Started on	Friday, 19 January 2024, 9:42 AM
State	Finished
Completed on	Friday, 19 January 2024, 12:44 PM
Time taken	3 hours 1 min
Overdue	1 min 44 secs
Grade	**31.00** out of 102.00 (**30**%)

Question **1**

Incorrect

Mark 0.00 out of 1.00

Consider the following transactions for DMX Trading Pvt. Ltd. Co. for the month Hidar 1998 assuming all prices are VAT exclusive: It purchased merchandise of Br 300,000 on cash from SYB Trading excluding VAT: It purchased merchandise of Br 575,000 on cash including VAT: It sold merchandise of Br 465,000 on cash To MM company excluding VAT: It sold to BM company on cash amounted to Br 690,000 including VAT: What is the VAT refund/VAT liability of the DMX Trading Ltd. Co. for the month of Hidar?

a. 39,750 VAT liability

b. 39,750 VAT refund

c. 42,000 VAT Refund

d. 42,000 VAT Liability ✖

The correct answer is: 39,750 VAT liability

Question **2**

Incorrect

Mark 0.00 out of 1.00

Assume that Cruz Company performs an impairment test for its equipment. The carrying amount of Cruz's equipment is 100,000, its fair value less costs to sell is 60,000, and its value-in-use is 105,000. What is the impairment value?

a. 5,000

b. 45,000 ✖

c. 40,000

d. No impairment

The correct answer is: No impairment

Question **3**

Incorrect

Mark 0.00 out of 1.00

Which of the following is not the examples jointly controlled operation?

- a. Entity A researches and develops drugs. Entity B manufactures drugs and promotes them commercially. So, entity A is the sole provider of the research and entity B pays for it to buy their study.
- b. Entities A and B have joint control over the specified research, development, manufacturing and commercial activities.
- c. Entities A and B enter into a contractual arrangement whereby they combine their operations, resources and expertise to manufacture, market and distribute aircraft.
- d. None of the above ✖

The correct answer is: Entity A researches and develops drugs. Entity B manufactures drugs and promotes them commercially. So, entity A is the sole provider of the research and entity B pays for it to buy their study.

Question **4**

Correct

Mark 1.00 out of 1.00

The following are the Prospects (opportunities) for developing securities markets exist in Ethiopia, except:

- a. Ethiopia has considerable unexploited resources.
- b. The existence of many profitable companies
- c. The existence of well established and advanced technology ✔
- d. Ethiopia also has considerable unexploited fertile land.

The correct answer is: The existence of well established and advanced technology

Question **5**

Correct

Mark 1.00 out of 1.00

It is estimated that 10% of the fixed overhead costs assigned to TE456 will no longer be incurred if the company purchases TE456 from the outside supplier. Concord's Engine Company has the option of purchasing the part from an outside supplier at $85 per unit. If Concord's Engine Company accepts the offer from the outside supplier, the monthly avoidable costs (costs that will no longer be incurred) total:

- a. $100,000
- b. $ 82,000 ✔
- c. $ 98,000
- d. $ 50,000

The correct answer is: $ 82,000

Question **6**

Correct

Mark 1.00 out of 1.00

An auditor learns that collections of accounts receivable during the first ten days of January were debited to cash and credited to accounts receivable as of December 31. The effect generally will be to:

- a. Leave both working capital and the current ratio unchanged at December 31.
- b. Overstate the current ratio with no effect on working capital at December 31.
- c. Overstate both working capital and the current ratio at December 31. ✔
- d. Overstate working capital with no effect on the current ratio at December 31.

The correct answer is: Overstate both working capital and the current ratio at December 31.

Question **7**

Incorrect

Mark 0.00 out of 1.00

XXX company have 2 million retained earnings and made 1 million profit this season and pay out as dividend 3 million, the type of dividend paid is

- a. Regular cash dividends
- b. Special dividend
- c. Scrip dividends
- d. Liquidating dividends

The correct answer is: Liquidating dividends

Question **8**

Correct

Mark 1.00 out of 1.00

Golden Rental Plc involves in renting of house around Arba Minch. For the year ended Sene 30, 2010, the firm has processed the following transactions. Recognized income from renting of building Br. 75,000/month. The associated furniture and equipment were rented at a per month rate of Br. 37,500. The value of building owned by the company is Br. 15,000,000 and the value of furniture and equipment is Br. 2,120,000. The company paid property tax of Br. 21,800/year. General and administrative expenses of Br. 18,250 were also paid. What is the amount rental income tax of Golden rental Plc?

- a. 40,875
- b. 40,785
- c. 199,750
- d. 0

The correct answer is: 40,785

Question **9**

Correct

Mark 1.00 out of 1.00

If total assets increased Birr 40,000 during a period and total liabilities increased Birr 22,000 during the same period, the amount and direction (increase or decrease) of the change in owner's equity for that period is a(n):

- a. Birr 18,000 decreases.
- b. Birr 52,000 decreases.
- c. Birr 18,000 increases. ✔
- d. Birr 52,000 increases.

The correct answer is: Birr 18,000 increases.

Question **10**

Correct

Mark 1.00 out of 1.00

Which of the following events is not recorded in the accounting records?

- a. A cash investment made into the business
- b. An employee terminated ✔
- c. Equipment purchased on account
- d. The company pays a cash dividend

The correct answer is: An employee terminated

Question **11**

Correct

Mark 1.00 out of 1.00

Which one of the following is the disadvantage of computerized accounting system?

- a. Increasing the volume of data
- b. Heavy cost of installation ✔
- c. Increase number of accountants in the company
- d. High amount of errors

The correct answer is: Heavy cost of installation

Question **12**

Incorrect

Mark 0.00 out of 1.00

Which of the following tax rate structure have advantage of the Equality in sacrifice?

- a. Progressive tax system
- b. Degressive tax system
- c. Proportional tax system
- d. Regressive tax system ✖

The correct answer is: Progressive tax system

Question **13**

Incorrect

Mark 0.00 out of 1.00

Which of the following shall IAS 41 be applied to?

- a. Bearer plants related to agricultural activity ✖
- b. Agricultural produce at the point of harvest
- c. Land related to agricultural activity
- d. All of the above

The correct answer is: Agricultural produce at the point of harvest

Question **14**

Incorrect

Mark 0.00 out of 1.00

A transaction in which a government issued general obligation to finance the construction of a new military camp would:

- a. Increase liabilities of debt service fund
- b. Increase liabilities of capital project fund
- c. Increase in fund balance of debt service fund
- d. Increase in fund balance of capital project fund ✖

The correct answer is: Increase in fund balance of debt service fund

Question **15**

Correct

Mark 1.00 out of 1.00

Cost classification on the basis of cost behavior stated as

- a. Sunk and Opportunity
- b. Variable and Fixed
- c. Mixed and Step
- d. Period and Product
- e. Sunk and Discretionary Cost

The correct answer is: Variable and Fixed

Question **16**

Incorrect

Mark 0.00 out of 1.00

Which one of the following is/are not the essential criteria in determining whether to recognize an intangible asset in a business combination?

- a. Is the intangible asset capable of being sold or otherwise inseparable from the acquired enterprise?
- b. Is the intangible asset incapable of being sold or otherwise separated from the acquired enterprise?
- c. Does the intangible asset arise from legal rights?
- d. Does the intangible asset arise from contractual

The correct answer is: Is the intangible asset incapable of being sold or otherwise separated from the acquired enterprise?

Question **17**

Correct

Mark 1.00 out of 1.00

Which of the following is not the critical attributes of an intangible asset?

- a. The value of the asset can be accurately measured
- b. Future economic benefits
- c. Is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract)
- d. Arises from contractual or other legal rights

The correct answer is: The value of the asset can be accurately measured

Question **18**

Correct

Mark 1.00 out of 1.00

Which of the following transaction is exposed to foreign exchange risk?

- a. Export sale on cash and the collection made on functional currency
- b. Import purchase on credit and the payment is made on functional currency
- c. Export sale on credit and the collection made on foreign currency
- d. Import purchase on cash and the payment made on the foreign currency

The correct answer is: Export sale on credit and the collection made on foreign currency

Question **19**

Incorrect

Mark 0.00 out of 1.00

Maggie Sharrer Company borrows $88,500 on September 1, 2014, from Sandwich Bank by signing an $88,500, 12%, one-year note. What is the accrued interest at December 31, 2014?

- a. $4,425
- b. $10,620
- c. $2,655
- d. $3,540

The correct answer is: $3,540

Question **20**

Incorrect

Mark 0.00 out of 1.00

A right to sell certain products or services or to use certain trademarks or trade names within a designated geographic area

- a. depletion
- b. patent right
- c. Copy right
- d. Franchise

The correct answer is: Franchise

Question **21**

Incorrect

Mark 0.00 out of 1.00

In fund-based financial statements, the proceeds from bond issuance are credited to:

- a. Bonds payable
- b. Non-exchange revenue
- c. Derived revenues
- d. Other financing sources

The correct answer is: Other financing sources

Question **22**

Correct

Mark 1.00 out of 1.00

Paid-in capital for a corporation may arise from which of the following sources?

- a. Issuing preferred stock
- b. Issuing common stock
- c. Selling the corporation’s treasury stock
- d. All of the above

The correct answer is:
All of the above

Question **23**

Incorrect

Mark 0.00 out of 1.00

In preparing a statement of cash flows, cash flows from operating activities:

- a. Are always equal to accrual accounting income.
- b. Can be calculated by appropriately adding to or deducting from net income those items in the income statement that do affect cash. ✖
- c. Can be calculated by appropriately adding to or deducting from net income those items in the income statement that do not affect cash.
- d. Are calculated as the difference between revenues and expenses.

The correct answer is: Can be calculated by appropriately adding to or deducting from net income those items in the income statement that do not affect cash.

Question **24**

Correct

Mark 1.00 out of 1.00

The use of pre-numbered checks in disbursing cash is an application of the principle of:

- a. Establishment of responsibility
- b. Segregation of duties
- c. Documentation procedures ✔
- d. Physical controls

The correct answer is: Documentation procedures

Question **25**

Correct

Mark 1.00 out of 1.00

A corporation has issued 25,000 shares of $100 par common stock and holds 3,000 of these shares as treasury stock. If the corporation declares a $2 per share cash dividend, what amount will be recorded as cash dividends?

- a. $22,000
- b. $44,000 ✔
- c. $50,000
- d. $25,000

The correct answer is: $44,000

Question **26**

Incorrect

Mark 0.00 out of 1.00

Which one of the following is true about the admission of a new partner to partnership through the purchase of an interest from existing partners?

- a. The division of the net income or net loss of a partnership is made according to the new or amended partnership agreement.
- b. The division of the net income or net loss of a partnership remain the same as previous.
- c. The total assets and capital of a partnership would be increased
- d. The incoming partner is required to invest assets in the partnership ✖

The correct answer is: The division of the net income or net loss of a partnership is made according to the new or amended partnership agreement.

Question **27**

Incorrect

Mark 0.00 out of 1.00

Which one of the following is true about closing of the temporary accounts?

- a. Income summary is closed dividend.
- b. Revenue is closed to retained earnings. ✖
- c. Dividend is closed to retained earnings.
- d. Expense is closed revenue.

The correct answer is: Dividend is closed to retained earnings.

Question **28**

Correct

Mark 1.00 out of 1.00

Companies use various methods to determine the extent of progress toward completion, the most common are:

- a. Units of work performed method
- b. The cost-to-cost method
- c. Units of delivery method
- d. All of the above ✔

The correct answer is: All of the above

Question **29**

Correct

Mark 1.00 out of 1.00

Which of the following is not the effect of financial systems on economic growth?

- a. Financial systems lower the cost of channeling funds between borrowers and lenders, by reducing information and transaction costs
- b. Financial intermediation affects capital accumulation by reallocating funds to their most productive uses, which raises the rate of return to saving.
- c. Financial systems may affect technological innovation by allowing diversification.
- d. None of the above ✔

The correct answer is: None of the above

Question **30**

Incorrect

Mark 0.00 out of 1.00

Which of the following fiduciary funds would account for an endowment (i.e., the principal must remain intact)?

- a. Pension trust fund. ✖
- b. Private-purpose trust fund.
- c. Permanent fund.
- d. Investment trust fund.

The correct answer is: Private-purpose trust fund.

Question **31**

Correct

Mark 1.00 out of 1.00

IFRS allows companies to classify some equity investments as non-trading (Holdings of Less Than 20%) And the accounting and reporting rule will be

- a. Record unrealized gains and losses in net income
- b. Record unrealized gains and losses in other comprehensive income ✔
- c. Investments valued at cost
- d. Investments valued at equity

The correct answer is: Record unrealized gains and losses in other comprehensive income

Question **32**

Incorrect

Mark 0.00 out of 1.00

On January 1, 2012, Graham Company purchased a new machine for $2,800,000. The new machine has an estimated useful life of nine years and the salvage value was estimated to be $100,000. Depreciation was computed on the sum-of-the-years'-digits method. What amount should be shown in Graham's balance sheet at December 31, 2013, net of accumulated depreciation, for this machine?

- a. $1,742,221 ✖
- b. $2,260,000
- c. $1,659,000
- d. $1,780,000

The correct answer is: $1,780,000

Question **33**

Incorrect

Mark 0.00 out of 1.00

Assume that BETA Book Publishing (PLC) earned and collected Br 200,000 book publishing fee in 2014 for both the book purposes and tax purposes in which Br. 60,000 is advance collection. The business incurred book publishing expenses of Br 120,000 out of which Br 84,000 is paid in cash. The company uses cash method of accounting for tax purposes and accrual method of accounting for financial accounting purposes, assuming a tax rate is 30%. Based on the above illustration which one is false?

- a. Income tax payable is 34,800
- b. Income tax expense is 16,800
- c. Deferred tax asset is 18,000 ✖
- d. Deferred tax liability is 18,000

The correct answer is: Deferred tax liability is 18,000

Question **34**

Incorrect

Mark 0.00 out of 1.00

The auditor obtains an understanding of the entity and its environment by performing all of the following assessment procedures except:

- a. Observation and inspections.
- b. Analytical procedures. ✖
- c. Inquiries of management and others.
- d. Compute the level of detection risk.

The correct answer is: Compute the level of detection risk.

Question **35**

Correct

Mark 1.00 out of 1.00

The economic function of financial intermediaries that transforms more risky assets into less risky ones is called ________.

- a. Maturity intermediation.
- b. Providing payment mechanisms.
- c. Information processing costs.
- d. Diversification. ✔

The correct answer is: Diversification.

Question **36**

Incorrect

Mark 0.00 out of 1.00

Mr. X and Mr. Y are employed at the same organization but assigned at different branches. Mr. Y is assigned at a branch found in a very hot town where a head office is located. Mr. X is paid $5,000 in addition to his basic salary because he is assigned at a branch which is found 300 km far from the main office. Mr. Y is also paid $3,000 allowance in addition to his salary. An allowance of $5,000 is:

- a. Transportation compensation
- b. Hardship allowance
- c. placement allowance ✖
- d. Fuel allowance

The correct answer is: Hardship allowance

Question **37**

Correct

Mark 1.00 out of 1.00

The cost of Petros Corporation's eighty percent investment in Solomon Company's outstanding voting common stock was Br.1.2 million, and the current fair value of Solomon's identifiable net assets, which had a carrying amount of Br.1 million, was Br.1,250,000. Compute Good will-Petros and minority interest in Net assets of subsidiary are respectively:

- a. Br.200,000 and Br.200,000
- b. Br.100,000 and Br.200,000
- c. Br.250,000 and Br.300,000
- d. Br.200,000 and Br.250,000

The correct answer is: Br.200,000 and Br.250,000

Question **38**

Incorrect

Mark 0.00 out of 1.00

Which one of the following is true?

- a. In public finance accounts are subject to audit and inspection.
- b. In public finance government prefer a surplus budget
- c. In private finance, individuals cannot avoid certain commitments
- d. In public finance government do not like to disclose their financial transactions to others.

The correct answer is: In public finance accounts are subject to audit and inspection.

Question **39**

Correct

Mark 1.00 out of 1.00

Of the following, which is the least persuasive type of audit evidence?

- a. Carbon copies of sales invoices inspected by the client.
- b. Computations made by the auditor.
- c. Bank statements obtained from the client.
- d. Documents obtained by auditor from third parties directly.

The correct answer is: Carbon copies of sales invoices inspected by the client.

Question **40**

Correct

Mark 1.00 out of 1.00

Reasons behind Regulation of Financial Institutions

- a. Increase Information to Investors
- b. Ensuring the Soundness of Financial Intermediaries
- c. Improving Monetary Control
- d. All of the above

The correct answer is: All of the above

Question **41**

Incorrect

Mark 0.00 out of 1.00

Which one of the following is translated using the historical rate under all current translation method?

- a. Account payable
- b. Inventories and cash
- c. Revenue
- d. Common stock

The correct answer is: Common stock

Question **42**

Correct

Mark 1.00 out of 1.00

Which one of the following makes the governmental entities and not-for-profitable organizations not different from profit oriented organizations?

- a. Lack of profit motive
- b. Delegation of power through election.
- c. Preparing report for the resource providers
- d. Absence of proportionate benefit expectation of resource providers.
- e. Absence of ownership right transfer.

The correct answer is: Preparing report for the resource providers

Question **43**

Correct

Mark 1.00 out of 1.00

The classes of transactions in the acquisition and payment cycle include acquisition of:

- a. Goods and services, cash disbursements, and purchase return and allowances.
- b. Goods and services
- c. Goods and services and cash disbursements
- d. Goods.

The correct answer is: Goods and services, cash disbursements, and purchase return and allowances.

Question **44**

Correct

Mark 1.00 out of 1.00

Which of the following is not the basis for valuing inventory at net realizable value?

- a. When cost is difficult to determine
- b. Inventory value appreciates above its original cost
- c. The items are readily marketable at quoted market prices
- d. Units of product are interchangeable

The correct answer is: Inventory value appreciates above its original cost

Question **45**

Incorrect

Mark 0.00 out of 1.00

When comparing the loanable funds and liquidity preference frameworks of interest rate determination, which of the following is true?

- a. The liquidity preference framework is efficient to analyzing the effects of changes in expected inflation.
- b. The liquidity preference framework is easier to use when analyzing the effects of changes in expected inflation.
- c. In most instances, the two approaches to interest rate determination yield the same predictions.
- d. The loanable funds framework provides a simpler analysis of the effects of changes in income, the price level, and the supply of money.

The correct answer is: In most instances, the two approaches to interest rate determination yield the same predictions.

Question **46**

Incorrect

Mark 0.00 out of 1.00

Under IFRS 4 insurance contract, Contractual service margin is

- a. Cash flow from a component of the carrying amount of the asset or liability for a group of insurance contracts or unearned profit
- b. expected value of the present value of the future cash outflows less the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk and financial risk ✖
- c. None of the above
- d. Cash flow from insurance contracts subject to similar risks and managed together.

The correct answer is: Cash flow from a component of the carrying amount of the asset or liability for a group of insurance contracts or unearned profit

Question **47**

Incorrect

Mark 0.00 out of 1.00

Identify the false statement about cost of capital

- a. Cost of capital can be stated in terms of birr
- b. Cost of capital is based on after tax base
- c. Cost of capital usually stated as percentage or rate ✖
- d. Cost of capital must be earned on a minimum level to increase the worth of investments

The correct answer is: Cost of capital can be stated in terms of birr

Question **48**

Incorrect

Mark 0.00 out of 1.00

Job WR53 at YD furniture. Required Br.200 of direct materials and 10 direct labor hours at Br.15 per hour. Estimated total overhead for the year was Br.76,000 and estimated direct labor hours were 20,000. What would be product cost of job WR53?

- a. Br.200
- b. Br.350
- c. Br.380
- d. Br.388

The correct answer is: Br.388

Question **49**

Incorrect

Mark 0.00 out of 1.00

Which of the following is the conditions that should have to meet to recognize as Investment property?

- a. The cost of the investment property can be measured reliably.
- b. The fair value of the investment property can be measured reliably.
- c. It is must to have the future economic benefits that are associated with the will flow to the entity.
- d. It is must to have the future cost that are associated with the entity.

The correct answer is: It is must to have the future cost that are associated with the entity.

Question **50**

Correct

Mark 1.00 out of 1.00

Which of the following is correct? The break-even point occurs on the CVP graph where:

- a. Total profit equals total fixed expenses.
- b. Total contribution margin equals total fixed expenses.
- c. Total profit equals total expenses.
- d. Total variable expenses equal total contribution margin.

The correct answer is: Total contribution margin equals total fixed expenses.

Question **51**

Incorrect

Mark 0.00 out of 1.00

A favorable sales-quantity variance would most likely be caused by:

- a. the company experiencing quality-control problems that get negative media coverage of low-margin products ✖
- b. a new competitor providing better service in the high-margin product sector
- c. a competitor having distribution problems with high-margin products
- d. the company offering low-margin products at a higher price

The correct answer is: a competitor having distribution problems with high-margin products

Question **52**

Incorrect

Mark 0.00 out of 1.00

Non-assurance services may include all of the following except:

- a. Tax services ✖
- b. Accounting and bookkeeping services
- c. Financial statement audit
- d. Management consulting services

The correct answer is: Financial statement audit

Question **53**

Incorrect

Mark 0.00 out of 1.00

The home office shipped merchandise costing Birr 6,000 to Branch D and paid freight costs of Birr 600. Subsequently, the home office instructed Branch D to transfer this merchandise to Branch E. Freight costs of Birr 400 were paid by Brach D to carry out this order. If the merchandise had been shipped directly from the home office to Branch E, the freight costs would have been Birr 700. The freight cost recorded by branch E is:

- a. Birr 1100
- b. Birr 700
- c. Birr 1000 ✖
- d. Birr 600

The correct answer is: Birr 700

Question **54**

Incorrect

Mark 0.00 out of 1.00

When should auditors not perform alternative procedures in testing the accounts receivable balance?

- a. When confirmations are deemed to be ineffective as an audit procedure.
- b. When customers do not return positive confirmation requests.
- c. When customers do not return negative confirmation requests.
- d. When confirmations are too costly to use.

The correct answer is: When customers do not return negative confirmation requests.

Question **55**

Incorrect

Mark 0.00 out of 1.00

All of the following statements are true except one; which one is it?

- a. Interest is a charge for exchanging money now for money later.
- b. Simple interest is used mostly for short period of time
- c. In simple interest the interest is paid on the initial amount only and not on subsequently accrued interest
- d. The money borrowed or the original sum of money lent (borrowed or invested) is called maturity value

The correct answer is: The money borrowed or the original sum of money lent (borrowed or invested) is called maturity value

Question **56**

Correct

Mark 1.00 out of 1.00

Which of the following is most likely to be described as a depository institution?

- a. insurance companies
- b. credit unions
- c. pension funds
- d. securities firms
- e. finance companies

The correct answer is: credit unions

Question **57**

Correct

Mark 1.00 out of 1.00

A call option is “in the money” when the

- a. market price of the underlying security equals the exercise price.
- b. premium on the option is less than the exercise price.
- c. market price of the underlying security exceeds the exercise price.
- d. market price of the underlying security is less than the exercise price.

The correct answer is: market price of the underlying security exceeds the exercise price.

Question **58**

Incorrect

Mark 0.00 out of 1.00

Schulz Company expects to manufacture and sell 30,000 baskets in 20X4 for $6 each. There are 3,000 baskets in beginning finished goods inventory with target ending inventory of 4,000 baskets. The company keeps no work-in-process inventory. What amount of sales revenue will be reported on the 20X4 budgeted income statement?

- a. $204,000
- b. $186,000
- c. $174,000
- d. $180,000

The correct answer is: $180,000

Question **59**

Incorrect

Mark 0.00 out of 1.00

Transfer of sample inventory to sales agency is recoded as:

- a. Sample inventory agency credit and Cash debit
- b. Sample inventory agency debit and merchandise inventory credit
- c. Sample inventory agency credit and merchandise inventory debit
- d. Agency working capital credit and merchandise inventory debit

The correct answer is: Sample inventory agency debit and merchandise inventory credit

Question **60**

Correct

Mark 1.00 out of 1.00

The direct materials usage budget is based on:

- a. the amount of labor-hours worked
- b. the units to be produced during a period
- c. budgeted sales dollars
- d. the predetermined factory overhead rate

The correct answer is: the units to be produced during a period

Question **61**

Incorrect

Mark 0.00 out of 1.00

Which of the following statements would show an account called Expenditures?

- a. Fund-Based Balance Sheet
- b. Government-Wide Statement of Activities
- c. Fund-Based Statement of Revenues, Expenditures, and Changes in Fund Balance.
- d. Government-Wide Statement of Revenues, Expenditures and Changes in Fund Balance.

The correct answer is: Fund-Based Statement of Revenues, Expenditures, and Changes in Fund Balance.

Question **62**

Incorrect

Mark 0.00 out of 1.00

An entity has a tax loss of Br 8 million which can be carried forward for 5 years. The estimated cumulative taxable profits for the next five years are Br 6 million. It is estimated that Br 2 million of the tax loss will expire unused. The tax rate is 30%. Which one is true?

- a. Credit Deferred Tax liability 1,800,000
- b. Debit Deferred Tax Income 1,800,000
- c. Debit Deferred Tax Income 1,800,000
- d. Debit Deferred Tax Asset 1,800,000

The correct answer is: Debit Deferred Tax Asset 1,800,000

Question **63**

Incorrect

Mark 0.00 out of 1.00

An investment project is most likely to be accepted by the payback period rule and not accepted by the NPV rule if the project has;

- a. All projects approved by the payback period rule will be accepted by the NPV rule ✖
- b. Most of the cash flows at the beginning of the project
- c. A large initial investment with moderate positive cash flows over a long period of time
- d. A very large negative cash flow at the termination of the project

The correct answer is: Most of the cash flows at the beginning of the project

Question **64**

Correct

Mark 1.00 out of 1.00

From the three major decisions as functions of finance, which one of the following involves the selection of assets to be held by the firm as it attempts to generate future revenues?

- a. Investment decisions ✔
- b. Financing decisions
- c. Dividend decisions
- d. Cost of capital decisions

The correct answer is: Investment decisions

Question **65**

Correct

Mark 1.00 out of 1.00

The entry to record direct labor costs into production in a job order cost system is:

- a. Debit Work in Process, credit Wages Payable ✔
- b. Debit Finished Goods, credit Wages Payable
- c. Debit Factory Overhead, credit Wages Payable
- d. Debit Factory Overhead, credit Work in Process

The correct answer is: Debit Work in Process, credit Wages Payable

Question **66**

Incorrect

Mark 0.00 out of 1.00

Semaw Company, a computer consulting firm, has decided to write off the Birr 8,375 balance of an account owed by a customer, Washew. What is the account debited, under the direct write-off method?

- a. Allowance for uncollectible account 8375
- b. Account receivables 8375
- c. Allowance for doubt full account 8375 ✖
- d. Uncollectible account expense 8375

The correct answer is: Uncollectible account expense 8375

Question **67**

Incorrect

Mark 0.00 out of 1.00

Which of the following is provided by auditing standard to explain why an audit does not provide absolute assurance except?

- a. Difficulties exist in operationalizing professional skepticism
- b. Most evidence is persuasive, not conclusive ✖
- c. Some financial statement items are subject to an inherent level of variability which cannot be eliminated by additional audit procedure
- d. Fraud may involve sophisticated attempts to conceal it

The correct answer is: Some financial statement items are subject to an inherent level of variability which cannot be eliminated by additional audit procedure

Question **68**

Incorrect

Mark 0.00 out of 1.00

The financial statements required for a proprietary fund are:

- a. Balance sheet and statement of revenues, expenditures, and changes in net assets.
- b. Balance sheet and statement of revenues, expenses, and changes in retained earnings.
- c. Statement of net assets; statement of revenues, expenses, and changes in fund net assets; statement of cash flows.
- d. Balance sheet; statement of revenues, expenditures, and changes in fund balance; statement of cash flows.

The correct answer is: Statement of net assets; statement of revenues, expenses, and changes in fund net assets; statement of cash flows.

Question **69**

Correct

Mark 1.00 out of 1.00

Which of the following accounts will normally appear in the ledger of a merchandising company that uses a perpetual inventory system?

- a. Purchase Discounts
- b. Purchases
- c. Cost of Goods Sold
- d. Freight-In

The correct answer is: Cost of Goods Sold

Question **70**

Incorrect

Mark 0.00 out of 1.00

To develop its IPSASs, the IPSASB actively draws on extant IFRSs and IASs as a basis. Which one of the below statements is incorrect in regards to this process?

- a. The IPSASB considers if there are any public sector issues within any given IFRS that warrants departure for the public sector
- b. The majority of IPSASs are an exact copy of the underlying IFRSs or IASs
- c. The IPSASB can use an existing IFRS or IAS as the basis for developing an IPSAS
- d. The IPSASB considers financial reporting subject matters that are public sector specific and for which there is no underlying IFRS/IAS

The correct answer is: The majority of IPSASs are an exact copy of the underlying IFRSs or IASs

Question **71**

Correct

Mark 1.00 out of 1.00

If population is not acceptable the following actions to be taken: Except,

- a. Revise TER or ARACR
- b. minimize sample size
- c. Communicate with the audit committee.
- d. Revise assessed CR

The correct answer is: minimize sample size

Question **72**

Not answered

Marked out of 1.00

An encumbrance in a capital project fund is created

- a. When the work on the project begins.
- b. When a contract is signed or issued.
- c. When the project is paid for in full.
- d. When the work on the project is finished.

The correct answer is: When a contract is signed or issued.

Question **73**

Not answered

Marked out of 1.00

Which of the following best describes a strategy for managing cash and marketable securities in a company?

- a. Investing all available cash in high-risk, high-reward securities to maximize potential returns.
- b. Regularly monitoring market conditions and adjusting the allocation of cash and marketable securities to balance risk and return.
- c. Selling marketable securities as soon as they are acquired to prevent any potential losses due to market fluctuations.
- d. Keeping a large cash reserve on hand at all times to ensure liquidity, even if it means sacrificing potential returns from marketable securities.

The correct answer is: Regularly monitoring market conditions and adjusting the allocation of cash and marketable securities to balance risk and return.

Question **74**

Not answered

Marked out of 1.00

Which of the following is false about the public enterprise in Ethiopia?

- a. Public enterprise shall pay to the Government state Dividend
- b. Public enterprise uses similar accounting method as profit-oriented business
- c. Public enterprise is subjected to the audit
- d. Public enterprise should not pay any taxes to the government

The correct answer is: Public enterprise should not pay any taxes to the government

Question **75**

Not answered

Marked out of 1.00

Which of the following investment policies is most appropriate for a company that wants to minimize its risk while maintaining a high level of liquidity?

- a. Conservative policy
- b. Moderately aggressive policy
- c. Aggressive policy
- d. Maturity matching policy

The correct answer is: Conservative policy

Question **76**

Not answered

Marked out of 1.00

Entity X has entered into a contract with entity Y. Y will provide a range of services to X. The payment for those services will be in cash and based upon the price of the X's ordinary shares on completion of the contract. In accordance with IFRS 2, what type of share-based payment transaction does this represent?

- a. Equity settled share-based payment transactions
- b. Cash settled share-based payment transactions
- c. Asset settled share-based payment transactions
- d. Liability settled share-based payment transactions

The correct answer is: Cash settled share-based payment transactions

Question **77**

Not answered

Marked out of 1.00

Among the short-term obligations of Lance Company as of December 31, the balance sheet date, are notes payable totaling $250,000 with the Madison National Bank. These are 90-day notes, renewable for another 590-day period. These notes should be classified on the balance sheet of Lance Company as

- a. Intermediate debt
- b. Deferred charges
- c. Long-term liabilities
- d. Current liabilities

The correct answer is: Long-term liabilities

Question **78**

Not answered

Marked out of 1.00

From the following statement one is false, which one is it?

- a. Every investor motivated by dividend and appreciation of price on stock investment.
- b. The dividend acquired by the investor on the investment have its own effect on the capital gain.
- c. The return required on the investment heavily depends on the risk which affects all company rather than specific company risk.
- d. The direct return acquired by the investor on the investment have its own effect on the capital gain.

The correct answer is: The return required on the investment heavily depends on the risk which affects all company rather than specific company risk.

Question **79**

Not answered

Marked out of 1.00

Which of the following best describes why an independent auditor is asked to express an opinion on the fair presentation of financial statements?

- a. It is difficult to prepare financial statements that fairly present a company's financial position, operations, and cash flows without the expertise of an independent auditor.
- b. It is management's responsibility to seek available independent aid in the appraisal of the financial information shown in its financial statements.
- c. It is a customary courtesy that all stockholders of a company receive an independent report on management's stewardship of the affairs of the business.
- d. The opinion of an independent party is needed because a company may not be objective with respect to its own financial statements.

The correct answer is: The opinion of an independent party is needed because a company may not be objective with respect to its own financial statements.

Question **80**

Not answered

Marked out of 1.00

Identify wrong statement about cost-allocation base

- a. Is a systemic way to link an indirect cost or group of indirect costs to a cost object
- b. Is a grouping of individual indirect cost items
- c. A cost driver is used as a basis upon which to build a systematic method of distributing indirect costs
- d. A cost-allocation base can be either financial or nonfinancial

The correct answer is: Is a grouping of individual indirect cost items

Question **81**

Not answered

Marked out of 1.00

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

- a. joint arrangement
- b. joint operation
- c. elbow joint
- d. joint venture

The correct answer is: joint venture

Question **82**

Not answered

Marked out of 1.00

The most recent financial statements for ABC company shows: Income Statement Sales, 7,100; Costs 4,370: on Balance sheet: Assets 21,900, Debt, 9,400 and Equity 12,500: Assets and costs are proportional to sales. Debt and equity are not. No dividends are paid. Next year's sales are expected to grow by 19%. What is the external financing needed? (Assuming no income taxes)

- a. 3,248.7
- b. 2,730
- c. 912.7
- d. 4,161

The correct answer is: 912.7

Question **83**

Not answered

Marked out of 1.00

The opinion paragraph of a CPA's report states: "In our opinion, except for the effects of not capitalizing certain lease obligations, the other financial statements elements present fairly," in all material respects, . . . This paragraph expresses:

- a. Unqualified opinion with explanatory paragraph.
- b. Qualified opinion.
- c. Standard Unqualified opinion.
- d. Adverse opinion

The correct answer is: Qualified opinion.

Question **84**

Not answered

Marked out of 1.00

Which one of the following from the fair value measurement approaches is not applied to measure the fair value of financial instruments?

- a. Income approach
- b. Market approach
- c. Present value approach
- d. Cost approach

The correct answer is: Cost approach

Question **85**

Not answered

Marked out of 1.00

Which of the following is a primary characteristic of useful accounting information?

- a. Comparability.
- b. Faithful Representation.
- c. Consistency.
- d. Conservatism.

The correct answer is: Faithful Representation.

Question **86**

Not answered

Marked out of 1.00

In a consolidated balance sheet of a parent company and its partially owned subsidiary minority interest in net assets of subsidiary is displayed as a:

- a. Liability under both the economic unit concept and the parent company concept
- b. Liability under the economic unit concept but a part of consolidated stock holders' equity under the parent company concept.
- c. Part of consolidated stockholders' equity under the economic unit concept but a liability under the parent company concept
- d. Part of consolidated stockholders' equity separate from the parent company equity.

The correct answer is:
Part of consolidated stockholders' equity separate from the parent company equity.

Question **87**

Not answered

Marked out of 1.00

ABC Company's beginning inventories are 300 units at 10 Birr, during a period purchase of 10,000 units at 15 Birr and sales 8,000 units at 30 Birr was made. If ABC use perpetual average costing method, cost of its ending inventories is

- a. 46,000 Birr
- b. 2,300 Birr
- c. 35,000 Birr
- d. 34,155 Birr

The correct answer is: 34,155 Birr

Question **88**

Not answered

Marked out of 1.00

During 2014 E.c, CHAMO Company made the following expenditures relating to its plant building: Repainted the plant building 110,000, Major improvements in the storage rooms 100,000, Partial replacement of roof tiles 80,000 and Continuing and frequent repairs 200,000 How much should be capitalized in the above expenditures

- a. 180,000
- b. 290,000
- c. 490,000
- d. 100,000

The correct answer is: 100,000

Question **89**

Not answered

Marked out of 1.00

Relevant costs of a make-or-buy decision include all of the following EXCEPT:

- a. material-handling costs that can be eliminated
- b. special machinery for the part that has no resale value
- c. current direct material costs of the part
- d. fixed salaries that will not be incurred if the part is outsourced

The correct answer is: special machinery for the part that has no resale value

Question **90**

Not answered

Marked out of 1.00

Which of the following approaches for bad debts is best described as income statement method?

- a. Direct write-off method
- b. Percentage-of-receivables basis
- c. Percentage-of-receivables basis and direct write-off method
- d. Percentage-of-sales basis

The correct answer is: Percentage-of-sales basis

Question **91**

Not answered

Marked out of 1.00

The cost of registering equity securities in a business combination should be recorded as;

- a. Part of the cost of the stock acquired
- b. Deduction from additional paid in capital
- c. An income of the period
- d. an expense of the period

The correct answer is: Deduction from additional paid in capital

Question **92**

Not answered

Marked out of 1.00

Which one of the following is not motive for business combinations?

- a. Cost Advantage
- b. Acquisition of Intangible Assets
- c. To create higher Operating Delays
- d. Expansion and diversification

The correct answer is: To create higher Operating Delays

Question **93**

Not answered

Marked out of 1.00

The capital budget under the economic development functional groups is

- a. Education and health
- b. Urban development and welfare
- c. The production activities of agriculture and industry
- d. Cartography and statistics

The correct answer is: The production activities of agriculture and industry

Question **94**

Not answered

Marked out of 1.00

Funds are provided to the initial issuer of securities in the

- a. primary market.
- b. surplus market.
- c. deficit market.
- d. secondary market.

The correct answer is: primary market.

Question **95**

Not answered

Marked out of 1.00

Which one of the following ratios mostly used to evaluate asset utilization of the company?

- a. Fixed Charge Coverage Ratio
- b. Current ratio
- c. Fixed Assets Turnover ratio
- d. Gross Profit Margin ratio

The correct answer is: Fixed Assets Turnover ratio

Question **96**

Not answered

Marked out of 1.00

What is Activity-Based Costing (ABC)?

- a. ABC recognizes the relationship between costs, overhead activities, and manufactured products, assigning indirect costs to products more arbitrarily than traditional costing methods.
- b. ABC is a costing method that assigns overhead and indirect costs to related products and services based on their activities.
- c. The ABC system of cost accounting is based on common denominator
- d. A machine hour and labor hour are a common cost driver

The correct answer is: ABC is a costing method that assigns overhead and indirect costs to related products and services based on their activities.

Question **97**

Not answered

Marked out of 1.00

Which of the following is true about the financing leverage?

- a. It tells the impact of changes in sales on operating income
- b. It is the percentage change in EPS that results from a given percentage change in sales or output.
- c. It is the firm’s ability to use fixed operating costs to magnify the effect of changes in sales on its earnings before interest and taxes
- d. It is caused by the presence of fixed financing costs such as interest payment and preferred stock dividends in the firms cost structure.

The correct answer is: It is caused by the presence of fixed financing costs such as interest payment and preferred stock dividends in the firms cost structure.

Question **98**

Not answered

Marked out of 1.00

In which sampling selection the auditor calculates an interval and then selects the items for the sample based on the size of the interval?

- a. Simple random sampling selection
- b. Stratified sampling selection
- c. Probability proportional to size sample selection.
- d. Directed sampling selection
- e. None of the above.

The correct answer is: None of the above.

Question **99**

Not answered

Marked out of 1.00

Last year, a company reported estimated overhead, $100,000; actual overhead, $90,000; and applied overhead, $92,000. The company's overhead cost for the year would be:

- a. Under applied, $8,000
- b. over applied, $2,000
- c. Over applied, $10,000
- d. under applied, $10,000

The correct answer is: over applied, $2,000

Question **100**

Not answered

Marked out of 1.00

Hanes Company sells debt investments costing £26,000 for £28,000, plus accrued interest that has been recorded. In journalizing the sale, credits are to:

- a. Debt Investments and Loss on Sale of Debt Investments
- b. Debt Investments, Gain on Sale of Debt Investments, and Interest Receivable
- c. Share Investments and Interest Receivable
- d. No correct answer is given

The correct answer is: Debt Investments, Gain on Sale of Debt Investments, and Interest Receivable

Question **101**

Not answered

Marked out of 1.00

What portion of the subsidiary stockholders' equity account balances should not be eliminated in preparing the consolidated balance sheet during partially owned?

- a. Retained Earnings
- b. Non-controlling interest
- c. Additional paid-in capital
- d. Common stock

The correct answer is: Non-controlling interest

Question **102**

Not answered

Marked out of 1.00

Which of the following is the most effective control procedure to detect vouchers that were prepared for the payment of goods that were not received?

- a. Count goods upon receipt in storeroom.
- b. Match purchase order, receiving report, and vouchers invoice for each voucher in account payable department.
- c. Compare goods received with goods requisitioned in receiving department.
- d. Verify vouchers for accuracy and approval in the internal audit department.

The correct answer is: Match purchase order, receiving report, and vouchers invoice for each voucher in account payable department.