

Accounting 2015 MoE Exit

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Question 1

Not yet
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🚩 Flag question

Which of the following items is considered investment property?

- ☐ a. Land held for use in the production or supply of goods or services.
- ☐ b. A building held for use for administrative purpose.
- ☐ c. Part of a building held to earn rentals.
- ☐ d. Land held for sale in the ordinary course of business.

Question 2

Not yet
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All of the following are part of tests of controls for the occurrence assertion in the acquisition & payment cycle except:

- ☐ a. Tracing a sample of goods receiving note to entries on purchases journal
- ☐ b. Inspection of purchase order evidencing authorisation
- ☐ c. Examine payment documents for approval
- ☐ d. Observation of existence of proper segregation of duties

Question 3

Not yet
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Your firm is considering an investment that will cost Birr 750,000 today. The investment will produce cash flows of Birr 250,000 in year 1, Birr 300,000 in years 2 through 4, and Birr 100,000 in year 5. The discount rate that your firm uses for projects of this type is 13.25%. What is the investment's net present value?

- ☐ a. Birr 0
- ☐ b. Birr 147,255
- ☐ c. Birr 500,000
- ☐ d. Birr 83,525

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Question 4

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Which one of the following would tend to favour a low-dividend pay-out?

- ☐ a. High flotation cost for equity issues
- ☐ b. Elimination of the tax deferral on capital gains
- ☐ c. Investors' desire for a high-dividend yield
- ☐ d. Higher tax rates on capital gains than on dividend income

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Question 5

Not yet
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Which of the following is a concurrent (joint) revenue source of the Federal Government and Regional Governments of Ethiopia:

- ☐ a. Charges and fees on licenses and services issued or rented by the Regional Governments.
- ☐ b. Agricultural income tax collected from farmers not incorporated in an organization.
- ☐ c. Duties, tax and other charges levied on the importation and exportation of goods.
- ☐ d. Profit tax, royalty and rent of land collected from large scale mining, any petroleum and gas operations.

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Question 6

Not yet
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Which of the following is not considered as one of the basic questions of corporate finance?

- ☐ a. How can the firm raise cash for required capital expenditures?
- ☐ b. How should the short-term operating cash flows be managed?
- ☐ c. What long-lived assets should the firm invest in?
- ☐ d. How much inventory should the firm sale in a period?

Question 7

Not yet
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The home office accounts for shipments of merchandise to the branch as sales. The billed price reflects a mark-up equal to 40% of billed price. The branch reported beginning and ending inventories at billed prices of Birr 80,000 and Birr 60,000, respectively. Which of the following statements is FALSE?

- ☐ a. The Overvaluation of Branch Inventory account balance at the end of the year is Birr 8,000.
- ☐ b. Working paper elimination entries will reduce combined cost of goods sold by Birr 8,000.
- ☐ c. Unrealized intra-firm profit at the end of the year is Birr 24,000.
- ☐ d. Home office beginning retained earnings is overstated by Birr 32,000.

Question 8

Not yet
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Time Company uses perpetual FIFO system. It has the following data about item Z:

	Units	Unit Cost
Inventory, Jan. 1	5,000	Birr 10
Sales, Jan 15	1,000.....	Selling price Birr 25/units
Purchase, Feb.10	3,000	20
Sales, June 3	6,000.....	Selling price Birr 25/units

The amount of cost of goods sold to be recorded in connection to June 3's sale is:

- ☐ a. Birr 80,000
- ☐ b. Birr 150,000
- ☐ c. Birr 20,000
- ☐ d. Birr 40,000

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Question 9

Not yet
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Which of the following accounts typically would be used by an Agency Fund?

- ☐ a. Notes receivable
- ☐ b. Bonds payable
- ☐ c. Revenue
- ☐ d. Cash

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Question 10

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A city issues Birr 10 million of debt that it uses to acquire an office building. In the year that it issues the debt and acquires the building the city neither makes any interest payments nor repays any of the debt principal. Assume that the city accounts for all capital acquisitions in a capital projects fund and all payments of interest and principal in a debt service fund. The transaction would:

- ☐ a. Increase expenditures of the capital projects fund.
- ☐ b. Increase expenditures of the debt service fund.
- ☐ c. Increase fund balance of the capital projects fund.
- ☐ d. Increase other financing sources of the debt service fund.

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Question 11

Not yet
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Beginning with an investment in one company's securities, as we add securities of other companies to our portfolio, which type of risk declines?

- ☐ a. systematic risk
- ☐ b. unsystematic risk
- ☐ c. non-diversifiable risk
- ☐ d. market risk

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Question 12

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Under which of the following set of circumstances might the auditors disclaim an opinion?

- ☐ a. The financial statements contain a departure from accepted accounting principles, with a material effect.
- ☐ b. The method of application of accounting principles is not consistent.
- ☐ c. There are significant scope limitations on the audit
- ☐ d. When the portion of the financial statement audited by the other audit firm is material in relation to the whole.

Question 13

Not yet
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ABC Company has only 25,000 hours of machine time each month to manufacture its two products. Product X has a unit contribution margin of Birr 50, and Product Y has a unit contribution margin of Birr 64. Product X requires 5 hours of machine time, and Product Y requires 8 hours of machine time. If ABC Company wants to dedicate 80% of its machine time to the product that will provide the most income, the company will have a total contribution margin of ____.

- ☐ a. Birr 200,000.
- ☐ b. Birr 240,000.
- ☐ c. Birr 210,000.
- ☐ d. Birr 250,000.

Question 14

Not yet
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The risk structure of interest rates is ____.

- ☐ a. The relationship among the term to maturity of different bonds.
- ☐ b. The relationship among interest rates of different bonds with the same maturity.
- ☐ c. The relationship among interest rates on bonds with different maturities.
- ☐ d. The structure of how interest rates move over time.

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Question 15

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If businesses are “governed by the marketplace,” governments are governed by ____.

- ☐ a. State constitutions
- ☐ b. Legislative bodies
- ☐ c. Budgets
- ☐ d. Taxes

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Question 16

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During the year an enterprise fund purchased Birr 230,000 worth of equipment. The equipment was acquired with a cash down payment of Birr 23,000 and a Birr 207,000 loan. What is the net effect of this transaction on the net asset accounts of the enterprise fund?

- ☐ a. Invested in capital assets, net of related debt is increased by Birr 230,000.
- ☐ b. Invested in capital assets, net of related debt is decreased by Birr 207,000.
- ☐ c. Invested in capital assets, net of related debt is increased by Birr 23,000.
- ☐ d. Invested in capital assets, net of related debt is increased by Birr 207,000.

Question 17

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On March 31, 2022, Meade Company merged into Steele Corporation. The separate income statements of the two companies for the fiscal year ended March 31, 2022, prior to any journal entries necessary to record the business combination on that date, showed the following net income: Steele, Birr 500,000; Meade, Birr 100,000. Steele's post-merger income statement for the year ended March 31, 2022, shows net income in the amount of:

- ☐ a. Birr 600,000
- ☐ b. Birr 470,000
- ☐ c. Birr 500,000
- ☐ d. Birr 570,000

Question 18

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Ortiz Corporation, a manufacturer of household paints, is preparing annual financial statements at December 31, 2022. Because of a recently proven health hazard in one of its paints, the government has clearly indicated its intention of having Ortiz recall all cans of this paint sold in the last six months. The management of Ortiz estimates that this recall would cost Birr 800,000. What accounting recognition, if any, should be accorded this situation?

- ☐ a. Note disclosure only.
- ☐ b. Operating expense of Birr 800,000 and liability of Birr 800,000.
- ☐ c. No recognition.
- ☐ d. Appropriation of retained earnings of Birr 800,000.

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Question 19

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For a typical firm, which of the following sequences is correct? All rates are after taxes, and assume that the firm operates at its target capital structure. Note: R_e is cost of new equity while R_s is cost of retained earnings.

- ☐ a. $R_e > R_s > WACC > R_d$.
- ☐ b. $WACC > R_d > R_s > R_e$.
- ☐ c. $R_d > R_e > R_s > WACC$.
- ☐ d. $R_s > R_e > R_d > WACC$.

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Question 20

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The investment category for which the investor's "positive intent and ability to hold" is important is:

- ☐ a. Securities available-for-sale.
- ☐ b. Trading securities.
- ☐ c. Securities reported under the equity method.
- ☐ d. Securities classified as held-to-maturity.

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Question 21

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Buyer PLC uses perpetual inventory system. On April 15, 2023, the balance of merchandise inventory per count shows Br 878,000. Which of the following is correct, if Merchandise inventory balance per record shows Birr 880,000?

- ☐ a. Cost of goods sold is credited by Br 2,000
- ☐ b. There is an inventory shortage of Br 2,000
- ☐ c. There is an inventory overage of Br 2,000
- ☐ d. Ending inventory is reported on balance sheet at Br 880,000

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Question 22

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Joint control exists where:

- ☐ a. No single party is in a position to control the activity unilaterally.
- ☐ b. One party alone has power to control the strategic operating decisions of the joint arrangement.
- ☐ c. The decisions in areas essential to the goals of the joint arrangement do not require the consent of the parties.
- ☐ d. No one party may be appointed as the manager of the joint arrangement.

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Question 23

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Which one of the following is NOT the duty of the Board of Directors of a Share Company?

- ☐ a. Controlling the day to day activities of the operations
- ☐ b. Declaration of dividend
- ☐ c. Authorizing contracts & setting executive salaries
- ☐ d. Arranging major loans with banks

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Question 24

Not yet
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A journal entry debiting Cash in Transit and crediting Investment in Branch is required for:

- ☐ a. The home office to record the mailing of a check by the branch on the last day of the accounting period.
- ☐ b. The branch to record the mailing of a check to the home office on the last day of the accounting period.
- ☐ c. The branch to record the mailing of a check to the home office early in the accounting period.
- ☐ d. The home office to record the mailing of a check to the branch early in the accounting period.

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Question 25

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🚩 Flag question

The process of turning money that is derived from criminal activities – dirty money – into money which appears to have been legitimately acquired and which can therefore be more easily invested and spent is called:

- ☐ a. Market manipulation
- ☐ b. Insider Trading
- ☐ c. Market Abuse
- ☐ d. Money laundering

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Question 26

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🚩 Flag question

Bonds that are sold in a foreign country and are denominated in the country's currency in which they are sold are known as:

- ☐ a. Equity bonds.
- ☐ b. Foreign bonds.
- ☐ c. Eurobonds.
- ☐ d. Country bonds.

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Question 27

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When searching for unrecorded liabilities at year-end, the focus of the auditor will be on checking:

- ☐ a. Invoices for goods purchased after year-end
- ☐ b. Cash receipts from related parties recorded before year-end
- ☐ c. Creditors whose accounts appear on a subsidiary trial balance of accounts payable
- ☐ d. Cash payments recorded after the balance sheet date

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Question 28

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An entity imported machinery to install in its new factory premises before year-end. However, due to circumstances beyond its control, the machinery was delayed by a few months but reached the factory premises before year-end. While this was happening, the entity learned from the bank that it was being charged interest on the loan it had taken to fund the cost of the machinery. What is the proper treatment of freight and interest expense?

- ☐ a. Both expenses should be expensed.
- ☐ b. Freight charges should be capitalized but interest cannot be capitalized under these circumstances.
- ☐ c. Interest may be capitalized but freight should be expensed.
- ☐ d. Both expenses should be capitalized.

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Question 29

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Clayton Industries is planning its operations for next year, and Ronnie Clayton, the CEO, wants you to forecast the firm's additional funds needed (AFN). The firm is operating at full capacity. Data for use in your forecast are shown below. Based on the AFN equation, what is the AFN for the coming year? All Birrs are in millions.

Last year's sales (S_0)	Birr 350	Last year's accounts payable	Birr 40
Sales growth rate (g)	30%	Last year's notes payable	Birr 50
Last year's total assets (A_0^*)	Birr 500	Last year's accruals	Birr 30
Last year's profit margin (PM)	5%	Target pay-out ratio	60%

- ☐ a. Birr 102.8
- ☐ b. Birr 108.2
- ☐ c. Birr 113.9
- ☐ d. Birr 119.9

Question 30

Not yet
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Which of the following does not represent a primary motivation for business combinations?

- ☐ a. Larger firms being less likely to fail.
- ☐ b. Cost savings through elimination of duplicate facilities and staff.
- ☐ c. Combinations as a vehicle for achieving rapid growth and competitiveness.
- ☐ d. Quick entry for new and existing products into markets.

Question 31

Not yet
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On January 2, 2021, Triple Inc. purchased equipment with a cost of Birr 10,440,000, a useful life of 10 years and no salvage value. The Company uses straight-line depreciation. At December 31, 2021 and December 31, 2022, the company determines that impairment indicators are present. The following information is available for impairment testing at each year end:

	<u>12/31/2021</u>	<u>12/31/2022</u>
Fair value less cost to sell	Birr 9,315,000	Birr 8,350,000
Value-in-use	Birr 9,350,000	Birr 8,315,000

There is no change in the asset's useful life or salvage value. The 2022 profit or loss statement will report:

- ☐ a. Recovery of Impairment Loss of Birr 3,889.
- ☐ b. Impairment Loss of Birr 10,000.
- ☐ c. Recovery of Impairment Loss of Birr 38,889.
- ☐ d. Impairment Loss of Birr 1,000,000.

Question 32

Not yet
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Aster is an employee in one of the government organization in Ethiopia. Her monthly salary is Birr 4,000. During Tir 2015 she worked on Public holiday for 10 hours. She has a position allowance of Birr 1000. Aster is a member of the saving and credit association of the organization in which she works and decided to save 10% of her salary. She is expected to work 160 hours per month and she worked accordingly. What is the amount of overtime related to Aster's payment?

- ☐ a. Birr 625
- ☐ b. Birr 781.25
- ☐ c. Birr 500
- ☐ d. Birr 950

Question 33

Not yet
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Parent Inc. and Sub Inc. had the following balance sheets on July 31, 2022:

	Parent Inc.	Sub Inc.	Sub Inc.
	(carrying value in Birr)	(carrying value in Birr)	(fair value in Birr)
Cash	90,000	18,000	18,000
Accounts Receivable	50,000	20,000	20,000
Inventory	30,000	12,000	13,500
Plant and Equipment (net)	100,000	40,000	46,500
Goodwill	-	4,000	
Trademark	-	<u>6,000</u>	7,500
Total Assets	<u>270,000</u>	<u>100,000</u>	
Current Liabilities	40,000	25,000	25,000
Bonds Payable	160,000	10,000	12,000
Ordinary Shares	45,000	40,000	
Retained Earnings	<u>25,000</u>	<u>25,000</u>	
Total Liabilities and Equity	<u>270,000</u>	<u>100,000</u>	

Question 34

Not yet
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Which of the following is FALSE about public finance?

- ☐ a. Public finance is the study of income and the expenditure of the government.
- ☐ b. Fiscal operations and fiscal policies are integral part of public finance.
- ☐ c. Public finance deals with the wants and the satisfaction of households and firms.
- ☐ d. Public finance aims at maximizing social welfare or social benefit by efficient use of public goods.

Question 35

Not yet
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🚩 Flag question

Which one of the following Statements is FALSE?

- ☐ a. If trial balance debit side total is equal to credit side total, it indicates no error in ledger.
- ☐ b. Adjusting entry is the application of accrual method of accounting.
- ☐ c. Closing entry is recorded to update the balance of the real owner's equity account.
- ☐ d. Preparation of worksheet simplifies the recording of adjusting & closing entries.

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Question 36

Not yet
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🚩 Flag question

The fair value of an asset at initial recognition is

- ☐ a. The book value of the asset acquired.
- ☐ b. The price paid to acquire the asset.
- ☐ c. The price paid to acquire the asset less transaction costs.
- ☐ d. The price paid to transfer or sell the asset.

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Question 37

Not yet
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🚩 Flag question

Which of the following financial intermediaries is not a depository institution?

- ☐ a. A savings and loan association
- ☐ b. A finance company
- ☐ c. A commercial bank
- ☐ d. A credit union

Question 38

Not yet
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In 2021, Cupid Construction Co. (CCC) began work on a two-year fixed price contract project. CCC recognizes revenue over time according to percentage of completion for this contract, and provides the following information (Birr in millions):

Accounts receivable, 12/31/2021 (from construction progress billings) Birr 75

Actual construction costs incurred in 2021 Birr 270

Cash collected on project during 2021 Birr 210

Construction in progress, 12/31/2021 Birr 414

Estimated percentage of completion during 2021 60%

What is the amount of gross profit on the project recognized by CCC during 2021?

- ☐ a. Birr 320 million.
- ☐ b. Birr 144 million
- ☐ c. Birr 96 million
- ☐ d. Cannot be determined from the given information.

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Question 39

Not yet
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Which one of the following is not a role played by an investment bank?

- ☐ a. Investing in a diversified portfolio on behalf of its shareholders
- ☐ b. Distributing newly issued securities to the public.
- ☐ c. Advising the issuer on the terms and the timing of the offering.
- ☐ d. Buying the securities from the issuer and then reselling them in the market.

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Question 40

Not yet
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Which one of the following is FALSE?

- ☐ a. A financial statement that contain immaterial misstatement is not considered to show true and fair view
- ☐ b. Knowledge about the client's industry is an essential factor for a successful audit
- ☐ c. Audit planning can keep audit costs reasonable
- ☐ d. The risk of material misstatement is a function of inherent and control risk

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Question 41

Not yet
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Which of the following is FALSE about the difference between management accounting and financial accounting?

- ☐ a. Management accounting is not strictly governed by IFRS/GAAP.
- ☐ b. Management accounting is forward-looking instead of historical
- ☐ c. Management accounting information is summarized in different ways for different purposes
- ☐ d. Management accounting information is captured and delivered less frequently

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Question 42

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Which of the following is a characteristic of a Special Revenue Fund that differentiates it from a General Fund?

- ☐ a. A Special Revenue Fund is established only if a revenue source is restricted or committed to expenditure for a specific purpose other than debt service and capital outlay.
- ☐ b. A governmental entity may only have one Special Revenue Fund.
- ☐ c. A Special Revenue Fund uses the total economic resources measurement focus.
- ☐ d. A Special Revenue Fund is required to be budgeted on a multi-year basis.

Question 43

Not yet
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If Entity IQ had a plantation forest that is likely to be harvested and sold in 30 years, in which way should the income be accounted for?

- ☐ a. No income should be reported until first harvest and sale in 30 years.
- ☐ b. The plantation forest should be valued every five years and the increase in value should be shown in the statement of recognized gains and losses.
- ☐ c. The eventual sale proceeds should be estimated and matched to the profit and loss account over the 30-year period.
- ☐ d. Income should be measured annually and reported using a fair value that recognizes and measures biological growth.

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Question 44

Not yet
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🚩 Flag question

Activity-based costing can eliminate cost distortions because it:

- ☐ a. Establishes multiple cost pools
- ☐ b. Develops cost drivers that have a cause and effect relationship with the activities performed
- ☐ c. Uses single rate in assigning support costs
- ☐ d. Eliminates product variations

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Question 45

Not yet
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A Company has cash in bank of Birr 20,000, restricted cash in a separate account of Birr 6,000, and a bank overdraft in an account at another bank of Birr 2,000. The company should report cash of _____.

- ☐ a. Birr 18,000
- ☐ b. Birr 20,000
- ☐ c. Birr 26,000
- ☐ d. Birr 24,000

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Question 46

Not yet
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A Corporation had net income of Birr 50,000 in 2019 and Birr 60,000 in 2020, excluding any income from its investment in B Company. B Company had net income of Birr 30,000 in 2019 and Birr 40,000 in 2020. On January 1, 2020, A Corporation acquired all of the outstanding common shares of B Company for a cash payment of Birr 300,000. Assume that there was no acquisition differential on this business combination. What net income would A Corporation report for 2020 in its comparative consolidated financial statements at the end of 2020?

- ☐ a. Birr 40,000
- ☐ b. Birr 100,000
- ☐ c. Birr 80,000
- ☐ d. Birr 60,000

Question 47

Not yet
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The tax base of an asset is the amount which is attributable to that asset for tax purposes. If the tax base of an asset is less than its carrying amount, this is an evidence of:

- ☐ a. A taxable temporary difference
- ☐ b. A deductible permanent difference
- ☐ c. A taxable permanent difference
- ☐ d. A deductible temporary difference

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Question 48

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Which one of the following is the theory that a firm should borrow up to the point where the additional tax benefit from an extra dollar of debt equals the additional costs associated with financial distress from that additional debt?

- ☐ a. M&M Proposition I, with taxes
- ☐ b. M&M Proposition I, without taxes
- ☐ c. Static theory of capital structure
- ☐ d. M&M Proposition II, with taxes

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Question 49

Not yet
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If the joint arrangement is not structured through a separate vehicle, the arrangement is classified as a:

- ☐ a. Joint venture.
- ☐ b. Joint operation.
- ☐ c. Joint vehicle.
- ☐ d. Joint structure.

Question 50

Not yet
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🚩 [Flag question](#)

Assume that the sales revenue of ABC Share Company is Birr 12,000,000 during Tax Year ended Sene 30, 2014. Cost of goods sold (determined on the basis of the average cost method) and Expenses were Birr 5,000,000 and Birr 800,000, respectively. The operating expenses comprises of store rent expense of Birr 400,000, a 5% depreciation expense on a not fully depreciated Building with a cost of Birr 2,000,000, a penalty of Birr 50,000, and a donation of Birr 250,000 to the government of FDRE as a contribution to the 'Gebeta Lelimat' Project. What is the amount of taxable business profit to be presented on the tax return?

- ☐ a. Birr 6,500,000
- ☐ b. Birr 6,250,000
- ☐ c. Birr 6,200,000
- ☐ d. Birr 6,600,000

Question 51

Not yet
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🚩 [Flag question](#)

In a multi-product factory that operates at full capacity, decisions must be made about what products to emphasize. In making such decisions, products should be ranked based on ____.

- ☐ a. unit sales volume
- ☐ b. contribution margin per unit of the constraining resource
- ☐ c. selling price per unit
- ☐ d. contribution margin per unit

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Time left

Question 52

Not yet
answered

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1.00

Flag question

South Ltd. uses allowance method of accounting for uncollectible. Analysis of long outstanding balance of Br 500,000 expected from customer Z reveals the amount will not be collected because of disappearance of the customer following bankruptcy. The correct journal entry is:

- ☐ a. Debit Allowance for uncollectible and credit Bad debt expense by Br 500,000
- ☐ b. Debit Bad debt expense and credit Allowance for uncollectible by Br 500,000
- ☐ c. Debit Bad debt expense and credit Accounts Receivable by Br 500,000
- ☐ d. Debit Allowance for uncollectible and credit Accounts Receivable by Br 500,000

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Question 53

Not yet
answered

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1.00

🚩 Flag question

Auditors basically accumulate evidence to ____.

- ☐ a. Satisfy the requirements of code of ethical conduct
- ☐ b. Defend themselves in the event of a court case
- ☐ c. Reach a conclusion about the fairness of the financial statements
- ☐ d. Determine if the financial statements are correct

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Question 54

Not yet
answered

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1.00

🚩 Flag question

Which of the following is FALSE about cost allocation methods?

- ☐ a. The dual-rate method provides better information for making decisions
- ☐ b. The single-rate method aggregates fixed and variable costs and allocates them to objects using a single allocation base and rate
- ☐ c. The dual-rate method, groups costs into separate variable cost and fixed cost pools and use a single cost-allocation base and rate.
- ☐ d. The single-rate method is relatively simple to apply

Question 55

Not yet
answered

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1.00

 Flag question

Robba Corporation manufactured 30,000 ice chests during September. The overhead cost-allocation base is Birr 11.25 per machine-hour. The following variable overhead data pertain to September:

	Actual	Budgeted
Production	30,000 units	24,000 units
Machine-hours	15,000 hours	10,800 hours
Variable overhead cost per machine-hour	Birr 11.00	Birr 11.25

What is the variable overhead spending variance?

- ☐ a. Birr 16,875 unfavourable
- ☐ b. Birr 13,125 unfavourable
- ☐ c. Birr 3,750 favourable
- ☐ d. Birr 30,375 unfavourable

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Question 56

Not yet
answered

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1.00

🚩 Flag question

Which of the following intangible assets could not be sold by a business to raise needed cash for a capital project?

- ☐ a. Patent.
- ☐ b. Trade name.
- ☐ c. Goodwill.
- ☐ d. Copyright.

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Question 57

Not yet
answered

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1.00

🚩 Flag question

Which of the following is the common characteristics of all financial markets:

- ☐ a. It allows common stock to be traded.
- ☐ b. It channels funds from lenders-savers to borrowers-spenders.
- ☐ c. It determines the level of interest rates.
- ☐ d. It allows loans to be made.

Question 58

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which of the following is FALSE about short-term financing

- ☐ a. If funds are needed in a hurry, the firm should look to the short-term markets.
- ☐ b. Short-term credit agreements are generally more restrictive than long-term credit agreements.
- ☐ c. If a firm thinks its need for funds will diminish in the near future, it should choose short-term debt.
- ☐ d. Interest costs at the time the funds are obtained will be lower if the firm borrows on a short-term rather than a long-term basis.

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Question 59

Not yet
answered

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1.00

🚩 Flag question

Assume that two companies wish to engage in a Business Combination involving a share exchange. Once the share exchange is consummated, each shareholder group will have an equal number of voting shares. Which of the following statement best describes the course of action that must be taken under these circumstances?

- ☐ a. The company with the largest net assets (at fair market value) is deemed to be the acquirer.
- ☐ b. Other factors must be examined to determine which shareholder group is more dominant.
- ☐ c. No acquirer can be identified since no shareholder group has majority voting control, so the share exchange must be annulled.
- ☐ d. The Boards of Directors of both companies must enter into discussions to agree on which party will be the acquirer.

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Question 60

Not yet
answered

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1.00

🚩 Flag question

Which of the following should not be included in the physical inventory of a company?

- ☐ a. Goods held on consignment from another company
- ☐ b. Goods in process
- ☐ c. Goods in transit, bought from another company with FOB shipping point term
- ☐ d. Goods shipped on consignment to another company

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Question 61

Not yet
answered

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1.00

🚩 Flag question

Refer to the following lease amortization schedule. The five payments are made annually starting with the beginning of the lease. A Birr 2,000 purchase option is reasonably certain to be exercised at the end of the five-year lease. The asset has an expected economic life of eight years

Lease Payment	Cash Payment (in birr)	Effective Interest (in birr)	Decrease in Balance (in birr)	Outstanding Balance (in birr)
				34,600
1	8,000	??	??	26,600
2	8,000	2,660	5,340	21,260
3	8,000	2,126	5,874	15,386
4	8,000	1,539	6,461	8,925
5	8,000	??	??	??
6	2,000	182	1,818	0

What is the effective annual interest rate?

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Question 62

Not yet
answered

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1.00

🚩 Flag question

The use of statistical sampling technique enables the auditor to:

- ☐ a. Select a perfectly representative sample
- ☐ b. Quantify sampling risk
- ☐ c. Eliminate the need for judgmental decisions
- ☐ d. Be more subjective in evaluation of sample results

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Question 63

Not yet
answered

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1.00

🚩 Flag question

You want to go to USA 5 years from now for your MSc degree, and you can save Birr 3,100 per year, beginning one year from today. You plan to deposit the funds in one of the commercial banks that you think will pay 8.5% interest per year. Under these conditions, how much would you have just after you make the 5th deposit, 5 years from now?

- ☐ a. Birr 18,369
- ☐ b. Birr 20,251
- ☐ c. Birr 19,287
- ☐ d. Birr 21,264

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Question 64

Not yet
answered

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1.00

🚩 Flag question

Cost-volume-profit analysis assumes all of the following except:

- ☐ a. units manufactured equal units sold
- ☐ b. total variable costs remain the same over the relevant range
- ☐ c. all costs are variable or fixed
- ☐ d. total fixed costs remain the same over the relevant range

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Question 65

Not yet
answered

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1.00

🚩 Flag question

Which of the following is correct, if MAMA Share Company issued 1,000 shares of Birr 100 par value ordinary shares receiving a total amount of Birr 120,000?

- ☐ a. Ordinary share capital account is credited for Birr 120,000
- ☐ b. The transaction results in a gain of Birr 20,000
- ☐ c. Retained earnings account is credited for Birr 20,000
- ☐ d. Total shareholders' equity increases by Birr 120,000

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Question 66

Not yet
answered

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1.00

🚩 Flag question

The main purpose of accounting is:

- ☐ a. to prove the equality of debits and credits
- ☐ b. to accumulate and determine cost
- ☐ c. to record and post transactions
- ☐ d. to provide financial information to users

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Question 67

Not yet
answered

Marked out of
1.00

🚩 Flag question

Among the following, which one is a tax deductible expense in the Ethiopian tax system

- ☐ a. Damages covered by insurance policy or a contract of indemnity, guarantee, or surety.
- ☐ b. Depreciation expense on Buildings computed in line with IFRS using the units of production method.
- ☐ c. Insurance Expenses.
- ☐ d. An expenditure of a capital nature.

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Question 68

Not yet
answered

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1.00

🚩 Flag question

According to the IASB Framework, the two criteria required for incorporating items into the income statement or statement of financial position are that:

- ☐ a. It satisfies the criteria of capital maintenance.
- ☐ b. It meets the definition of an element and can be measured reliably.
- ☐ c. It meets the requirements of comparability and consistency.
- ☐ d. It meets the definition of relevance and faithful representation.

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Question 69

Not yet
answered

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1.00

🚩 Flag question

Which of the following is not a fraud risk factor for the revenue recognition process?

- ☐ a. Recognition of revenue on shipments that never occurred
- ☐ b. Recording advance collections as revenue
- ☐ c. Not recording consignment sales as revenue
- ☐ d. Creation of fictitious invoices

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Question 70

Not yet
answered

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1.00

🚩 Flag question

Which of the following the following ethical principles requires the auditor to be honest and straightforward in all professional and business relationships?

- ☐ a. Objectivity
- ☐ b. Professional competence and due care
- ☐ c. Integrity
- ☐ d. Professional behavior

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Question 71

Not yet
answered

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1.00

🚩 Flag question

Which of the following statements is most consistent with efficient inventory management? The firm has _____.

- ☐ a. Relatively low days sales outstanding (DSO).
- ☐ b. Relatively high current ratio.
- ☐ c. Low incidence of production schedule disruptions.
- ☐ d. Below average inventory turnover ratio.

Question 72

Not yet
answered

Marked out of
1.00

🚩 Flag question

The auditor wants to examine 100 sales invoices from a population of 5,000 sales invoices that starts from sales invoice No. 1. The auditor uses systematic sampling method. Assume Sales invoice No. 40 is the first sales invoice that is chosen randomly. The 3rd sales invoice that is included in the auditors sample is:

- ☐ a. Sales invoice No. 140
- ☐ b. Sales invoice No. 150
- ☐ c. Sales invoice No. 120
- ☐ d. Sales invoice No. 130

Question 73

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which of the following is the best theoretical justification for consolidated financial statements?

- ☐ a. In form the companies are separate; in substance they are one entity.
- ☐ b. In form the companies are one entity; in substance they are separate.
- ☐ c. In form and substance the companies are one entity.
- ☐ d. In form and substance the companies are separate.

Question 74

Not yet
answered

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1.00

 Flag question

Hubo Company has budgeted sales for the year as follows:

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Sales in units	10,000	12,000	14,000	16,000

The ending inventory of finished goods for each quarter should equal 25% of the next quarter's budgeted sales in units. The finished goods inventory at the start of the year is 2,500 units. Four pounds of raw materials are required for each unit produced. Raw materials on hand at the start of the year total 4,200 pounds. The raw materials inventory at the end of each quarter should equal 10% of the next quarter's production needs in material. Scheduled production for the third quarter should be:

- ☐ a. 13,500 units
- ☐ b. 14,500 units
- ☐ c. 15,500 units
- ☐ d. 18,500 units

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Question 75

Not yet
answered

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1.00

🚩 Flag question

If accrued Utility expense of Br 5,000 is not recorded, which of the following is correct?

- ☐ a. Liability will be understated
- ☐ b. Net income will be understated
- ☐ c. Owner's equity be will understated
- ☐ d. Expense will be overstated

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Question 76

Not yet
answered

Marked out of
1.00

🚩 Flag question

Insurance contracts without direct participation features are measured based on the:

- ☐ a. General model
- ☐ b. Variable fee approach
- ☐ c. General model or Premium allocation approach
- ☐ d. Premium allocation approach

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Question 77

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which of the following statements is FALSE regarding the definition of a fund?

- ☐ a. A fund is an accounting entity for which financial statements can be prepared.
- ☐ b. A fund is a fiscal entity used to account for a subset of an organization's resources that is to be used for a specific purpose.
- ☐ c. A fund has a self-encompassing, self-balancing accounting equation.
- ☐ d. A fund is an accounting entity that is used for one year only and each year a new set of funds must be established.

Question 78

Not yet
answered

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1.00

🚩 Flag question

The following cost information about direct material-chemical, is taken from Kokeb textile firm:

- Chemicals on hand as of January 1, 2020..... Birr 100,000
- Chemicals on hand as of January 31, 2020..... 80,000
- Cost of Chemicals issued to factory during January..... 400,000
- Excess Chemicals returned from factory shop to store during January... 30,000

What is the cost of direct materials purchased during the period?

- ☐ a. Birr 400,000
- ☐ b. Birr 230,000
- ☐ c. Birr 350,000
- ☐ d. Birr 500,000

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Question 79

Not yet
answered

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1.00

🚩 Flag question

Which of the following is FALSE about auditing?

- ☐ a. It involves communicating results to users
- ☐ b. It involves the task of recording business transactions
- ☐ c. It involves the task evaluations of evidences
- ☐ d. It involves checking the information with established criteria

Question 80

Not yet
answered

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1.00

🚩 Flag question

In a Fire & Water partnership, net income and net loss is shared equally. On the date of liquidation of their partnership, records showed the following balances.

- Cash.....Birr 200,000
- Non cash assets..... 400,000
- Accounts payable..... 100,000
- Fire's capital..... 300,000
- Water's capital..... 200,000

If non cash assets were sold at Br 500,000, which of the following statement is correct?

- ☐ a. The amount of distributed to Water equals Br200,000
- ☐ b. The amount of cash available to partners equal Br700,000
- ☐ c. The amount of cash distributed to Fire equals Br 350,000
- ☐ d. The amount of cash distributed to Fire equals Br 300,000

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Question 81

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which of the following is NOT a reason the retail inventory method is used widely?

- ☐ a. For insurance information.
- ☐ b. To permit the computation of net income without a physical count of inventory.
- ☐ c. As a control measure in determining inventory shortages.
- ☐ d. To defer income tax liability.

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Question 82

Not yet
answered

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1.00

🚩 Flag question

On December 31, 2022, Diamond Company reported net income of Birr 50,000 and sales of Birr 200,000. The company also reported beginning and ending accounts receivable at Birr 20,000 and Birr 25,000, respectively. Diamond will report cash collected from customers in its 2022 statement of cash flows (indirect method) in the amount of:

- ☐ a. Birr 205,000.
- ☐ b. Birr 245,000.
- ☐ c. Birr 195,000.
- ☐ d. Birr 0.

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Question 83

Not yet
answered

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1.00

🚩 Flag question

Some gains and losses arising on a revaluation of property plant and equipment are to be included in other comprehensive income. When the asset is measured in a foreign currency, how would exchange differences be treated?

- ☐ a. The differences should be included in the calculation of other comprehensive income.
- ☐ b. As a reduction or increase in the carry cost of the asset.
- ☐ c. As an item to be included in income or loss for the year.
- ☐ d. As a contra account to be fully disclosed and to show the impact of foreign exchange differences.

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Question 84

Not yet
answered

Marked out of
1.00

🚩 Flag question

Permitting only designated personnel to handle cash receipts is an application of the principle of:

- ☐ a. Human resource controls
- ☐ b. Segregation of duties
- ☐ c. Independent internal verification
- ☐ d. Establishment of responsibility

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Question 85

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which of the following is FALSE in connection to job order costing system?

- ☐ a. Work in process is credited for the transfer of completed items to Finished Goods Inventory
- ☐ b. In normal costing method, work in process is debited factory overhead applied
- ☐ c. Finished goods is credited for cost of goods shipped to customers
- ☐ d. Finished goods is debited for goods completed & sold during the period

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Question 86

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which one of the following statements is FALSE about property plant and equipment (PPE)?

- ☐ a. All items of PPE have unlimited life
- ☐ b. Can provide service for more than a year period
- ☐ c. They are tangible in nature
- ☐ d. Are acquired for use but not for sale under normal course of business

Question 87

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which of the following statement is FALSE regarding the objective of financial reporting by public sector entities?

- ☐ a. The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for decision-making purposes.
- ☐ b. The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for accountability purposes.
- ☐ c. The identification of accountability as an objective of financial reporting reflects the fact that most governments and public sector entities have their funding mainly through taxation, but also transfers from other tiers of government.
- ☐ d. The identification of accountability as an objective of financial reporting reflects that most governments and public sector entities have a profit seeking rather than service delivery objective.

Question 88

Not yet
answered

Marked out of
1.00

🚩 Flag question

An entity grants 1,000 share options to each of its five directors on July 1, 20X4. The options vest on June 30, 20X8. The fair value of each option on July 1, 20X4, is Birr 5, and it is anticipated that all of the share options will vest on June 30, 20X8. What will be the accounting entry in the financial statements for the year ended June 30, 20X5?

- ☐ a. Increase equity Birr 6,250, increase in expense statement of comprehensive income Birr 6,250.
- ☐ b. Increase equity Birr 25,000, increase in expense statement of comprehensive income Birr 25,000.
- ☐ c. Increase equity zero, increase in expense statement of comprehensive income zero.
- ☐ d. Increase equity Birr 5,000, increase in expense statement of comprehensive income Birr 5,000.

Question 89

Not yet
answered

Marked out of
1.00

🚩 Flag question

ABC furniture produces items based on customer's order. It uses job order system with normal costing. In March 2022, the cost sheet for Job No. 125 showed the following data:

- Predetermined overhead rate.....Birr 25 per machine hour.
- Direct materials used.....Birr 8,000
- Direct labour rate per hour.....Birr 19
- Machine time used.....30 hours.
- Direct labour hours worked.....20

What is the total cost of Job No. 125 for March under normal costing?

- ☐ a. Birr 8,380
- ☐ b. Birr 9,130
- ☐ c. Birr 8,750
- ☐ d. Birr 10,275

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Question 90

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which one of the following statements is FALSE about the tasks involved in accounting system installation and revision?

- ☐ a. In both new system installation and revising existing system, analysis should precede system design
- ☐ b. Data needs should be identified at system analysis stage
- ☐ c. New systems should be designed based on feedback from system implementation stage
- ☐ d. Problems on existing system are identified on system analysis stage rather than system design stage

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Question 91

Not yet
answered

Marked out of
1.00

🚩 Flag question

All of the following are characteristics of tax except:

- ☐ a. Tax is a legal collection that can be levied only by the federal government not by any one else including regional governments.
- ☐ b. Tax is a compulsory contribution by the taxpayers to the government.
- ☐ c. Certain taxes are imposed to achieve specific objectives such as reducing consumption of luxurious goods.
- ☐ d. For the payment of tax, there is no direct return or quid proquo to the taxpayers.

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Question 92

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which of the following is correct?

- ☐ a. Auditors apply professional judgment only on deciding on the type of opinion
- ☐ b. Limited assurance audit opinion is worded negatively
- ☐ c. Limited assurance audit is acceptable for organizations of all size
- ☐ d. Analytical review is sufficient evidence for a reasonable assurance audit

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Question 93

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which of the following is not a function of a financial system:

- ☐ a. Saving function
- ☐ b. Risk elimination function
- ☐ c. Payment function
- ☐ d. Investment function

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Question 94

Not yet
answered

Marked out of
1.00

🚩 Flag question

As a general rule, debt service expenditures in a Debt Service Fund are recognized ____.

- ☐ a. when due for principal repayments but on an accrual basis for interest
- ☐ b. in accordance with the requirements of the original bond order that specifies the basis of expenditure recognition
- ☐ c. when resources to be used for the repayment are made available to a Debt Service Fund
- ☐ d. when the debt service payment is due

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Question 95

Not yet
answered

Marked out of
1.00

🚩 Flag question

The main reason for the auditor to trace shipping documents to pre-numbered sales invoices is to determine that:

- ☐ a. Shipments to customers were properly billed
- ☐ b. All pre-numbered sales invoices were recorded
- ☐ c. Recorded sales invoices are not fictitious
- ☐ d. All goods ordered by customers were shipped

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Question 96

Not yet
answered

Marked out of
1.00

🚩 Flag question

Which of the following is not the role played by National Bank of Ethiopia in the Ethiopian financial system?

- ☐ a. National Bank of Ethiopia restrict those who can set up a financial intermediary
- ☐ b. Prints money
- ☐ c. Regular on-site examinations to monitor whether the institution is complying with capital requirements and restrictions on asset holdings.
- ☐ d. National Bank of Ethiopia provide insurance to help ensure the soundness of financial intermediaries

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Question 97

Not yet
answered

Marked out of
1.00

🚩 Flag question

EMBC Company's current ratio is 0.5. Considered alone, which of the following actions would increase the company's current ratio?

- ☐ a. Use cash to reduce short-term notes payable.
- ☐ b. Use cash to reduce accruals.
- ☐ c. Borrow using short-term notes payable and use the cash to increase inventories.
- ☐ d. Use cash to reduce accounts payable.

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Question 98

Not yet
answered

Marked out of
1.00

🚩 Flag question

Yene Company purchased land containing an estimated 1,000,000 tons of ore for a cost of Birr 10,500,000. The land without the ore is estimated to be worth Birr 500,000. During its first year of operation, the company mined and sold 300,000 tons of ore. What is the amount of depletion expense that Yene Company should record for the year?

- ☐ a. Birr 3,150,000
- ☐ b. Birr 3,000,000
- ☐ c. Birr 7,000,000
- ☐ d. Birr 10,000,000

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Question 99

Not yet
answered

Marked out of
1.00

🚩 Flag question

Export Company had a trade account receivable from a foreign customer stated in the local currency of the foreign customer. The trade account receivable for 900,000 local currency units (LCU) had been restated to Birr 315,000 in Export's June 30, 2005, balance sheet. On July 26, 2005, the account receivable was collected in full when the exchange rate was LCU1 = Birr 0.331/3. The journal entry that Export prepares to record the collection of this trade account receivable include:

- ☐ a. Debit to Cash, Birr 300,000.
- ☐ b. Credit to Foreign Currency Translation Adjustments, Birr 15,000.
- ☐ c. Debit to Foreign Currency Transaction Gains and Losses, Birr 15,000.
- ☐ d. Credit to Trade Accounts Receivable, Birr 300,000.

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Question 100

Not yet
answered

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1.00

🚩 Flag question

A purpose of standard costing is to

- ☐ a. Eliminate the need for actual costing for external reporting purposes.
- ☐ b. Simplify costing procedures.
- ☐ c. Replace budgets and budgeting.
- ☐ d. Eliminate the need to account for year-end under-applied or over-applied manufacturing overhead.