UNIVERSITY OF CENTRAL FLORIDA (UCF) ACG2071 PRINCIPLES OF MANAGERIAL ACCOUNTING PRACTICE TEST 1 (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. If the cost of goods sold is less than the cost of goods manufactured, what happens to Finished Goods Inventory during the period?

A. Decreases

B. Increases

C. Stays the same

D. Becomes zero

2. What account is affected when additional manufacturing overhead is incurred and paid?

A. WIP Account

B. Finished Goods Account

C. Actual manufacturing overhead

D. Raw Materials Account

3. Which best defines controllable costs?

A. Expenses that can only be influenced by external factors

B. Costs that cannot be assigned to specific departments

C. Expenses that management can influence or control

D. Fixed costs that remain constant regardless of production

4. Which of the following best describes the function of a board of directors?

A. They implement strategies for financial growth.

B. They ensure compliance with financial reporting standards.

C. They oversee the company's managerial accounting practices.

D. They serve as financial internal auditors.

5. Management can use job cost information to control costs on future jobs. True or False?

A. True

B. False

C. Only in service industries

D. Only for large projects

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6. Which type of overhead is used to determine the under or over-applied overhead?

A. Actual overhead

B. Applied overhead

C. Normal overhead

D. Variable overhead

7. What does the global reporting initiative provide guidance on?

A. Financial audits

B. Sustainability reporting

C. Corporate governance

D. Business performance analysis

8. Who must sign off on financial statements according to the Sarbanes-Oxley Act?

A. Chief Marketing Officer and Board Chair

B. Chief Operating Officer and Audit Manager

C. CEO and CFO

D. Internal Auditor and External Auditor

9. Which formula represents COGM?

A. Beginning WIP + DM + DL + actual OH - end WIP

B. Beginning WIP + DM + DL + applied OH - end WIP

C. Beginning Finished Goods - COGS

D. Beginning WIP + estimated costs + applied OH - ending inventory

10. Which of the following is NOT a characteristic of managerial accounting?

A. Focus on future planning

B. Provides reports to external parties

C. Cost-benefit analysis

D. Internal decision-making aid

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Answers

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

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Explanations

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1. If the cost of goods sold is less than the cost of goods manufactured, what happens to Finished Goods Inventory during the period?

A. Decreases

B. Increases

C. Stays the same

D. Becomes zero

When the cost of goods sold is less than the cost of goods manufactured, it indicates that more goods have been produced than sold during that period. This results in an increase in Finished Goods Inventory. In this scenario, the excess production over the sales means that the remaining unsold goods will be added to the Finished Goods Inventory, which reflects the total value of products that are available for sale but have not yet been sold. As these manufactured goods accumulate without corresponding sales, the inventory balance rises, leading to an overall increase in Finished Goods Inventory for that period. This relationship is fundamental in understanding how production and sales affect inventory levels in a business.

2. What account is affected when additional manufacturing overhead is incurred and paid?

A. WIP Account

B. Finished Goods Account

C. Actual manufacturing overhead

D. Raw Materials Account

When additional manufacturing overhead is incurred and paid, the correct account affected is the actual manufacturing overhead account. This account tracks the costs that are actually incurred for manufacturing overhead, which includes expenses such as utilities, depreciation on production equipment, and factory salaries that are not directly tied to the production of specific products. When manufacturing overhead is incurred, it increases the balance in the actual manufacturing overhead account, recognizing those costs that need to be assigned to the cost of goods manufactured. This accounting treatment is essential because it allows for accurate tracking of overhead costs that contribute to the overall cost of production. Once these costs are incurred, they will later be allocated to work in process during the production process. The work in process account records costs associated with products that are in production but not yet completed. However, additional manufacturing overhead does not immediately impact this account until the overhead is applied or allocated to specific jobs in progress. Therefore, while the work in process account may eventually reflect these costs, it is not directly affected at the point of incurrence. Similarly, the finished goods account pertains to products that are completed and ready for sale, and the raw materials account reflects the costs of materials purchased for use in production, neither of which relate directly to the payment of manufacturing overhead that has

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3. Which best defines controllable costs?

A. Expenses that can only be influenced by external factors

B. Costs that cannot be assigned to specific departments

C. Expenses that management can influence or control

D. Fixed costs that remain constant regardless of production

Controllable costs refer to expenses that management has the ability to influence or control. These costs can be directly affected by the decisions and actions taken by managers at different levels within an organization. For example, if a manager decides to reduce supply expenses by negotiating better rates or choosing alternative suppliers, that decision demonstrates their control over certain costs. In contrast, expenses influenced by external factors or those that cannot be pinned down to specific departments don't fall into the category of controllable costs since the management does not have the authority or capacity to change those variables directly. Additionally, fixed costs, while they remain constant regardless of output in the short term, are often considered uncontrollable because they do not change based on the decisions made by management. Understanding controllable costs helps managers focus on areas where they can have the most impact, optimizing budgets and enhancing operational efficiency.

4. Which of the following best describes the function of a board of directors?

A. They implement strategies for financial growth.

B. They ensure compliance with financial reporting standards.

C. They oversee the company's managerial accounting practices.

D. They serve as financial internal auditors.

The function of a board of directors is fundamentally centered around governance and oversight of the company, which includes ensuring that the organization adheres to legal and regulatory requirements, particularly in the realm of financial reporting. This responsibility ensures that the company's financial statements are accurate, transparent, and comply with the relevant financial reporting standards. By ensuring compliance, the board helps maintain the integrity of the financial reporting process, which is critical for stakeholders such as investors, regulators, and the public, as it affects decision-making and trust in the organization. Boards do indeed play a role in assessing the company's compliance and may review and oversee the financial reporting process to ensure that the policies and procedures are robust and effective. Adhering to these standards helps safeguard shareholder interests and upholds the company's reputation in the market.

5. Management can use job cost information to control costs on future jobs. True or False?

A. True

B. False

C. Only in service industries

D. Only for large projects

Management can indeed use job cost information to control costs on future jobs. Job cost information provides a detailed breakdown of costs associated with specific projects, including materials, labor, and overhead. By analyzing this data, management can identify cost trends, variances, and areas where efficiencies can be gained or expenditures reduced. This analysis helps in setting accurate budgets for future jobs and in developing strategies to optimize resource allocation. Furthermore, this information serves as a basis for forecasting and decision-making. When management understands how costs were incurred on past jobs, they can make informed predictions about future projects, which enhances overall budgeting accuracy and financial planning. Thus, using job cost information as a tool for cost control is a key aspect of good managerial accounting practices and contributes to improved operational efficiency.

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6. Which type of overhead is used to determine the under or over-applied overhead?

A. Actual overhead

B. Applied overhead

C. Normal overhead

D. Variable overhead

The question focuses on understanding how overhead is applied and how it affects financial reporting, particularly in terms of over-applied or under-applied overhead. Applied overhead is the overhead amount that has been allocated to products or services based on a predetermined overhead rate, which is calculated before the accounting period begins. This rate is often based on estimated costs and activity levels. By comparing the applied overhead to the actual overhead incurred during the period, companies can determine if they have over-applied or under-applied overhead. When the applied overhead is greater than the actual overhead incurred, this results in over-applied overhead, indicating that more overhead was allocated to products than what was actually spent. Conversely, if the applied overhead is less than the actual overhead, this results in under-applied overhead, indicating that actual expenses exceeded what was allocated. The other types of overhead listed—actual, normal, and variable—do not play the same direct role in determining the difference between overhead applied and overhead actually incurred. Actual overhead refers to the actual expenses incurred, while normal overhead relates to the typical or standard costs incurred during production. Variable overhead involves costs that fluctuate with production levels but does not specifically serve to measure the under or over-application of overhead. Therefore, applied

7. What does the global reporting initiative provide guidance on?

A. Financial audits

B. Sustainability reporting

C. Corporate governance

D. Business performance analysis

The global reporting initiative (GRI) specifically focuses on sustainability reporting. It offers a comprehensive framework that organizations can use to measure and communicate their environmental, social, and governance performance. The GRI guidelines are designed to enable companies to disclose their sustainability impacts in a standardized manner, helping stakeholders understand the organization's contributions to sustainable development. Sustainability reporting is critical for various stakeholders, including investors, consumers, and regulatory bodies, as it highlights how a business is addressing environmental and social challenges. By adhering to GRI principles, organizations can foster transparency and accountability, encouraging improved practices and ultimately supporting long-term value creation. This is distinctly different from the other options provided. Financial audits pertain to assessing the accuracy of financial statements and compliance with accounting standards, while corporate governance relates to the systems and processes that govern an organization's operations. Business performance analysis involves evaluating a company's operational efficiency and financial results, which does not specifically focus on the broader sustainability aspects considered within GRI's frameworks.

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8. Who must sign off on financial statements according to the Sarbanes-Oxley Act?

A. Chief Marketing Officer and Board Chair

B. Chief Operating Officer and Audit Manager

C. CEO and CFO

D. Internal Auditor and External Auditor

The Sarbanes-Oxley Act, enacted in response to accounting scandals, established stringent requirements for corporate governance and financial disclosures, particularly for publicly traded companies. One of its key stipulations is that the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) must personally certify the accuracy and completeness of financial statements. This requirement is in place to ensure accountability at the highest levels of management and to enhance the integrity of financial reporting. By having the CEO and CFO sign off on financial statements, the act aims to deter fraudulent financial practices and enhance transparency in the reporting process. This creates a direct line of responsibility, underlines the importance of ethical financial management, and protects investors by ensuring that the financial statements reflect the true state of the company's financial health. The other roles listed do not carry the same legal responsibility for the certification of financial statements as delineated by the Sarbanes-Oxley Act, making the choice of the CEO and CFO the correct answer in this context.

9. Which formula represents COGM?

A. Beginning WIP + DM + DL + actual OH - end WIP

B. Beginning WIP + DM + DL + applied OH - end WIP

C. Beginning Finished Goods - COGS

D. Beginning WIP + estimated costs + applied OH - ending inventory

The formula that represents Cost of Goods Manufactured (COGM) is accurately described by the option that includes Beginning Work In Process (WIP), Direct Materials (DM), Direct Labor (DL), and applied Overhead (OH) minus the Ending Work In Process. COGM is crucial for understanding how much of the production costs have been completed during a specific period. Calculating COGM involves starting with the costs accumulated in the beginning WIP to account for any materials, labor, and overhead costs added during the period, along with direct materials used and direct labor incurred in production. The "applied OH" refers to the overhead that is allocated based on a predetermined rate, which reflects the indirect costs incurred during the manufacturing process. Subtracting the Ending WIP is essential because it accounts for the costs of products that are still in progress and not yet finished. By using this formula, you isolate the actual costs that have transitioned from WIP to finished goods, providing a clear representation of the costs associated with goods that are completed within the accounting period. This understanding is foundational for managerial accounting as it impacts inventory valuation and helps in determining profitability, setting prices, and controlling costs.

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10. Which of the following is NOT a characteristic of managerial accounting?

A. Focus on future planning

B. Provides reports to external parties

C. Cost-benefit analysis

D. Internal decision-making aid

The correct answer reflects that managerial accounting primarily concerns itself with providing information for internal decision-making rather than external reporting. One of the fundamental characteristics of managerial accounting is its focus on future planning and controlling operations, which includes forecasting and budgeting for future performance. This internal perspective aids management in making informed decisions about resource allocation, operational efficiency, and strategic planning. Unlike financial accounting, which is geared towards producing standardized financial statements for external stakeholders such as investors, creditors, and regulatory bodies, managerial accounting emphasizes tailored reports for internal users. These reports facilitate cost-benefit analysis, enabling managers to weigh the potential costs against the expected benefits of various business decisions. Additionally, managerial accounting serves as an internal decision-making aid by providing relevant information for day-to-day operations and long-term strategies. In summary, the characteristic that does not align with managerial accounting is the provision of reports to external parties, as this function is primarily associated with financial accounting.

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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:

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

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