		
In 2014, a company collects cash from a customer for services it will provide next year (2015).		
In 2014, a company provides services to a customer for which cash will be collected the next year (2015).		✓
In 2014, a company collects cash from a customer for services it provided in the previous year (2013).	✓	

11. Which category on the statement of cash flows summarizes cash receipts and payments to owners and creditors of the company?

YOUR
ANSWERCORRECT
ANSWER

Cash flows from investing activities

Cash flows from operating activities

Cash flows from business activities

Cash flows from financing activities



12. Where would an investor find a summary of a company's significant accounting policies?

YOUR
ANSWERCORRECT
ANSWER

In the balance sheet

In the income statement

In the statement of cash flows

In the notes to financial statements



13. Which assurance does an external audit report provide for its readers?

YOUR
ANSWERCORRECT
ANSWER

The company will be a good credit risk

The company will generate net income

The company's financial statements fairly reflect its financial position



The company will generate positive cash flows



14. Match each accounting term with its definition.

Answer options may be used more than once or not at all.

		YOUR ANSWER	CORRECT ANSWER
✓	Reliable	Information that can be verified	Information that can be verified
✓	Relevant	Information having to do with the matter at hand	Information having to do with the matter at hand
✓	Material	Information that is important enough to make a difference	Information that is important enough to make a difference
✓	Conservatism	Information related to recognizing losses as they occur	Information related to recognizing losses as they occur



15. **Order the steps in the decision cycle from first (1) to last (5).**

Select your answers from the pull-down list.

		YOUR ANSWER	CORRECT ANSWER
✓	1	Prepare financial statements	Prepare financial statements
	2	Gather information	Analyze financial statements
	3	Analyze financial statements	Gather information
✓	4	Make decision	Make decision
✓	5	Implement decision	Implement decision



16. **Partial financial information for a company is as follows:**

Current assets	\$36,543
Total assets	\$58,719
Current liabilities	\$24,824
Total liabilities	\$48,561

Stockholders' equity	\$10,158
Sales	\$46,997
Net Income	\$ 3,761
Market value of shares	\$41,316

What is the price-earnings (PE) ratio for this company?

	YOUR ANSWER	CORRECT ANSWER
11.0	✓	✓
12.5		
12.9		
15.6		



17.

What does it mean if a company has a debt ratio of 101.5%?

	YOUR ANSWER	CORRECT ANSWER
The company has 1.5% more total liabilities than total assets.	✓	✓
The company has 1.5% more total liabilities than gross sales.		
The company has 1.5% more current liabilities than current assets.		
The company has 1.5% more total liabilities than net income.		



18.

What is consistent with a continual decline in gross profit if the firm's cost of goods sold remains the same?

	YOUR ANSWER	CORRECT ANSWER
Continual decrease in salaries		
Continual increase in interest		
Continual increase in taxes		
Continual decrease in sales	✓	✓

✓ 19. Which two cash flow adequacy ratios represent a cash cow?

Choose 2 answers

	YOUR ANSWER	CORRECT ANSWER
\$4,510 / \$4,932		
\$6,991 / \$5,486	✓	✓
\$8,091 / \$9,374		
\$5,220 / \$1,875	✓	✓
\$7,589 / \$9,210		

✓ 20. Which formula yields a cash times interest earned ratio of 11?

	YOUR ANSWER	CORRECT ANSWER
Cash before interest and taxes of \$11,000 / cash paid for income taxes of \$1,000		
Cash before interest and taxes of \$11,000 / cash paid for interest of \$1,000	✓	✓
Cash before interest and taxes of \$11,000 / cash		

	YOUR ANSWER	CORRECT ANSWER
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from operations of \$1,000

Cash before interest and taxes of \$11,000 / cash
paid for acquisitions of \$1,000

✓ 21. Which form of debt should be reported in the long-term liability category?

	YOUR ANSWER	CORRECT ANSWER
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Unearned revenue that will be earned in 9 months

Notes payable expected to be paid in 18 months



Accounts payable due in 30 days

Salaries payable due in 2 weeks

✓ 22. In January of year 1, a company began doing business as a corporation in order to sell technology-related accessories and services. During its first month of operations, the following events occurred:

January 1

The corporation received \$1,000,000 in cash in exchange for stock issued to stockholders.

January 3

The corporation borrowed \$250,000 from bank. The loan is a four-year loan with an interest rate of 12 percent, payable each year on January 1 beginning in year 2.

January 5

The corporation purchased equipment to be used in the business for \$200,000 cash.

January 8

The corporation purchased inventory costing \$200,000 by paying \$120,000

in cash. The remainder was put on credit accounts with suppliers.

January 15

The corporation hired five employees. Each employee will be paid \$1,000 at the end of each month.

January 30

The corporation paid \$6,000 cash for a one-year insurance policy. The policy period will begin on February 1, year 1.

What will be the impact of the January 5 event on the company’s balance sheet on that date?

	YOUR ANSWER	CORRECT ANSWER
Equipment will increase \$200,000, and cash will decrease \$200,000.	✓	✓
Cash will decrease \$200,000, and paid-in-capital will decrease \$200,000.		
Equipment will increase \$200,000, and retained earnings will decrease \$200,000.		
Cash will decrease \$200,000, and loan payable will decrease \$200,000.		



23.

In January of year 1, a company began doing business as a corporation in order to sell technology-related accessories and services. During its first month of operations, the following events occurred:

January 1

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The corporation purchased inventory costing \$200,000 by paying \$120,000 in cash. The remainder was put on credit accounts with suppliers.

January 15

The corporation hired five employees. Each employee will be paid \$1,000 at the end of each month.

January 31

The corporation paid \$6,000 cash for a one-year insurance policy. The policy period will begin on February 1, year 1.

What will be the impact of the January 31 event on the company's balance sheet on that date?

	YOUR ANSWER	CORRECT ANSWER
Cash will decrease \$6,000, and paid-in capital will decrease \$6,000.		
Prepaid insurance will increase \$6,000, and cash will decrease \$6,000.	✓	✓
Prepaid insurance will decrease \$6,000, and accounts payable will decrease \$6,000.		
Cash will decrease \$6,000, and accounts receivable will increase \$6,000.		



24.

Which two values affect the measurement of net income?**Choose 2 answers**

	YOUR ANSWER	CORRECT ANSWER
Dividends paid	✓	
Stockholder contributions		
Operating expenses	✓	✓
Ordinary gains and losses		✓



25.

Which two items' subtotals are included in a multi-step income statement?**Choose 2 answers**

	YOUR ANSWER	CORRECT ANSWER
Gross profit	✓	✓
Total assets		
Current liabilities		
Income from operations	✓	✓



26.

A furniture company using accrual accounting purchased 20 sofas in November 2011. In December 2011, 8 of the 20 sofas were sold to customers. The customers all signed contracts agreeing to pay half the amount owed in February 2012 and the remaining half in March 2012. At the time of sale, the company was reasonably sure the customers would pay the amount owed.

The furniture company pays its salespeople a commission on each sofa sold,

with commissions for December 2011 sales paid in January 2012.

The furniture company paid \$3,000 for advertising that ran in the local newspaper in November 2011.

In which month should advertising costs be expensed?

	YOUR ANSWER	CORRECT ANSWER
February 2012		
January 2012		
December 2011		
November 2011	✓	✓

- ✓ 27. On May 1, 2011, a company using accrual accounting purchased equipment costing \$500,000. It expects the equipment to have a useful life of five years. At the time of purchase, the company also purchased a one-year insurance policy on this equipment, which cost \$6,000.

How much insurance expense should the company have recognized for the year ending in 2011?

	YOUR ANSWER	CORRECT ANSWER
\$3,000		
\$4,000	✓	✓
\$6,000		
\$8,000		

- ✗ 28. In January of year 1, a company began doing business as a corporation in order to sell technology-related accessories and services. During its first month of operations, it focused on obtaining the financing needed to start its

operations. In February of year 1, the company sold inventory costing \$25,000 for \$75,000 cash.

In February of year 1, the company provided technology-related services worth \$10,000. Customers paid a total of \$4,000 in cash for these services and promised to pay the remainder the following month.

What will be the total impact of these services provided on the company's balance sheet other than an increase in cash of \$4,000?

Choose 2 answers

	YOUR ANSWER	CORRECT ANSWER
Accounts receivable will increase \$6,000.	✓	✓
Retained earnings will increase \$10,000.		✓
Retained earnings will decrease \$2,000.	✓	
Retained earnings will increase \$6,000.		
Accounts receivable will decrease \$6,000.		



29.

What was the 2012 net profit amount if the 2013 pro-forma net profit of \$187,000 was based on a 22% increase?

	YOUR ANSWER	CORRECT ANSWER
\$228,140		
\$182,975		
\$153,279	✓	✓
\$145,860		



30.

What is a common category in a statement of cash flows?YOUR
ANSWERCORRECT
ANSWER

Cash from planning activities

Cash from production activities

Cash from marketing activities

Cash from investing activities



31.

Which cash flow category would include "cash received from investors"?YOUR
ANSWERCORRECT
ANSWER

Cash from financing activities

Cash from charitable activities

Cash from investing activities



Cash from sponsoring activities



32.

Which item is an investing activity?YOUR
ANSWERCORRECT
ANSWER

Cash receipts from dividend revenue

Cash receipts from issuance of stock

Cash payments for dividends

Cash payments for purchase of plant assets



33.

What impact does the sale of equipment have on the statement of cash flows?

	YOUR ANSWER	CORRECT ANSWER
Increase in cash from investing activities	✓	✓
Increase in cash from operating activities		
Increase in cash from financing activities		
Decrease in cash from operating activities		



34. What is known about the direct and indirect methods of preparing statements of cash flow?

	YOUR ANSWER	CORRECT ANSWER
The direct method is more popular among large U.S. companies		
The indirect method is more popular among large U.S. companies	✓	✓
Both methods have the same popularity among large U.S. companies		
Neither method is very popular among large U.S. companies		



35. A company's statement of cash flows includes the following cash transactions:

Sales	1,250,000
Inventory Purchase	-750,000
Property and Equipment Purchase	-270,000
Interest Payment on Long-Term Debt	-25,000
Payment of Wages	-315,000
Payment of Rent	-40,000

Borrowing Long-Term Debt	200,000
Payment of Cash Dividends	-15,000
Repurchase of Treasury Stock	-40,000
 Total Cash Flows	 -5,000

Assuming the company uses US GAAP standards, what is the total cash flow from financing activities?

	YOUR ANSWER	CORRECT ANSWER
\$175,000	✓	
\$160,000		
\$145,000		✓
\$120,000		



36.

Which two examples represent financial statement errors?

Choose 2 answers

	YOUR ANSWER	CORRECT ANSWER
An accounting employee overpays a supplier and receives a portion of the excess as a kickback		
The accounting department miscalculates the payroll tax due at year-end, resulting in an inaccurate liability	✓	✓
The outside auditor disagrees with the amount reported as an allowance for uncollectible accounts receivable		

YOUR
ANSWERCORRECT
ANSWER

The accountant unintentionally records amounts as revenue that were prepaid by customers but not yet earned



37.

Which internal control is intended to ensure that a company does not mistakenly pay a supplier for an invoice that includes more items than were actually received?

YOUR
ANSWERCORRECT
ANSWER

The purchasing department authorizes the order of all items before they occur.

The company requires two signatures on each check in order for a payment to be sent.

The inventory department counts and inspects items as received and forwards the receiving record to accounts payable.



The accounts payable department utilizes prenumbered checks in the payment of supplier invoices.



38.

What are two common reasons for managers to manipulate reported earnings?

Choose 2 answers

YOUR
ANSWERCORRECT
ANSWER

They are feeling pressured to meet internal sales goals.



They are preparing to qualify for a bank loan.



YOUR
ANSWERCORRECT
ANSWER

They are feeling pressured to comply with an external auditor.

They are preparing to meet Sarbanes-Oxley requirements.



39.

Which two requirements must accounting firms that audit public companies meet under the Sarbanes-Oxley Act?

Choose 2 answers

YOUR
ANSWERCORRECT
ANSWER

Firms must not provide certain nonaudit services to audit clients, such as management functions or legal services.



Firms must report to and be retained by the audit committee rather than the CFO or other company management.



Firms must help to develop and enforce a code of ethics on audit clients.

Firms must not audit the same public company for more than five consecutive years.



40.

Which two requirements must management of public companies meet under the Sarbanes-Oxley Act?

Choose 2 answers

	YOUR ANSWER	CORRECT ANSWER
They must provide an assessment of the effectiveness of internal controls with each annual report.	✓	✓
They must support a stronger board and audit committee.	✓	✓
They must be rotated every five years.		
They must authorize any loans to members of the board of directors.		



41.

Which two actions do internal auditors perform to assist in maintaining the integrity of financial statements?

Choose 2 answers

	YOUR ANSWER	CORRECT ANSWER
They search for and investigate fraud.	✓	✓
They review financial records and internal controls.	✓	✓
They perform the initial accounting for various transactions.		
They issue opinions regarding whether financial statements align with Generally Accepted Accounting Principles (GAAP).		



42.

What is a significant role of the U.S. Securities and Exchange Commission (SEC) in financial reporting?

	YOUR ANSWER	CORRECT ANSWER
They ensure that financial statement users are provided with reliable information to use in decision making.	✓	✓
They ensure that auditors have the resources and information necessary to provide valuable professional services.		
They support company management and boards of directors in the effective discharge of their responsibilities.		
They provide representation and training to controllers of public companies.		



43.

What does management accounting provide?

Choose 2 answers

	YOUR ANSWER	CORRECT ANSWER
The insight that management needs so the business can perform more effectively	✓	✓
The insight that outside stakeholders need to choose a company that has a competitive advantage over competitors		
The detailed data that managers need to make decisions that will give the business a competitive edge	✓	✓
The information needed by the IRS to decide if a company should have a tax audit performed		



44.

How does management accounting differ from financial accounting?YOUR
ANSWERCORRECT
ANSWER

Management accounting presents an unbiased view of a company's economic performance.

Management accounting is used primarily for internal planning, control, and evaluation.



Management accounting is restricted to providing financial rather than nonfinancial data.

Management accounting is not used to gain a competitive advantage in the marketplace.



45.

Which account is seen on the balance sheet of a manufacturing company but not on the balance sheet of a service-oriented company?YOUR
ANSWERCORRECT
ANSWER

Equipment

Accounts receivable

Inventory



Cash



46.

What is a cost that will change in the future based upon the decision made?YOUR
ANSWERCORRECT
ANSWER

Opportunity cost

Differential cost



Sunk cost

YOUR
ANSWERCORRECT
ANSWER

 Out-of-pocket cost

✓ 47. Which two examples are period costs?

Choose 2 answers

YOUR
ANSWERCORRECT
ANSWER

 Direct labor

 Administrative expenses

✓

✓

 Selling expenses

✓

✓

 Manufacturing overhead

✓ 48. A company manufactures custom-built wooden bookshelves.

Which two costs would the company classify as period costs?

Choose 2 answers

YOUR
ANSWERCORRECT
ANSWER

 Wood cost

 Salary cost of the craftsperson

 Salary cost of the receptionist

✓

✓

 Advertising cost

✓

✓

✗ 49. What role do ethical standards have in management accounting?

	YOUR ANSWER	CORRECT ANSWER
To prevent all unethical behavior of anyone the management accountant may work with	✓	
To provide the management accountant with the ability to know if a person will act ethically or not		
To guide the resolution to possible ethical dilemmas that the managerial accountant may encounter		✓
To provide the management accountant with the ability to work with only companies that follow strict ethical principles		



50.

During its first month of operations, a manufacturer incurs the following costs in dollars related to activities within its factory:

Direct materials costs	\$5,000
Indirect materials	\$2,000
Direct labor	\$15,000
Indirect labor	\$3,000
Factory rent	\$10,000
Depreciation on factory equipment	\$8,000

What are the manufacturer's total product costs for the month?

	YOUR ANSWER	CORRECT ANSWER
\$20,000		
\$25,000	✓	
\$38,000		
\$43,000		✓

- ✓ 51. During its first month of operations, a manufacturer incurs the following costs (in dollars) related to activities within its factory:

Direct materials	\$15,000
Direct labor	\$30,000
Manufacturing overhead	\$40,000

What amount should be reported as cost of goods sold on the income statement if 5,000 units are produced and 4,000 are sold?

	YOUR ANSWER	CORRECT ANSWER
\$56,000		
\$68,000	✓	✓
\$70,000		
\$85,000		

- ✗ 52. Which two costs are included when calculating inventory costs?

Choose 2 answers

	YOUR ANSWER	CORRECT ANSWER
Selling	✓	
Direct labor		✓
Overhead	✓	✓
Legal		

- ✓ 53. In which scenario would activity-based costing be more appropriate than traditional costing?

YOUR
ANSWERCORRECT
ANSWER

Direct labor and direct materials are the major costs associated with a company's two products. The small overhead cost is closely associated with the products' use of direct labor hours.

A company produces one product line. All of the overhead is, therefore, allocated to that product line.

A company produces several different products. The products have very similar requirements for their production and have minimal variation between them.

A company produces five different products. The products are highly differentiated and have significantly different demands for their use of overhead costs.



54.

Which category of ABC activities are machine setup and material movement costs associated with?

YOUR
ANSWERCORRECT
ANSWER

Unit-level activities

Batch-level activities



Product line activities



Facility support activities



55.

The director of a marathon race wants to assign the cost of having police officers along the race route to manage crowd control.

Which consideration is an appropriate cost driver?

	YOUR ANSWER	CORRECT ANSWER
The amount of hours the director spends on organizing the race	✓	
The amount of the registration fee		
The number of race participants and spectators		✓
The cost of liability insurance for the race		



56. A manufacturer produces three products: A, B, and C.

The company uses the following information to determine activity rates for each pool:

Cost Pool	Costs	Total Activity
Pool 1	\$300,000	20,000 hours
Pool 2	\$20,000	500 pounds
Pool 3	\$10,000	100 moves
Total	\$330,000	

Data concerning the three products appear below:

Cost Driver	Products A	Products B	Products C
Number of hours	10,000	7,500	2,500

Number of pounds	150	250	100
Number of moves	20	30	50

What is the total amount of overhead applied to product A?

	YOUR ANSWER	CORRECT ANSWER
\$125,500		
\$150,000		
\$158,000	✓	✓
\$265,000		



57.

A running shoe manufacturer produces three types of shoes: traditional, minimalist, and spikes.

The company uses the following information to determine activity rates for each pool:

Cost Pool	Costs	Total Activity
Shoe Production	\$250,000	20,000 pairs of shoes
Shoe batches	\$10,000	500 batches
Shoe design	\$5,000	100 parts
Total	\$265,000	

Data concerning the three shoe products appear below:

Cost Driver Traditional Minimalist Spikes

Number of pairs of shoes	10,000	7,500	2,500
Number of batches	150	250	100
Number of parts	20	30	50

What is the total amount of overhead applied to spikes shoes?

	YOUR ANSWER	CORRECT ANSWER
\$265,000		
\$100,250		
\$35,750	✓	✓
\$31,250		



58.

Given the following information:

Pairs of shoes expected to be produced	1,950,000
Pairs of shoes produced	2,500,000
Overhead rate	\$0.75

What is the amount of applied overhead?

	YOUR ANSWER	CORRECT ANSWER
\$412,500		
\$550,000		
\$1,462,500		
\$1,875,000	✓	✓



59.

Company A calculated the following information under traditional and activity-based costing for the production and sale of 1,000 units of Product B:

	Traditional ABC	
Sales	\$100,000	\$100,000
Cost of goods sold	\$70,000	\$110,000
Gross margin	\$30,000	(\$10,000)

Which decision should be made about the selling price of Product B?

	YOUR ANSWER	CORRECT ANSWER
The price of Product B should be increased.	✓	✓
The price of Product B should be decreased.		
The number of production batches of Product B should be increased.		
Traditional costing should be used instead of activity-based costing.		



60.

A company reported the following information for the production and sale of 500,000 gallons of oil:

Sales:		\$1,500,000
Production costs:		
Direct materials	\$575,000	
Direct labor	\$300,000	
Applied overhead (Using ABC)		
Overhead based on number of gallons	\$375,000	
Overhead based on number of batches	\$100,000	
Overhead based on number of ingredients	\$180,000	
Total production cost		\$1,530,000
Gross profit		(\$30,000)

Overhead was applied based upon the following predetermined overhead rates:

\$0.75 per gallon
 \$500 per batch
 \$1,000 per ingredient

What would be the gross profit if the company increased their selling price per gallon by \$0.10?

	YOUR ANSWER	CORRECT ANSWER
\$10,000		
\$20,000	✓	✓
\$50,000		
\$75,000		

✓ 61. Which two concepts are studied in cost-volume-profit analysis?

Choose 2 answers

	YOUR ANSWER	CORRECT ANSWER
Liabilities		
Profits	✓	✓
Levels of activity	✓	✓
Inventory		

✓ 62. What are two impacts on costs as sales volume increases?

Choose 2 answers

	YOUR ANSWER	CORRECT ANSWER
Total fixed costs will increase in direct proportion.		
Total fixed costs will decrease in direct proportion.		
Fixed costs per unit will stay the same.		
Fixed costs per unit will increase.		
Total fixed costs will stay the same.	✓	✓
Fixed costs per unit will decrease.	✓	✓



63.

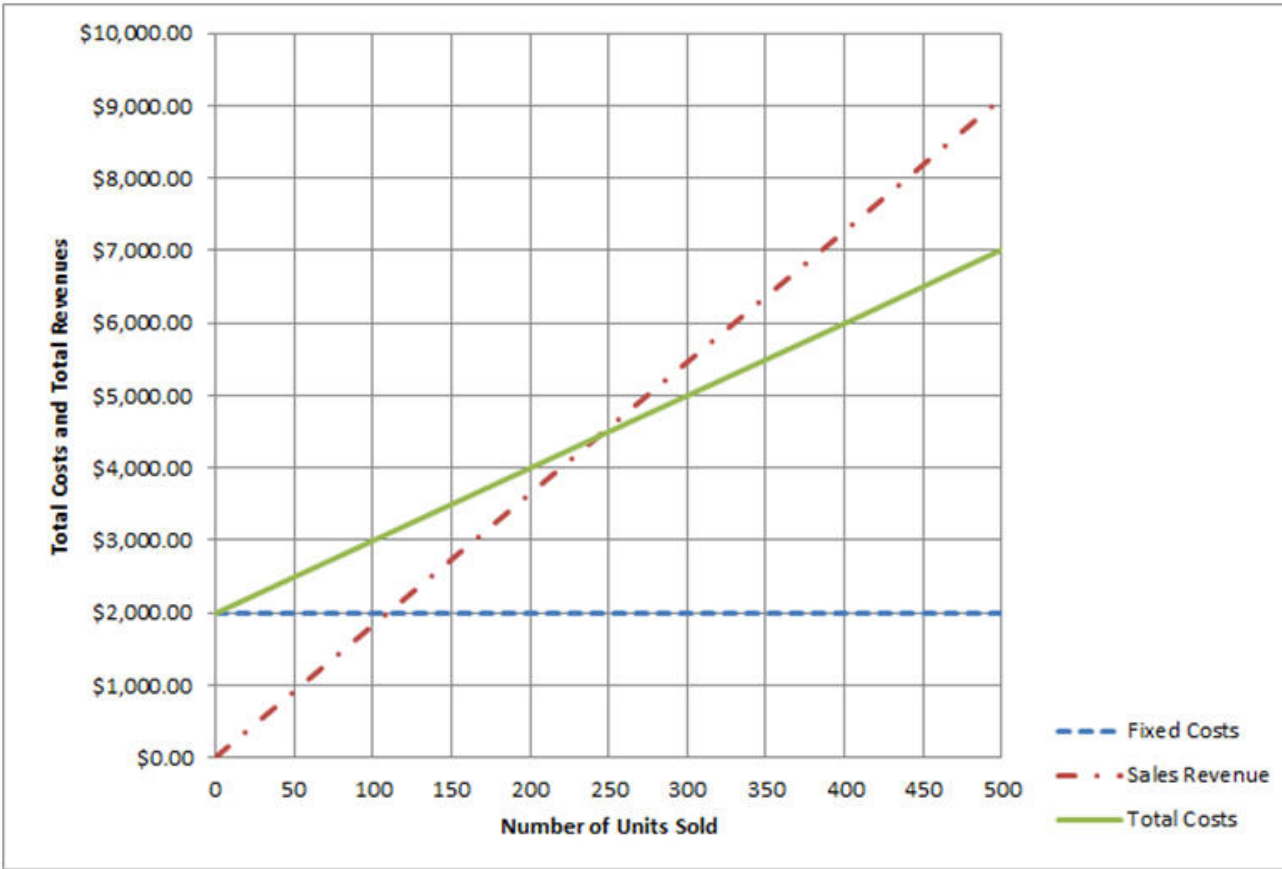
A company manufactures and sells widgets. The following information is available:

- Each widget sells for \$100.
- The variable cost per widget is \$50.
- Total fixed costs per month are \$300,000.

How many widgets does the company need to sell each month to break even?

	YOUR ANSWER	CORRECT ANSWER
6,000		✓
4,500		
3,000		
2,000	✓	

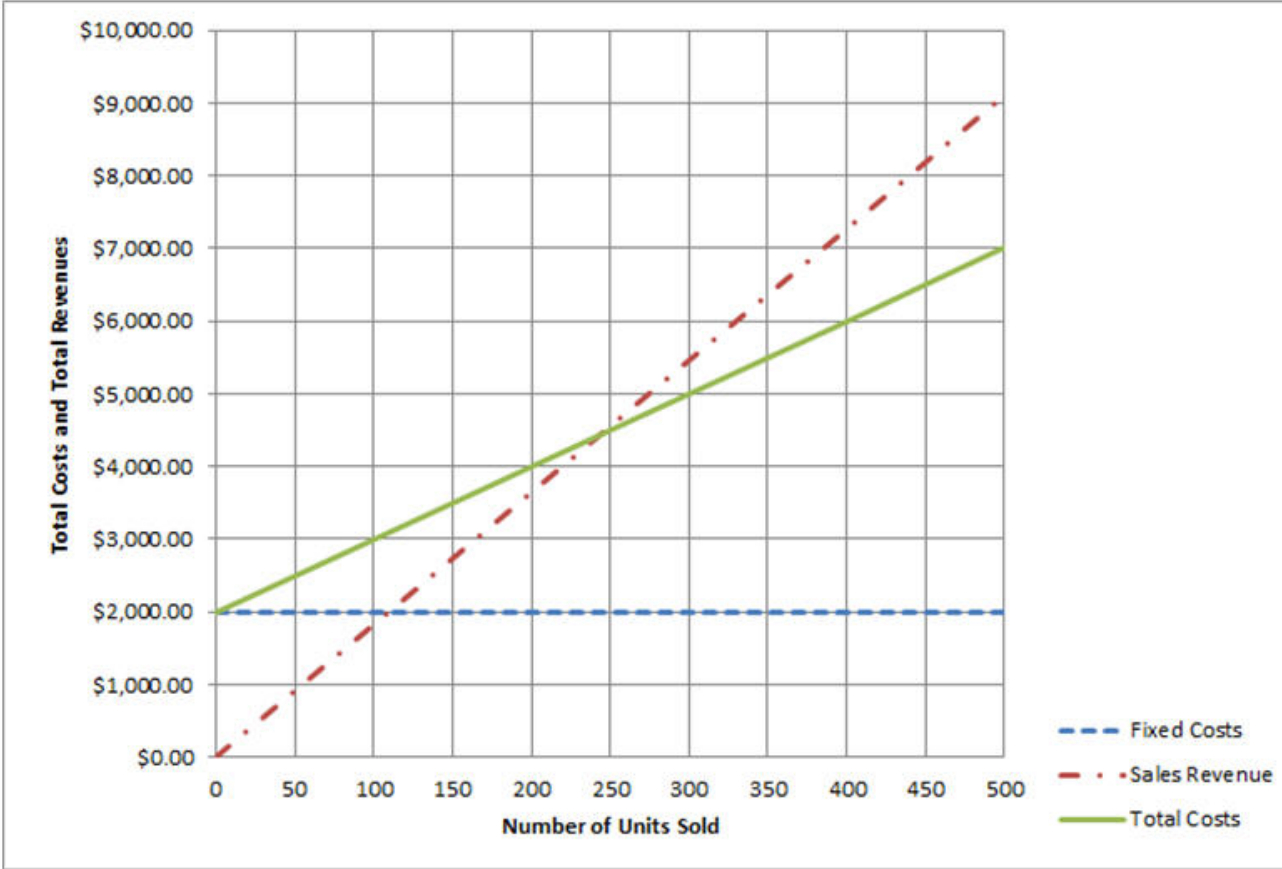
✓

64.

What do total revenues equal at the break-even point?

	YOUR ANSWER	CORRECT ANSWER
\$2,000		
\$2,500		
\$4,500	✓	✓
\$6,500		

✓

65.

Which statement is true with respect to the point on this graph when sales are at 150 units per month?

	YOUR ANSWER	CORRECT ANSWER
Sales revenue equals \$2,500.		
Total costs equal \$2,000.		
Total costs equal \$3,500.	✓	✓
Fixed costs equal \$2,750.		

✓

66. A company is experiencing an increase in their bad debt expense.

Which change in credit policy would cause this increase?

	YOUR ANSWER	CORRECT ANSWER
Credit terms of 2/10, <i>n</i> /30 were granted on all credit sales.		
The company tightened their credit policy.		
Credit limits were increased for all customers.	✓	✓
Some customers were allowed to pay their bills in 60 days versus the normal 30 days.		



67. A company has projected the following sales for the spring quarter of 2014:

April	\$200,000
May	\$250,000
June	\$275,000

65% of all sales are paid for with cash. The remainder is on credit.

The pattern for credit receivables collections are:

Month of Sale	60%
Month After Sale	30%
Second Month After Sale	10%

What are the forecasted cash collections for the month of June?

	YOUR ANSWER	CORRECT ANSWER
\$178,750	✓	
\$248,750		
\$269,750		✓
\$275,000		



68. A company budgeted the following purchases for raw materials:

Month	January	February	March	April	May	June	July
Budget	\$10,000	\$20,000	\$25,000	\$22,000	\$27,000	\$30,000	\$24,000

The company has a policy of paying for 40% of the purchases in the month of purchase, 35% in the month following the purchase, and 25% in the second month following the purchase.

Based on this information, what are the budgeted cash disbursements for May?

	YOUR ANSWER	CORRECT ANSWER
\$18,500		
\$24,750		✓
\$25,050		
\$27,300	✓	



69. A company plans to purchase inventory for the second half of 2014 as follows:

July	\$100,000
August	\$75,000
September	\$225,000
October	\$125,000
November	\$250,000
December	\$30,000

They usually pay 50% of inventory purchases in the month of purchase, 35%

in the following month, and 15% in the second month.

Based on this information, what are the forecasted total 2014 cash payments for inventory purchased in the second half of 2014?

	YOUR ANSWER	CORRECT ANSWER
\$705,000	✓	
\$752,500		✓
\$790,000		
\$805,000		