QUIZ 3

1. The time period assumption divides the life of a business into:

A. Accounting cycles B. Equal-length periods C. Artificial time periods

2. Rent paid in advance is an example of:

A. Accrued expense B. Deferred expense C. Accrued revenue

3. Failing to adjust for accrued revenue results in:

A. Assets overstated B. Assets understated C. Revenues overstated

4. **Which of the following will increase the contribution margin ratio?**

A. Increase in variable cost per unit B. Decrease in selling price C. Increase in selling price

5. **Fixed cost per unit:**

A. Increases as volume increases B. Decreases as volume increases C. Remains constant

6. Which of the following is an accrual?

A. Prepaid rent B. Depreciation C. Interest revenue earned but not received

7. If Overhead costs increase while selling price and variable cost remain unchanged, the breakeven point will:

A. Decrease B. Increase C. Remain constant

8. Vend and dispensation costs are classified as:

A. Manufacturing overhead B. Product cost C. Period cost

9. If marginal cost increases and all other factors remain constant, contribution margin per unit will:

A. Increase B. Decrease C. Remain the same

10. **CVP analysis is based on which main assumption?**

a) Selling price per unit changes with volume b) Variable cost per unit is constant c) Fixed cost changes with production

<u>SHORT NOTE</u>

Prime Cost, Economic Entity Assumption, Period Cost, Non-Manufacturing Cost, Sales Volume

QUIZ 3

Q1. Under the cost principle, assets are recorded:

A. At current market value B. At estimated value C. At historical cost

Q.2 The principle that all relevant financial information must be reported is called:

A. Full disclosure principle B. Objectivity principle C. Consistency principle

Q.3 What are minor expenses also known as?

A) Mitigation expenses B) Assorted costs C) Discounting expenses

Q.4 Warehouse rent is a part of which cost?

A) Production cost B) Distribution cost C) Prime cost D) Factory cost

Q.5 An important feature of a cost center is that:

A) It uses only monetary information B) It has clearly defined boundaries C) It must be one specific location

Q.6 For external financial statements, inventories must be reported at:

A) Standard cost B) Actual cost C) Period cost D) Direct cost

Q.7 Break-even point in units is calculated by:

A. Fixed cost / Sales price B) Fixed cost / Variable cost per unit C) Fixed cost / Contribution margin per unit

Q.8 Adjusting entries are made:

A. Before preparing the adjusted trial balance B. After closing entries C. Only when cash is received

Q.9 Depreciation is recorded as an adjusting entry because:

A. Assets increase over time B. Assets must be shown at market value C. Cost of asset is allocated over useful life

Q.10 Which of the following is a deferral adjusting entry?

A. Accrued revenue B. Accrued expense C. Depreciation

Short Question

Prepaid Expense, Depreciation Cost, Selling Price, Unearned Revenue, Manufacturing Cost