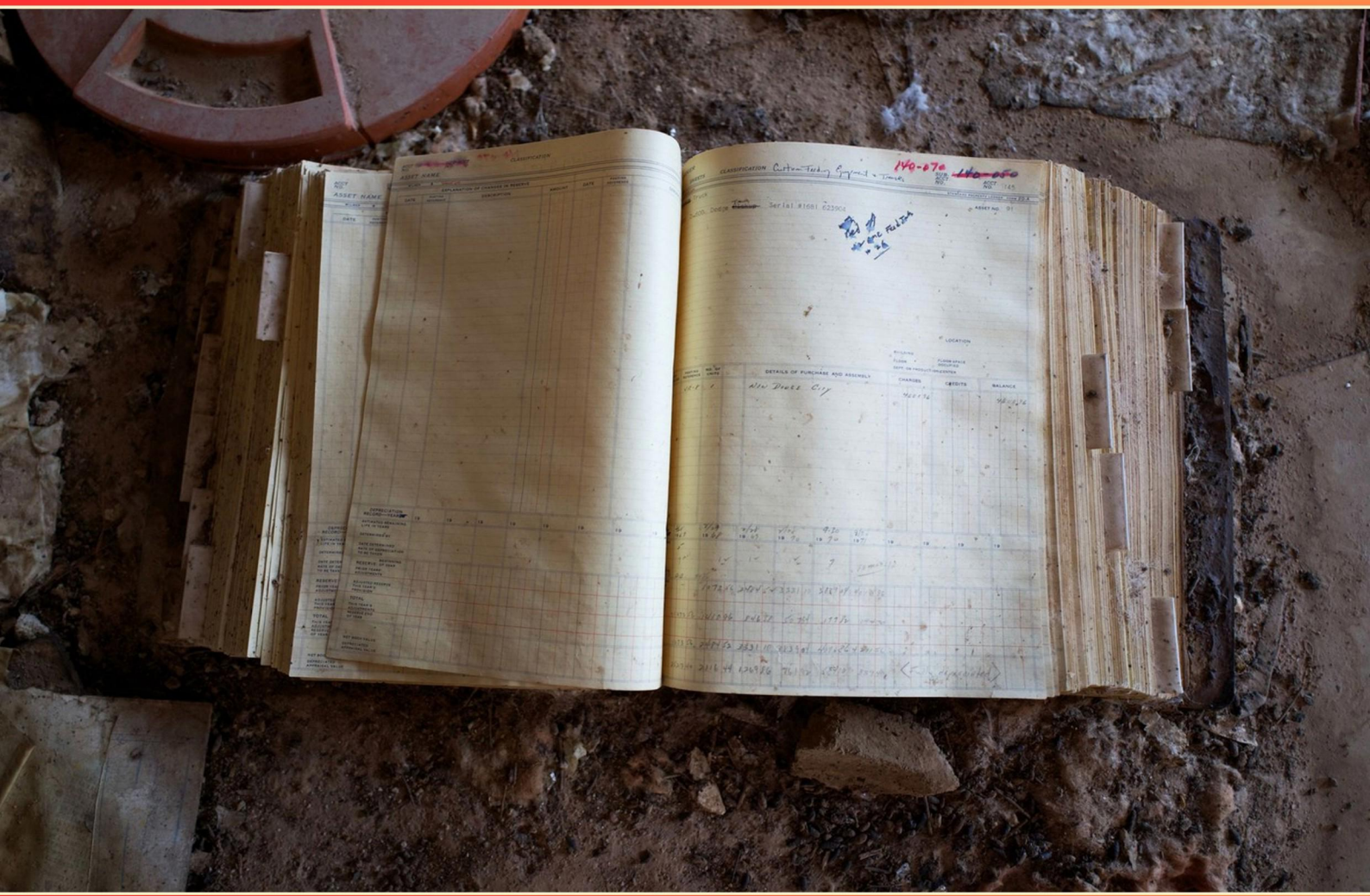
WESTERN GOVERNORS UNIVERSITY (WGU) ACCT2020 D196 PRINCIPLES OF FINANCIAL AND MANAGERIAL ACCOUNTING PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://wgu-acct2020-d196.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1
Table of Contents 2
Introduction 3
How to Use This Guide 4
Questions 5
Answers 8
Explanations 10
Next Steps 15

SAMPLE

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.

SAMPLE

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!

SAMPLE

Questions

SAMPLE

1. **Why is the concept of relevant range significant for managers?**
   A. To understand fixed costs
   B. To ensure variable cost per unit remains steady
   C. To deny fluctuations in sales
   D. To assess long-term profitability

2. **In capital budgeting, what is often a key consideration affecting project evaluations?**
   A. Employee satisfaction ratings
   B. Long-term market trends
   C. Cash flow projections
   D. Company stock performance

3. **Overapplied manufacturing overhead occurs when:**
   A. Applied overhead is less than actual expenses
   B. Actual expenses are greater than applied overhead
   C. Applied overhead exceeds actual expenses
   D. Actual expenses equal applied overhead

4. **How is a common size income statement created?**
   A. By multiplying all amounts by total assets
   B. By dividing all amounts by total revenue for that year
   C. By subtracting all expenses from revenue
   D. By comparing amounts across multiple years

5. **What is the primary purpose of accounting?**
   A. To collect taxes for the government
   B. To accumulate and report financial information for decision-making
   C. To manage investments
   D. To enforce financial regulations

6. **What does feedback in accounting practice typically assess?**
   A. Future pricing strategies
   B. Past performance and accuracy of reports
   C. Market conditions
   D. Employee engagement levels

SAMPLE

7. What information does a balance sheet offer to a decision maker?

A. Summary of the operating performance of a company during a period

B. Summary of the operating performance of a company at a particular date

C. Summary of the cash flows of a company during a period

D. Summary of the financial position of a company at a particular date

8. What does ROI stand for in financial terms?

A. Rate of Investment

B. Return of Investment

C. Return on Input

D. Revenue on Investment

9. What does manufacturing overhead typically include?

A. Direct labor costs

B. Raw materials costs

C. Utilities and indirect labor costs

D. Selling and administrative expenses

10. Which financial statement requires its line items to be expressed as a percentage of total revenue in vertical analysis?

A. Balance sheet

B. Income statement

C. Cash flow statement

D. Retained earnings statement

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Why is the concept of relevant range significant for managers?

A. To understand fixed costs

B. To ensure variable cost per unit remains steady

C. To deny fluctuations in sales

D. To assess long-term profitability

The concept of relevant range is significant for managers primarily because it helps to ensure that variable costs per unit remain steady within a certain level of production or activity. This relevant range defines the limits within which the assumptions about fixed and variable costs hold true. When a company operates within the relevant range, managers can predict how costs behave with changes in production volume. Fixed costs remain constant in total within this range, while variable costs change with production levels but are predictable on a per-unit basis. Understanding this concept allows managers to make informed decisions regarding pricing, budgeting, and resource allocation, ensuring that they do not inadvertently exceed the limits where cost behaviors might change. For example, if production levels exceed the relevant range, variable costs could increase per unit due to factors like overtime pay or purchasing block quantities of materials. Therefore, recognizing and effectively managing the relevant range is crucial for maintaining control over costs and ensuring financial forecasts are accurate.

2. In capital budgeting, what is often a key consideration affecting project evaluations?

A. Employee satisfaction ratings

B. Long-term market trends

C. Cash flow projections

D. Company stock performance

In capital budgeting, cash flow projections are crucial because they represent the expected inflows and outflows of cash associated with a project over time. An accurate assessment of cash flows helps managers determine whether a project will generate sufficient returns to justify the initial investment. The cash flow projections also allow for critical calculations such as net present value, internal rate of return, and payback period, which are essential for making informed decisions about whether to proceed with or abandon a project. The focus on cash flows is rooted in the financial principle that the value of money changes over time. Understanding when cash will flow in and out allows businesses to make strategic decisions that align with their long-term financial goals. While factors like long-term market trends and company stock performance are important, they typically influence the broader context of investment decisions rather than the immediate project evaluation criteria that depend heavily on projected cash flows.

SAMPLE

3. Overapplied manufacturing overhead occurs when:

A. Applied overhead is less than actual expenses

B. Actual expenses are greater than applied overhead

C. Applied overhead exceeds actual expenses

D. Actual expenses equal applied overhead

Overapplied manufacturing overhead happens when the amount of overhead that has been applied to products during a specific period exceeds the actual overhead costs incurred. This situation typically arises when the predetermined overhead rate used for applying overhead is higher than the actual overhead expenses incurred. When applied overhead is greater than actual expenses, it indicates that the company allocated more costs to its products than it actually spent. This can occur due to estimation errors or conservative budgeting practices in determining the overhead rate prior to the period. Companies need to reconcile this overapplied overhead at the end of the accounting period, as it can affect financial statements and performance evaluation. In contrast, when actual expenses are greater or equal to the applied overhead, it reflects either underapplied overhead or a balanced approach between estimates and actual costs, which does not indicate overapplication.

4. How is a common size income statement created?

A. By multiplying all amounts by total assets

B. By dividing all amounts by total revenue for that year

C. By subtracting all expenses from revenue

D. By comparing amounts across multiple years

A common size income statement is created by taking all amounts on the income statement and dividing them by total revenue for that specific period, typically expressed as a percentage. This method allows for easy comparison across different periods or different companies, regardless of their size. By converting each line item into a percentage of total revenue, stakeholders can understand the relative size of each item in relation to revenue, which aids in assessing profit margins, cost structures, and overall financial performance. This approach emphasizes trends and allows for more straightforward benchmarking against other entities or the same entity over various periods. It highlights how much of the revenue is consumed by expenses and how much is retained as profit, facilitating a clearer analysis of operational efficiency and profitability.

5. What is the primary purpose of accounting?

A. To collect taxes for the government

B. To accumulate and report financial information for decision-making

C. To manage investments

D. To enforce financial regulations

The primary purpose of accounting is to accumulate and report financial information for decision-making. This involves systematically recording, classifying, and summarizing financial transactions in a way that provides stakeholders—such as management, investors, creditors, and regulatory agencies—clear insights into the financial health and performance of an organization. By presenting this information through financial statements and reports, accounting aids in business planning, evaluation of financial performance, and strategic decision-making. This foundational aspect of accounting ensures that individuals and entities can make informed choices regarding resource allocation, financial planning, and compliance with regulations. It goes beyond merely tracking numbers; it translates data into actionable information, enhancing an organization's ability to navigate its financial landscape effectively.

SAMPLE

6. What does feedback in accounting practice typically assess?

A. Future pricing strategies

B. Past performance and accuracy of reports

C. Market conditions

D. Employee engagement levels

Feedback in accounting practice primarily assesses past performance and the accuracy of reports. This involves reviewing financial statements, budgets, and other accounting records to evaluate how well the organization has performed against its financial goals and objectives. By analyzing these reports, accountants can identify trends, uncover discrepancies, and understand variances between projected and actual performance. This assessment helps organizations make informed decisions to enhance their financial strategies and overall operational efficiency. Understanding past performance is crucial, as it provides a framework for developing a more strategic approach to future planning and decision-making. Accurate reporting is also essential to maintain stakeholder trust and ensure compliance with relevant regulations and standards. Therefore, feedback serves as an integral part of the accounting process, guiding organizations in improving their financial management practices over time.

7. What information does a balance sheet offer to a decision maker?

A. Summary of the operating performance of a company during a period

B. Summary of the operating performance of a company at a particular date

C. Summary of the cash flows of a company during a period

D. Summary of the financial position of a company at a particular date

A balance sheet provides a summary of the financial position of a company at a particular date. This financial statement outlines the company's assets, liabilities, and equity, offering a snapshot of what the company owns and owes at that moment in time. Decision-makers, such as investors and creditors, rely on this information to assess the company's current financial health. By examining the balance sheet, they can determine the company's liquidity, leverage, and overall stability. This is crucial for making informed decisions about investment, lending, and other financial considerations. While a balance sheet does not summarize operating performance over a period or cash flows—those functions are served by the income statement and cash flow statement respectively—it is essential for understanding the company's overall net worth and financial structure at a specific point in time.

8. What does ROI stand for in financial terms?

A. Rate of Investment

B. Return of Investment

C. Return on Input

D. Revenue on Investment

The term ROI in financial contexts stands for "Return on Investment." This metric is widely used to evaluate the efficiency or profitability of an investment relative to its cost. It provides a clear percentage that reflects the gain or loss generated from an investment, helping investors and companies assess the potential profit from various investment opportunities. The key concept behind ROI is that it measures the return received for every dollar invested, which allows stakeholders to make informed decisions regarding where to allocate their resources. A higher ROI indicates that the investment gains compare favorably to its costs. In contrast, other terms like "Rate of Investment," "Return of Investment," and "Return on Input" do not accurately encapsulate this financial metric or its common applications in business finance analysis. Thus, recognizing ROI as "Return on Investment" is critical for effective financial management and decision-making.

SAMPLE

9. What does manufacturing overhead typically include?

A. Direct labor costs

B. Raw materials costs

C. Utilities and indirect labor costs

D. Selling and administrative expenses

Manufacturing overhead encompasses all the costs associated with the production process that do not fall directly under direct materials or direct labor. This includes expenses that are necessary for production but cannot be traced directly to a specific unit of product. Utilities, such as electricity and water used in the manufacturing process, along with indirect labor costs—wages for employees who assist in the overall operation but do not directly produce goods (e.g., maintenance staff, supervisors)—are key components of manufacturing overhead. These costs are crucial for the functioning of production but are not directly linked to any product unit, which is why they are categorized as overhead. In contrast, direct labor costs are attributed directly to the manufacturing of products, while raw materials costs relate specifically to the materials used to create the product. Selling and administrative expenses are typically considered period costs and are not included in manufacturing overhead, as they do not relate to the manufacturing process itself.

10. Which financial statement requires its line items to be expressed as a percentage of total revenue in vertical analysis?

A. Balance sheet

B. Income statement

C. Cash flow statement

D. Retained earnings statement

The income statement is the financial statement that requires its line items to be expressed as a percentage of total revenue in vertical analysis. This method of analysis allows for an easier comparison of income statement items over different periods or between different companies, as it standardizes the figures in relation to total revenue. By expressing each line item as a percentage of total revenue, stakeholders can quickly assess the relative size and significance of various components (like costs and expenses) in relation to the overall revenue generated. Vertical analysis is particularly useful in evaluating operational efficiency and profitability, helping analysts identify trends and deviations in a company's financial performance over time or in comparison to competitors. Each line item in the income statement, such as cost of goods sold, operating expenses, and net income, can be better understood in the context of the total revenue, letting users gauge how much of each dollar earned is attributed to different categories of expenses or profits. In this way, the income statement serves as a powerful tool for both internal management and external users, like investors, in assessing a company's financial health.

SAMPLE

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://wgu-acct2020-d196.examzify.com

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

SAMPLE