ACCOUNTING FOR PLANNING AND CONTROL TEST 1 PRACTICE (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. Direct material, direct labor, and factory overhead are the components of _____ costs.

A. Period

B. Product

C. Mixed

D. Sunk

2. In evaluating a special order, the difference between incremental revenue and incremental cost equals:

A. Incremental profit

B. Net present value

C. Total profit

D. Accounting income

3. Using a single accounting system for decision making, performance evaluation and external reporting _____.

A. eliminates the need to reconcile accounting numbers for the same concept

B. increases the need to reconcile numbers

C. has no impact on credibility

D. reduces the need for external audits

4. A company needs one supervisor for every 40 employees. In this case, supervision is a _____ cost.

A. Fixed

B. Variable

C. Mixed

D. Step

5. Which of the following is NOT typically considered part of a firm's internal control system?

A. Video surveillance

B. Performance measures

C. Security guards

D. Market analysis

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6. What discount rate was used for risky investments in the example?

A. 12%

B. 20%

C. 8%

D. 15%

7. For a typical corporation, controllership and treasury are functions of the

A. CEO

B. Board of Directors

C. COO

D. CFO

8. Which statement about capacity utilization is commonly true in production planning?

A. Operating at 100% capacity is always optimal.

B. Some excess capacity is usually optimal.

C. Excess capacity always reduces costs.

D. Capacity utilization does not affect cost behavior.

9. Which of the following best describes organizational architecture components?

A. Decision-right assignment

B. Reward system

C. Performance evaluation system

D. All of the above

10. If you invest $500 at the end of each year for 18 years at 6% interest, the value at the end of year 18 is closest to which amount?

A. 15000

B. 15453

C. 15600

D. 16000

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Answers

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1. B
2. A
3. C
4. D
5. D
6. B
7. D
8. B
9. D
10. B

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Explanations

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1. Direct material, direct labor, and factory overhead are the components of _____ costs.

A. Period

B. Product

C. Mixed

D. Sunk

The main idea is that direct material, direct labor, and factory overhead are product costs—the costs tied to producing goods. These are inventoriable costs, meaning they stay on the balance sheet as part of inventory until the product is sold, then flow into cost of goods sold. Direct materials are the raw inputs used in production, direct labor is the labor directly traced to the product, and factory overhead covers all other manufacturing costs that can't be traced directly to a specific product (indirect materials, indirect labor, depreciation of factory equipment, factory utilities, maintenance, etc.). Because these costs are necessary to manufacture the product, they are included in the cost of the product rather than expensed in the period as period costs. Period costs would be selling and administrative expenses; mixed costs describe cost behavior, not the category of costs; sunk costs are past, irrecoverable costs.

2. In evaluating a special order, the difference between incremental revenue and incremental cost equals:

A. Incremental profit

B. Net present value

C. Total profit

D. Accounting income

In incremental analysis for a special order, the key idea is to focus only on what changes if you take the order. The net result of those changes is the incremental profit. Specifically, when you subtract the incremental costs (the extra costs incurred to fulfill the order) from the incremental revenue (the extra revenue the order brings in), you get the incremental profit. This is the profit directly attributable to that decision, ignoring sunk costs and any costs that wouldn't change with the order. That's why the difference between incremental revenue and incremental cost is called incremental profit. The other concepts don't capture the specific change caused by the decision: net present value looks at timing and discounting of cash flows, total profit is overall profitability not tied to a single decision, and accounting income includes non-cash items and allocated overheads that aren't necessarily affected by the special order.

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3. Using a single accounting system for decision making, performance evaluation and external reporting _____.

A. eliminates the need to reconcile accounting numbers for the same concept

B. increases the need to reconcile numbers

C. has no impact on credibility

D. reduces the need for external audits

Using a single accounting system for decision making, performance evaluation, and external reporting centers on consistency of data across uses. When everyone relies on the same data source, there's less confusion about what a given number represents and fewer chances for conflicting calculations or definitions to creep in. That uniformity supports reliable reporting and internal decision making because measures, budgets, and reports are aligned. But credibility of external reporting mainly comes from governance, internal controls, and independent verification (audits, adherence to standards, transparency). Merely having one system does not by itself make the information more or less credible; credibility is driven by how well data are controlled, validated, and independently checked. So, in this framing, using a single system is neutral for credibility—it doesn't inherently change how credible the reports are, even though it can facilitate more consistent and traceable information.

4. A company needs one supervisor for every 40 employees. In this case, supervision is a _____ cost.

A. Fixed

B. Variable

C. Mixed

D. Step

Costs that change in distinct jumps as activity changes are step costs. In this scenario, the number of supervisors depends on headcount in whole multiples of 40: you need one supervisor for up to 40 employees, two supervisors for 41–80 employees, three for 81–120, and so on. The total supervision cost stays flat within each range and then jumps up when you cross the next 40-employee threshold. That staircase behavior is the hallmark of a step cost. It isn't fixed, because the cost changes with headcount; it isn't variable, because it doesn't rise in a smooth per-employee rate; and it isn't mixed, since it doesn't consist of a gradual blend of fixed and variable components within the same range.

5. Which of the following is NOT typically considered part of a firm's internal control system?

A. Video surveillance

B. Performance measures

C. Security guards

D. Market analysis

Internal control encompasses the procedures and activities designed to safeguard assets, ensure reliable financial reporting, and promote operational efficiency. Physical safeguards like video surveillance and security guards are classic control activities that deter and detect unauthorized access. Performance measures serve as ongoing monitoring, comparing actual results to standards to spot variances and potential control weaknesses. Market analysis, by contrast, is focused on understanding the external environment to guide strategy, not on preventing or detecting errors or safeguarding assets. Since it doesn't serve the preventive or detective functions of internal control, it's not typically considered part of the internal control system.

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6. What discount rate was used for risky investments in the example?

A. 12%

B. 20%

C. 8%

D. 15%

The main concept here is that the discount rate for any investment should reflect the risk of the cash flows. When a project is riskier, you raise the rate to compensate investors for that uncertainty; this higher rate lowers the present value of expected future cash inflows, making the hurdle for acceptance more stringent. In the example, the investment was treated as risky, so a twenty percent discount rate was used to capture the extra return investors would demand for taking on that risk. This higher rate ensures the evaluation accounts for variability and potential shortfalls in cash flows, not just the expected amount. Lower rates would imply less risk and could make a risky project look more attractive than it truly is, because they don't adequately penalize the uncertainty. A rate like twenty percent is appropriate when the risk premium is substantial, aligning the decision with the level of risk described in the scenario.

7. For a typical corporation, controllership and treasury are functions of the

A. CEO

B. Board of Directors

C. COO

D. CFO

The main idea is that controllership and treasury are central financial leadership responsibilities. Controllership handles accounting policy, the general ledger, financial reporting, and internal controls to ensure GAAP compliance and accurate statements. Treasury focuses on cash management, funding, debt, liquidity, and banking relationships. Both areas require alignment with the company's financial strategy and risk management, which is why they sit under the Chief Financial Officer. The CEO and COO oversee broader operations, while the Board provides governance and oversight; they don't typically run accounting and treasury functions. So, the CFO is the best fit for these responsibilities.

8. Which statement about capacity utilization is commonly true in production planning?

A. Operating at 100% capacity is always optimal.

B. Some excess capacity is usually optimal.

C. Excess capacity always reduces costs.

D. Capacity utilization does not affect cost behavior.

Capacity planning centers on balancing fixed costs with the need for flexibility to absorb demand variability. Fixed costs exist whether you produce a little or a lot, so producing more units spreads those fixed costs and lowers the average cost per unit. But pushing to full capacity often brings higher variable costs—overtime pay, fatigue, shorter product life, more frequent setup disruptions, and quality issues—and reduces your ability to respond to changes in demand. Keeping some spare capacity gives you a cushion to handle unexpected spikes, schedule maintenance without halting output, and avoid costly rush orders. The trade-off is between the savings from higher utilization and the costs and risks of operating at the edge; so, having some excess capacity is typically optimal.

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9. Which of the following best describes organizational architecture components?

A. Decision-right assignment

B. Reward system

C. Performance evaluation system

D. All of the above

Organizational architecture is the way authority, incentives, and controls are arranged to guide behavior and performance. The components described—who has the right to make which decisions (decision-right assignment), how people are rewarded (reward system), and how performance is measured and fed back (performance evaluation system)—are all fundamental parts of that structure. Decision rights determine who can act and make proposals, shaping accountability and communication flows. The reward system provides incentives that align effort with desired outcomes, influencing motivation and behavior. The performance evaluation system offers feedback, measures results, and ties to rewards or corrective actions, closing the loop between actions and outcomes. Taken together, these elements define how the organization coordinates activities, motivates people, and controls results. Therefore, all of these components together describe organizational architecture.

10. If you invest $500 at the end of each year for 18 years at 6% interest, the value at the end of year 18 is closest to which amount?

A. 15000

B. 15453

C. 15600

D. 16000

When you deposit a fixed amount at the end of each year, each payment earns interest for the remaining years until the final date. This is the future value of an ordinary annuity. The value after n periods with payment P and rate i is FV = P × [((1+i)^n − 1) / i]. Here, P = 500, i = 0.06, n = 18. Compute (1.06)^18 ≈ 2.85433. Then ((2.85433 − 1) / 0.06) ≈ 1.85433 / 0.06 ≈ 30.9055. Multiply by 500 to get ≈ 15,452.75, about $15,453. So the end-of-year-18 value is approximately $15,453.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://accounting4planningcontrol.examzify.com

We wish you the very best on your exam journey. You've got this!

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