

CPABC

COIN Competition

Sample Exam

- Exam duration is 1 hour.
- Exam consists of 50 multiple choice questions.
- Note: There is a 51st question on the exam which will be marked only in the event that we have a tie situation for 1st, 2nd or 3rd place winners. The results of this question will be used to break the tie.

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1. A person who risks both time and money to start and manage a business is (1 mark):
 - a. An overachiever
 - b. A supervisor
 - c. An entrepreneur
 - d. A narcissist

2. The amount of money a business earns above and beyond what it spends for salaries and other expenses is called (1 mark):
 - a. Savings
 - b. Cash
 - c. Revenue
 - d. Profit

3. What is revenue? (1 mark):
 - a. The income generated from the sale of goods or services before expenses
 - b. The income generated from sale of goods or services after expenses

4. The activity of providing goods and/or services while operating at a profit is called a: (1 mark)
 - a. Consumer advocating
 - b. Business
 - c. Barter system
 - d. None of the above

5. Standard of living is the amount of goods and services people can buy with the money they have: (1 mark)
 - a. True
 - b. False

6. What is inflation? (1 mark)
 - a. The cost of producing goods and/or services
 - b. A situation in which price increases are slowing down
 - c. A general rise in the prices of goods and services over time
 - d. None of the above

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7. What does GDP stand for? (1 mark)

- a. Gross Domestic Product
- b. Good Distribution Practice
- c. Global Detection Probability
- d. Global Data Pool

8. What is an oligopoly? (1 mark)

- a. Total sales of an organization divided by the sales of the market they serve
- b. A form of competition in which just a few sellers dominate the market
- c. Assigning or allocating costs to a specified marketing activity

9. A detailed written document that outline's a company's target market, mission, business, and competitive advantage is the: (1 mark)

- a. Mission statement
- b. Corporate action plan
- c. Statement of profit and loss
- d. Business plan

10. Accounting is: (1 mark)

- a. The process that describes our relationship with one another in society
- b. The process that describes production systems
- c. The process that keeps accounts of goods purchases and sales
- d. Recording, classifying and explaining all financial transactions

11. Why is accounting important? (1 mark)

- a. Because it communicates information about a company's operations and finances
- b. Because it allows entrepreneurs to make informed decisions about their business
- c. Because it measures economics events that effect everyone
- d. A and B
- e. A, B, and C

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12. The principal objective of accounting is: (1 mark)

- a. To determine financial results
- b. To determine financial position
- c. To control expenditures
- d. A and B
- e. B and C

13. Which financial statement displays the revenues and expenses of a company over a set period of time? (1 mark)

- a. Balance sheet
- b. Income statement
- c. Cash flow statement
- d. Statement of shareholder's equity

14. What is the primary purpose for financial accounting? (1 mark)

- a. To track company expenses
- b. Provide useful financial information to outsiders
- c. Minimize the amount of taxes the company owes
- d. To organize financial information

15. Which of the following is NOT included as a separate item in the basic accounting equation? (1 mark)

- a. Revenues
- b. Assets
- c. Liabilities
- d. Shareholder's equity

16. What is an economic entity? (1 mark)

- a. A separate, identifiable organization which uses resources to achieve goals
- b. Any organization that loans money to new businesses who require capital to start operations
- c. An organization that measures the supply and demand for products and services
- d. None of the above

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17. What account is not considered a liability account? (1 mark)

- a. Accounts payable
- b. Accrued expenses
- c. Accounts receivable
- d. Notes payable

18. Who are the users of financial statements? (1 mark)

- a. Owners
- b. Customers
- c. Government
- d. A and B only
- e. A, B and C

19. Auditing is: (1 mark)

- a. Evaluating the adequacy of a company's internal control structure
- b. The examination of financial statements by an independent party with the purpose of expressing an opinion on fairness of presentation and compliance with GAAP
- c. All of the above
- d. None of the above

20. What is cost accounting? (1 mark)

- a. An accounting system that provides information for internal users such as management rather than strict compliance with GAAP
- b. The recording, presentation and analysis of manufacturing costs
- c. Tax planning and preparation of tax returns
- d. None of the above

21. What type of cost would an executive's salary be? (1 mark)

- a. Manufacturing cost
- b. Administrative cost
- c. Product cost
- d. Selling expense

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22. A business owned by only one person where the owner faces limited liability is a: (1 mark)

- a. Corporation
- b. Proprietorship
- c. Partnership
- d. Cooperative

23. If a business has the following items in it: \$1,000,000 Land, \$20,000 Machinery, \$10,000 Cash, and \$0 Debt; what is the value of owner's equity? (1 mark)

- a. \$1,000,000
- b. \$1,020,000
- c. \$1,010,000
- d. \$1,030,000
- e. None of the above

24. What is the gross margin? (1 mark)

- a. Assets less liabilities
- b. Sales less cost of sales and taxes
- c. Sales less cost of sales
- d. The value of assets given up for nothing in return
- e. None of the above

25. Strict compliance to General Accepted Accounting Principles (GAAP) is observed through what type of accounting? (1 mark)

- a. Financial accounting
- b. Management accounting
- c. Cost accounting
- d. Auditing
- e. Fiduciary accounting

26. The cash flow statement: (1 mark)

- a. Shows manufacturing income and expenses only
- b. Shows income and expenses less taxes
- c. Shows accrued income and expenses
- d. Shows income actually received and expenses actually paid

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27. Which of the following uses managerial accounting? (1 mark)

- a. Manufacturing and service entities, but not merchandising
- b. Profit-oriented businesses only
- c. Service, manufacturing, and merchandising entities
- d. Only manufacturing entities

28. What makes your balance sheet always equal on both sides? (1 mark)

- a. Owner's equity
- b. The accounting equation
- c. Assets
- d. Liabilities

29. The fiscal year of a business is usually determined by: (1 mark)

- a. Canada Revenue Agency
- b. The Tax Act
- c. Provincial securities and exchange commissions
- d. The operating cycle of the business itself

30. What is the accounting equation? (1 mark)

- a. $\text{Assets} = \text{Liabilities} + \text{Shareholders Equity}$
- b. $\text{Assets} = \text{Liabilities} - \text{Shareholders Equity}$
- c. $\text{Assets} = \text{Expenses} - \text{Net Income}$
- d. None of the above

31. Collection of an account receivable would: (1 mark)

- a. Decrease liabilities
- b. Decrease owner's equity
- c. Have no effect on owner's equity
- d. Increase total assets

32. The purpose of adjusting entries is to: (1 mark)

- a. Correct errors made in the accounting records
- b. Update the balance of the owner's capital account for changes in owner's equity temporarily recorded in revenue and expense accounts
- c. Prepare the revenue and expense accounts for recording the transactions of the next accounting period
- d. Bring an asset or liability account balance to its proper amount while also updating the related expense or revenue account

33. The relationship between current assets and current liabilities is important in evaluating a company's: (1 mark)

- a. Profitability
- b. Liquidity
- c. Market value
- d. Accounting cycle

Use the following information for question 34: (2 marks)

A company receives \$730 of cash as an additional investment in the company by its owner, Raj Pawan.

34.

A) Should the \$730 entry to the Cash account be a debit? (1 mark)

- a. Yes
- b. No

B) Should the \$730 entry to R. Pawan, Capital be a debit? (1 mark)

- a. Yes
- b. No

35. A business has Cash of \$3,000, Notes Payable of \$2,500, Accounts Payable of \$4,300, Service Revenue of \$7,000, and Rent Expense of \$2,400. Based on this data, how much are its total liabilities? (1 mark)

- a. \$4,600
- b. \$6,800
- c. \$9,800
- d. \$13,800

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36. Jumping Jellybeans Co. earned revenue on account. The earnings of revenue on account is recorded by a: (1 mark)

- a. Debit to Cash and a credit to Revenue
- b. Debit to Revenue and a credit to Accounts Receivable
- c. Debit to Accounts Payable and a credit to Revenue
- d. Debit to Accounts Receivable and a credit to Revenue

37. Wild Waves Co. purchased land for cash. This is recorded by: (1 mark)

- a. Debit to Cash and a credit to Land
- b. Debit to Cash and a debit to Land
- c. Debit to Land and a credit to Cash
- d. Credit to Cash and a credit to Land

38. If the assets of a business are \$200,000 and the liabilities are \$90,000, how much is the shareholder's (owner's) equity? (1 mark)

- a. \$110,000
- b. \$90,000
- c. \$290,000
- d. \$200,000

39. Accumulated Amortization is reported on: (1 mark)

- a. The balance sheet
- b. The income statement
- c. The statement of Shareholder's equity
- d. Both a and b

40. Which of the following forms of business organization is personally liable for business debts and has a single owner? (1 mark)

- a. Corporation
- b. Law firm
- c. Partnership
- d. Proprietorship

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41. Performing a service for a customer or client and receiving the cash immediately will: (1 mark)

- a. Increase one asset and decrease another asset
- b. Increase an asset and increase owner's equity
- c. Decrease an asset and decrease a liability
- d. Increase an asset and increase a liability

42. The major expense of a merchandising business is: (1 mark)

- a. Interest
- b. Rent
- c. Cost of Goods Sold
- d. Amortization

43. If a business has the following items in it: \$1,000,000 Land, \$20,000 Machinery, \$10,000 Cash, and \$0 Debit; what is the value of owner's equity? (1 mark)

- a. \$1,000,000
- b. \$1,020,000
- c. \$1,010,000
- d. \$1,030,000
- e. None of the above

44. The bookkeeper recorded prepaid insurance in the amount of \$2,300 incorrectly as \$3,200. Which journal entry will correct the ledger accounts if the business records prepaid expenses by debiting an asset account? (1 mark)

- a. Cash 900
 Prepaid insurance 900
- b. Cash 900
 Insurance expense 900
- c. Insurance expense 900
 Cash 900
- d. Accounts receivable 900
 Prepaid insurance 900

Use the following information to answer questions 45 – 50

The celebrity singer Adele decided to start up a new business selling couture umbrellas called, *Adele's Umbrellas Ltd*. She uses the normal-costing, perpetual method of accounting for inventories. The company accounts she uses are listed below:

- Accounts receivable
- Accounts payable
- Cash
- Cost of Goods Sold
- Depreciation expense
- Manufacturing overhead (OH) control
- Wages expense
- Utilities payable
- Finished goods inventory
- Accumulated depreciation
- Sales revenue
- Wages payable
- Direct material inventory
- Work in progress inventory
- Utilities expense
- Other

45. Adele's Umbrellas purchased \$28,000 raw material on account – the ____ account should be debited and the ____ account should be credited: (2 marks)

- a. Accounts payable, Cost of Goods Sold
- b. Cost of Goods Sold, Accounts payable
- c. Direct material inventory, Accounts payable
- d. Accounts payable, Direct material inventory

46. Adele's Umbrellas recognized 1,300 hours of direct labour at a cost of \$18,000 – the ____ account should be debited and the ____ account should be credited: (2 marks)

- a. Wages payable, Work in process inventory
- b. Work in progress inventory, Wages payable
- c. Cost of Goods Sold, Wages payable
- d. Wages payable, Cost of Goods Sold

47. Adele's Umbrellas paid workers direct labour wages of \$18,000 – the ____ account should be debited and the ____ account should be credited: (2 marks)

- a. Wages payable, Cash
- b. Cash, Wages payable
- c. Wages expense, Wages payable
- d. Wages payable, Wages expense

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48. Adele’s Umbrellas recognized \$5,500 depreciation of factory machines – the ____ account should be debited and the ____ account should be credited: (2 marks)

- a. Accumulated depreciation, Cost of Goods Sold
- b. Cost of Goods Sold, Accumulated depreciation
- c. Manufacturing OH control, Accumulated depreciation
- d. Accumulated depreciation, Manufacturing OH control

49. Adele’s Umbrellas allocated overhead costs to production at a rate of \$6 per unit – the ____ account should be debited and the ____ account should be credited: (2 marks)

- a. Cost of Goods Sold, Work in progress inventory
- b. Work in progress inventory, Cost of Goods Sold
- c. Manufacturing OH control, Work in progress inventory
- d. Work in progress inventory, Manufacturing OH control

50. Adele’s Umbrellas received factory utility bill of \$3,900 – the ____ account should be debited and the account ____ should be credited: (2 marks)

- a. Utilities payable, Manufacturing OH control
- b. Manufacturing OH control, Utilities payable
- c. Cash, Utilities payable
- d. Utilities payable, Cash

Please answer the final questions below. This question will be marked only in the event that we have a tie for the 1st, 2nd, and 3rd place winners. The results of this question will be used to break the tie.

51. What are the six technical competency areas of focus in the CPA Professional Education Program (PEP)? (6 marks)

• Management Accounting	• Accounting Information Systems
• Resource Consumption Accounting	• Strategic Management
• Audit and Assurance	• Financial Reporting
• Taxation	• Strategy and Governance
• Forensic Accounting	• Project Accounting
• Finance	• Performance Management