1 _____ represents the increase in taxes payable in future years as a result of taxable temporary differences existing at the end of the current year.

A. Future Taxable Amounts
B. Income Taxes Payable
C. Income Tax Expense
D. Deferred Tax Liability

Ans.d. Deferred Tax Liability

2 The statement of cash flows is not used to evaluate an entity's ability to: _____.

A. Earn net income
B. Meet obligations
C. Generate future cash flows
D. Pay dividends

Ans. a. Earn net income

3 _____is the risk that a borrower may not repay principal and/or interest as originally agreed.

A. Market risk
B. Interest rate risk
C. Liquidity risk
D. Default risk

Ans. d. Default risk

4 _____is a collective effect of various over all factors that establish, enhance, or mitigate the effectiveness of specific control policies and procedures.
Question 4Answer
A. Risk Assessment
B. Internal Audit control
C. Control environment
D. Segregation of control

Ans. c. Control environment

5 The advantages of leasing to the lessor includes:
A. Protection against obsolescence
B. Off-balance-sheet financing
C. Residual value profits
D. Less costly financing

Ans.c. Residual value profits

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6 Audit program should be: _____.
A. Neither fixed nor Flexible
B. Flexible
C. Oral
D. Fixed

Ans. b. Flexible

7 Which method of depreciation is considered as accelerated method?

A. Sum of Years Digit Method
B. Amortized-depreciation method
C. Unit-of activity depreciation method
D. Straight-line depreciation method

Ans. a. Sum of Years Digit Method

8 _____are sold at a discount that provides the buyer's total interest payoff at maturity.
A. Callable bonds
B. Zero interest bonds
C. Convertible bonds
D. Serial bonds

Ans. b. Zero interest bonds

9 The main purpose of audit sampling is:
A. To test all types of transactions
B. To ensure 100% accuracy
C. To reduce audit workload while assuring accuracy
D. To avoid risk of non-sampling errors

Ans. c. To reduce audit workload while assuring accuracy

10 Which of the following is NOT a component of audit report content?
A. Introductory paragraph
B. Personal interest of the client
C. Report title
D. Opinion paragraph

Ans. b. Personal interest of the client

11 Suppose in the organization you are working as an accountant, there is a use of pre-numbered checks in paying cash and this principle is called:

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A. a.
Physical controls
B. b.
Segregation of duties
C. c.
Documentation procedures
D. d.
Establishment of responsibility

Ans. c. Documentation procedures

12 Which one of the following is NOT categorized as the major type of government or not for profit organizations?
A. a.
Educational organizations
B. b.
Health and welfare organizations
C. c.
Business Organizations
D. d.
Religious organizations

Ans. c. Business Organizations

13 _____is a tax levied on selected goods such as luxury goods and goods which are considered hazardous to health.
Question 13Answer
A. a.
Withholding Tax
B. b.
Custom tax
C. c.
Sur tax
D. d.
Excise tax

Ans. d. Excise tax

14 An entity should apply IFRS 17 to which of the following?
A. a.
Consideration Payable in business combination
B. b.
Product warranties issued by an entity which is manufacturer
C. c.
Reinsurance contracts the entity holds

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D. d.
Employers Equity under employment benefit plans

Ans: c. Reinsurance contracts the entity holds

15 _____ means an excess of current fair value of the combinee's identifiable net assets over their cost to the combinor.
A. a.
Negative goodwill
B. b.
History of losses
C. c.
Positive goodwill
D. d.
Implied value

Ans. a. Negative goodwill

16 _____are non-recurring transfers did not make in compliance with special statues or ordinances that qualify NEITHER as revenues or expenditures NOR other financing sources to the receiving or disbursing funds.
A. a.
Reimbursements
B. b.
Equity transfer
C. c.
Operating Transfers
D. d.
Quasi-external transactions

Ans. b. Equity transfer

17 During payroll processing, if a permanent employee's monthly basic salary is Br. 32,000, what is the amount of pension contribution contributed by the employer?
Question 17Answer
A. a.
Br. 2,560
B. b.
Br. 2,240
C. c.
Br. 5,760
D. d.
Br. 3,520

Ans. b. Br. 2,240

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18 The profit maximization:

A. a.
It considers the quality of benefits of future cash flows

B. b.
It is the best operationally feasible criterion to measure the maximum owners' economic welfare

C. c.
It assumes 'the bigger the better' principle while working profitability of different years

D. d.
It considers the timing benefits of future cash flows

Ans. c. It assumes 'the bigger the better' principle while working profitability of different years

19 The Contractual service margin in the insurance contract services is reported as:
Question 19Answer

A. a.
Deferred expense

B. b.
Unearned profit

C. c.
Coverage cost

D. d.
Premium received

Ans. b. Unearned profit

20 Process costing system is more applicable to:

A. a.
Furniture companies

B. b.
Cement factories

C. c.
Advertisement and Printing companies

D. d.
Products with specific requirement

Ans.b. Cement factories

21 What would like to be the effect of the transaction at the end of the year if a given Company borrowed Br. 80,000 from the commercial bank of Ethiopia by signing a 12-month, zero- interest-bearing Br. 91,000 note?

A. a.
Debit cash for Br. 91,000 and credit Notes Payable for Br. 91,000 at the beginning of the year

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B. b.
Debit cash for Br. 80,000 and credit Notes Payable for Br. 80,000 and credit interest expense for Br. 11,000 at the beginning of the year
C. c.
Debit cash for Br. 80,000 and Credit Account receivables for Br. 80,000 at the end of the year
D. d.
Debit interest expense for Br. 11,000 and credit Notes Payable for Br. 11,000 at the end of the year

Ans. b. Debit cash for Br. 80,000 and credit Notes Payable for Br. 80,000 and credit interest expense for Br. 11,000 at the beginning of the year

22 GG Company currently produces 1,000 component parts in its warehouse:

Direct material cost per unit is Br. 20

Direct labor cost per unit is Br. 21

Variable overhead per unit is Br. 7

Fixed cost unavoidable is birr 10,000

If an outsider supplier offers 1,000 component parts for Br. 58 should GG Company make or buy?

A. a.
It is the same whether making or buying
B. b.
By continue making there is an advantage of Br. 10,000
C. c.
By buying from outsider there is advantage of Br. 7,000
D. d.
By continue making there is an advantage of Br 17,000

Answer: **a. It is the same whether making or buying.**

To determine whether GG Company should make or buy the component parts, we need to calculate the total cost of making the parts in-house and compare it to the cost of buying them from the outsider supplier.

Cost to Make:

- Direct Material Cost: 1,000 units × Br. 20 = Br. 20,000
- Direct Labor Cost: 1,000 units × Br. 21 = Br. 21,000
- Variable Overhead: 1,000 units × Br. 7 = Br. 7,000

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- Fixed Cost (unavoidable): Br. 10,000

Total Cost to Make:

Br.20,000+Br.21,000+Br.7,000+Br.10,000=Br.58,000Br. 20,000 + Br. 21,000 + Br. 7,000 + Br. 10,000 = Br. 58,000 Br.20,000+Br.21,000+Br.7,000+Br.10,000=Br.58,000

Cost to Buy:

- Cost from supplier for 1,000 parts = Br. 58,000

Comparison:

- Total cost to make: Br. 58,000
- Total cost to buy: Br. 58,000

Conclusion:

Since the costs are the same, the answer is:

a. It is the same whether making or buying.

23 _____ is used by industries producing multiple units of similar products.
Question 23Answer
A. a.
Prime cost
B. b.
Process costing system
C. c.
Job order costing system
D. d.
Predetermined Overhead costing

Ans. b. Process costing system

24 A credit sale of birr 6000 is made on January 17, terms 2/10, net/30. A return of sales valued with birr 1500 is made on January 20. The amount received as payment in full on the due date is:

A. a.
Birr 4,500
B. b.
Birr 4,530
C. c.
Birr 4,410

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D. d.
Birr 6,000

Answer: c. Birr 4,410

25 Which one of the following is NOT Characteristics of Ethiopian Public Enterprises?
A. a.
Public Dimension
B. b.
Individual leader concerned
C. c.
Public Control and Management
D. d.
Public ownership

Ans; b. Individual leader concerned

26 Which of the following statements is FALSE?
A. a.
The amortization period of an intangible asset can exceed 20 years
B. b.
If an intangible asset has a finite life, it should be amortized
C. c.
Development costs are always expensed when incurred
D. d.
Goodwill is recorded only when a business is purchased

Ans: c. Development costs are always expensed when incurred

27 _____ a type of dividend policy is suitable for small investors and retired persons.
Question 29Answer
A. a.
Regular Dividend Policy
B. b.
Irregular Dividend Policy
C. c.
No dividend policy
D. d.
Stable Dividend Policy

Ans. d. Stable Dividend Policy

28 Which of the following is correct?
A. a.
If profitability index is equal to zero, indifference

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B. b.
If IRR is greater than cost of capital, accept the proposed investment
C. c.
If profitability index is greater than cost of capital, reject the proposed investment
D. d.
If NPV is greater than zero, reject the proposed investment

Ans. b. If IRR is greater than cost of capital, accept the proposed investment

29 Which of the following resembles the characteristics of sales agency?
A. a.
It fills customers' orders
B. b.
Acts on behalf of the home office.
C. c.
have proper record of stock inventory
D. d.
Have autonomous operation

Ans. b. Acts on behalf of the home office.

30 Among the following, which one is not resulted due to having low inventory level?
Question 32Answer
A. a.
Possible worker layoffs
B. b.
Disappointment by Customer
C. c.
Obsolescence of inventory
D. d.
Lost sales

Ans. c. Obsolescence of inventory

31 The primary objective of auditors in selecting a sample of items from an audit population is to obtain: _____.
Question 33Answer
A. a.
Representative sample
B. b.
Stratified sample
C. c.
Random sample
D. d.
Large sample.

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Ans. a. Representative sample

32 Suppose the project requires an initial investment of Br. 32,000 and the annual after tax cash flows is Br. 8,000 for five years. The payback period is: _____.
Question 34Answer
A. a.
5 years
B. b.
6 years
C. c.
4 years
D. d.
8 years

Ans. c. 4 years

33 The major objective of IFRS 5 is to specify: _____.
Question 35Answer
A. a.
Presentation of Financial Statements
B. b.
Non-current Assets Held For Sale and Discontinued Operations
C. c.
Accounting procedures for the Depreciation, disposition & Impairment of PPE
D. d.
Accounting Policies, Changes in Accounting Estimates and Errors

Ans. b. Non-current Assets Held For Sale and Discontinued Operations

34 hostile takeover defense strategy that involves finding a more appropriate acquiring company that will take over the target company on more favorable terms and at a better price than the original bidder is known as:___.
Question 36Answer
A. a.
Scorched Earth
B. b.
White Knight
C. c.
Green Mail
D. d.
Golden parachute

Ans. b. White Knight

35 Which one of the following is correct regarding the sequences of accounting cycle steps?

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A. a.
Prepare a post-closing trial balance; Prepare financial statements; Journalize and post-closing entries
B. b.
Post to ledger accounts; Prepare a trial balance; Journalize and post adjusting entries
C. c.
Prepare a trial balance; Prepare financial statements; Journalize the transactions; Journalize and post-closing entries
D. d.
Journalize the transactions; Post to the ledger accounts; Prepare an adjusted trial balance; Prepare financial statements

Ans. d. Journalize the transactions; Post to the ledger accounts; Prepare an adjusted trial balance; Prepare financial statements

36 Performing services on account would affect the basic accounting equation as:
Question 38Answer
A. a.
Increase liabilities and decrease equity
B. b.
Increase assets and increase liability
C. c.
Increase liabilities and increase equity
D. d.
Increase assets and increase equity

Ans. d. Increase assets and increase equity

37 Which of the following most likely lays in the annual turnover threshold for businesses classified as Category 'C'?
Question 39Answer
A. a.
Birr 500,000 or more
B. b.
Birr 100,000
C. c.
Birr 1,000,000 or more
D. d.
Birr 750,000 or more

Ans. a. Birr 500,000 or more

38 _____ is used to describe the assignment of direct costs to the particular cost object.
Question 40Answer
A. a.
Cost allocation

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B. b.
Cost tracing
C. c.
Cost assignment
D. d.
Cost pool

Ans. b. Cost tracing

39 According to IAS 16, any increase in value requires to be:
A. a.
Credited other comprehensive income and Debited Carrying amount
B. b.
Credited other comprehensive income and debited retained earnings
C. c.
Debited carrying amount and credited accumulated depreciation
D. d.
Debited carrying amount and credited other comprehensive income

Ans. d. Debited carrying amount and credited other comprehensive income

40 An auditor issues a qualified audit report when:
Question 42Answer
A. a.
When the auditor is unable to find evidence
B. b.
When the management refuses access to all records
C. c.
There is material and not pervasive misstatement
D. d.

Ans. c. There is material and not pervasive misstatement

41 In Ethiopian tax system, the category “C” tax payers:
Question 43Answer
A. a.
Have Presumptive method shall be applied to determine the income tax liability
B. b.
Are required to maintain proper books of accounts
C. c.
Are required to submit income statement (balance sheet is not mandatory) to the tax authority.
D. d.
Have separate legal personality

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Ans. a. Have Presumptive method shall be applied to determine the income tax liability

42 _____ is the cost of using money (capital) over a specified time period.

A. a.
Time value of Money
B. b.
Interest
C. c.
Investment opportunities
D. d.
Inflation

Ans. b. Interest

43 _____occurs when a company writes a check for more than the amount in its cash account balance.

A. a.
Outstanding deposit
B. b.
Outstanding check
C. c.
Bank Overdrafts
D. d.
Restricted cash

Ans: c. Bank Overdrafts

44 In connection to cost accounting an equation "Y=ax+b", "b" stands for: _____.
Question 46Answer

A. a.
Variable cost
B. b.
Fixed Cost
C. c.
Marginal cost
D. d.
Total Cost

Ans.b. Fixed Cost

45 The rational for the high regulation of financial institutions and markets is:

A. a.
To reduce transparency

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B. b.
To increase information asymmetry
C. c.
To reduce Systematic Risk
D. d.
To encourage insiders trading

Ans:c. To reduce Systematic Risk

46 Which one of the following is different from others?
Question 48Answer
A. a.
Planning the audit
B. b.
Due professional care
C. c.
Obtaining sufficient & reliable audit evidence
D. d.
Understanding the client‘s internal control system

Ans. b. Due professional care

47 The average time required to convert raw materials into finished goods and then to sell them is:
Question 49Answer
A. a.
Payables Deferral Period
B. b.
Inventory Conversion Period
C. c.
Cash Conversion Cycle (CCC)
D. d.
Average Collection Period (ACP)

Ans: c. Cash Conversion Cycle (CCC)

48 _____is the currency in which the parent company prepares its financial statements which is used in published reports and financial documents of the parent company.
Question 50Answer
A. a.
Functional Currency
B. b.
Reporting Currency
C. c.
Foreign Currency

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D. d.
Local Currency

Ans. b. Reporting Currency

49 Warrant on products is categorized as:
A. a.
Provisions
B. b.
Future receipt
C. c.
Unearned revenue
D. d.
Current liability

Ans. a. Provisions

50 If national bank of Ethiopia increases the minimum reserve requirement of commercial banks:
Question 52Answer
A. a.
It will control inflation to some extent
B. b.
It will increase Commercial banks' lending capacity
C. c.
It will increase commercial banks income from lending
D. d.
It will increase private sector expenditure

Ans. a. It will control inflation to some extent

51 The main objective of managerial accounting is:
A. a.
To ascertain cost information
B. b.
To provide information to the management
C. c.
To provide information to external users
D. d.
To prepare financial statements

Ans. b. To provide information to the management

52 _____ is commonly used to describe a drastic reduction in the recoverable amount of a fixed asset.
Question 54Answer

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A. a.
Depletion
B. b.
Amortization
C. c.
Depreciation
D. d.
Impairment

Ans. d. Impairment

53 All of the followings are distinguishing characteristics of governmental and not-for-profit entities EXCEPT:
A. a.
Regulation and Control
B. b.
Sources of Financial Resources
C. c.
Organizational Objectives
D. d.
Uniformity of Expenditure

Ans. d. Uniformity of Expenditure

54 Below there are listed different types of taxes and you are needed to select the letter which contains tax category based on Rate Structure.
A. a.
b,c,e,f
B. b.
h,i,k,l
C. c.
b,c,g,m
D. d.
a,b,d,f

Ans.

c. b,c,g,m

55 Which one of the following approach provides an indication of value by comparing the asset with similar assets for which price information is available?
Question 57Answer
A. a.
Market Approach
B. b.
Cost Approach

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C. c.
Asset Approach
D. d.
Income Approach

Ans a. Market Approach

56 Which of the following is NOT a component of financial budget?
A. a.
Capital budget
B. b.
Budgeted balance sheets
C. c.
Sales budget
D. d.
Cash budget

Ans.a. Capital budget

57 Among the following, one is NOT common methods for carrying out a business combination:
A. a.
Determination of Goodwill
B. b.
Acquisition of Common Stock
C. c.
Statutory Consolidation
D. d.
Acquisition of Assets

Ans. a. Determination of Goodwill

58 A risk related to Financial Industry that indicates cost or variation in returns caused by actions of sovereign governments or regulators is called: _____.
Question 60Answer
A. a.
Interest rate risk
B. b.
Liquidity risk
C. c.
Political risk
D. d.
Credit risk

Ans.c. Political risk

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59 Activity- based- costing system:

A. a.
Uses the traditional concept of variable and fixed at unit level

B. b.
Assigns costs with single cost driver to products or services

C. c.
Recognize costs that are incurred at different organizational levels

D. d.
Defines cost pools as department cost centers.

Ans c. Recognize costs that are incurred at different organizational levels

60 Which one is NOT a characteristic of non-governmental organizations compared with governmental entities?

A. a.
Financing by the citizen

B. b.
Service to the society

C. c.
Nonprofit motivation

D. d.
Tax as source of Finance

Ans. d. Tax as source of Finance

61 Which of the following types of income is taxed at a flat rate of 10% in Ethiopia?
Question 63Answer

A. a.
Dividends

B. b.
Royalties

C. c.
Interest on deposits

D. d.
Rental income

Ans. c. Interest on deposits

62 Factors that directly affect interest rate determination include the following EXCEPT:

A. a.
Economic growth

B. b.
Monetary Policy

C. c.
Organizational structure of MFI

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D. d.
Supply and Demand

Ans.c. Organizational structure of MFI

63 If Ethiopian securities exchange, encourages public enterprises to list shares in the public:

A. a.
Stimulates privatization of public enterprises
B. b.
Promotes Fiscal deficit financing
C. c.
Helps Stabilization of currency
D. d.
Upholds Transparency, liquidity of financial securities

Ans. d. Upholds Transparency, liquidity of financial securities

64 Among the following, one is NOT defensive tactics for Hostile Takeovers.
A. a.
Avoidance of Takeovers
B. b.
Repurchase of stock
C. c.
Pac-man Defense
D. d.
Inform shareholders

Ans. a. Avoidance of Takeovers

65 _____ is practice to cover-up cash shortages, which an auditor might uncover.
Question 67Answer
A. a.
Lapping
B. b.
Kiting
C. c.
Window dressing
D. d.
Skimming

Ans. d. Skimming

66 What are the major categories of statement of cash flows?
A. a.
Investing, financing, and non-operating

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B. b.
Investing, financing, and operating
C. c.
Operating and non-operating
D. d.
Financing, operating, and non-operating

Ans. b. Investing, financing, and operating

67 A Working papers used during an audit are the property of the _____.

A. a.
Auditor
B. b.
Management
C. c.
Client
D. d.
Workers

Ans. a. Auditor

68 If revenue was Br. 110,000, the owner's additional investment was Br. 50,000, expenses were Br. 70,000 and withdrawals by the owner is Br. 40,000, the amount of net income or net loss would be:
Question 70Answer
A. a.
10,000 net loss
B. b.
10,000 net income
C. c.
40,000 net income
D. d.
50,000 net income

Ans. b. 10,000 net income

69 Scope of Public Finance covers all of the following EXCEPT:
A. a.
Public debt
B. b.
Federal finance
C. c.
Private Investment
D. d.
Financial administration

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Ans. c. Private Investment

70 Select the correct concept regarding intangible assets:

A. a.
Control over technical knowledge or know-how should be considered as intangible asset, only exists if it is protected by a legal right.
B. b.
Advertising or marketing costs for campaigns that have been prepared but not launched
C. c.
An intangible asset with an infinite useful life should be amortized over its expected useful life
D. d.
During disposal of intangible assets, gain or loss should not be recognized unlike disposal of plant assert

Ans. a. Control over technical knowledge or know-how should be considered as intangible asset, only exists if it is protected by a legal right.

71 Which one of the following is NOT among the assumption of economic order quantity model?
A. a.
There is no lead time i.e. orders are receive immediately
B. b.
Inventory is received instantaneously (the demand must be constant)
C. c.
Inventory is used uniformly over the period (No shortage of inventory demand=Supplies)
D. d.
Inventory is sold continuously (the demand must vary)

Ans. d. Inventory is sold continuously (the demand must vary)

72 Which of the following alternative is correct about bearer plant?
A. a.
Expected to produce for more than one period
B. b.
Likelihood of being sold as agricultural product
C. c.
Represents consumable biological assets
D. d.
Treated as equity

Ans. a. Expected to produce for more than one period

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73 A Journal is_____.
Question 75Answer

A. a.
a place where transactions are posted

B. b.
an optional step in the recording process

C. c.
where transactions are recorded in chronological order

D. d.
normally occurs after posting

Ans. c. where transactions are recorded in chronological order

74 Segment reporting mainly involves:
Question 76Answer

A. a.
Elimination of segment revenue

B. b.
Combining all financial information the enterprise

C. c.
Preparation of consolidated reports of parent and subsidiary

D. d.
Disaggregation of financial information by products or segments

Ans. d. Disaggregation of financial information by products or segments

75 A higher degree of financial leverage increases:

A. a.
Purchasing Power Risk

B. b.
Financial risk

C. c.
Business Risk

D. d.
Money rate Risk

Ans. b. Financial risk

76 If goods received on consignment are included during physical count, the remedial action:

A. a.
Should be deducted from the balance

B. b.
Should be added to the balance

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C. c.
No remedial action is needed
D. d.
Should be added to the balance twice

Ans. a. Should be deducted from the balance

77 In share based payment, vesting represents:
A. a.
Grant date
B. b.
Entitled to receive cash
C. c.
Amount of cash settlement to be given
D. d.
Exercise date

Ans. a. Grant date

78 Cost of goods available for sale consists of:
Question 80Answer
A. a.
Beginning inventory and sales
B. b.
Beginning inventory and cost of goods purchased
C. c.
Beginning inventory and ending inventory.
D. d.
Beginning inventory and cost of goods sold

Ans. b. Beginning inventory and cost of goods purchased

79 When a purchase orders for goods or services is issued to a supplier by general fund, a journal entry will be:
Question 81Answer
A. a.
Debit expenditure and credit encumbrances
B. b.
Debit encumbrances and credit reserve for encumbrances
C. c.
Debit expenditures and credit voucher payable
D. d.
Debit reserve for encumbrances and credit encumbrances

Ans. b. Debit encumbrances and credit reserve for encumbrances

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80 In a business combination good will is recognized when:

A. a.
Purchase price is greater than fair value of the net identifiable asset

B. b.
Purchase price is greater than fair value of net liability

C. c.
Fair value of the net identifiable asset is greater than Purchase price

D. d.
Fair value is greater than the fair value of the total liability

Ans.a. Purchase price is greater than fair value of the net identifiable asset

81 Which one of following is NOT the key role of the financial system in the economy?

A. a.
Mobilization of Savings

B. b.
Monetary policy creation

C. c.
Payment Function

D. d.
Promotion of Liquidity

Ans. b. Monetary policy creation

82 A very high current ratio may indicate: _____.
Question 84Answer

A. a.
Good debt management or asset utilization ratios

B. b.
Excessive Account payable because good credit management

C. c.
Excessive Long term asset due to poor management

D. d.
Excessive inventories due to poor inventory management

Ans. d. Excessive inventories due to poor inventory management

83 The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties is known as:

A. a.
Synergistic Value

B. b.
Investment Value

C. c.
Equitable Value

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D. d.
Market Value

ans. d. Market Value

84 _____refers to the susceptibility of an account balances to material error assuming the client does not have any related internal controls.
Question 86Answer
A. a.
Control risk
B. b.
Material risk
C. c.
Inherent risk
D. d.
Detection risk

Ans. c. Inherent risk

85 The resources owned by a business is called:_____.
A. a.
Liability
B. b.
Owner's equity
C. c.
Accounting equation
D. d.
Asset

Ans. d. Asset

86 SMART company purchased a delivery truck on January 5, 2010, for Br. 3,500,000 was depreciated using the straight-line method. The useful life of the truck is 20 years and salvage value Br. 500,000. The truck was sold on December 31, 2024, for Br. 800,000. What is the gain or loss on the sale of the truck?
A. a.
Loss of Br. 135,000
B. b.
Loss of Br. 875,000
C. c.
Loss of Br. 600,000
D. d.
Loss of Br. 450,000

Ans. d. Loss of Br. 450,000

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87 Which one of the following is correct about treasury stock?

A. a.
Treasury stock is an outstanding stock

B. b.
Treasury stock increases total asset

C. c.
Treasury stock is available for use in the acquisition of other companies.

D. d.
Treasury stock have similar concept with retained Earnings and paid-in capital

Ans. c. Treasury stock is available for use in the acquisition of other companies.

88 The accuracy of perpetual inventory master files can be assured by comparing perpetual inventory records with:

A. a.
Purchase orders

B. b.
Vendor's invoice

C. c.
Purchase requisitions

D. d.
Receiving reports

Ans. d. Receiving reports

89 Costs included to initial direct costs from the lessee and lessor side includes the following EXCEPT: _____.

A. a.
Consideration paid for a guarantee of residual value by an unrelated third party

B. b.
Commissions (including payments to employees acting as selling agents)

C. c.
Legal fees for services rendered before the execution of the lease

D. d.
Legal fees resulting from the execution of the lease

Ans. c. Legal fees for services rendered before the execution of the lease

90 Components of Master Budget mainly includes:

A. a.
Operating budget

B. b.
Cash Budget

C. c.
Purchase budget

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D. d.
Sales Budget

Ans. a. Operating budget

91 The reaction of average fixed cost:

A. a.
Decreases when the level of activity decrease
B. b.
Increases when the level of activity increase
C. c.
Remain constant as the level of activity changes
D. d.
Decreases when the level of activity increase

Ans. d. Decreases when the level of activity increase

92 When a new partner is admitted by purchasing an interest from one or more of the existing partners:
A. a.
The admission of the new partner affects capital of new entry recorded on debit
B. b.
Admission of new partner to the partnership is not possible by purchasing an interest from other existing partner
C. c.
The total owners' equity of the partnership is increased.
D. d.
The total assets of the partnership are not affected

Ans. d. The total assets of the partnership are not affected

93 Which of the following is the effect of inadequate working capital?
A. a.
It leads to reduce profit
B. b.
It creates bad debts, reduces collection periods
C. c.
There is unnecessary accumulation current assets
D. d.
It becomes impossible to utilize efficiently the fixed assets.

Ans. a. It leads to reduce profit

94 Which of the following allocates joint costs to joint products on the basis of relative NRV of total production of the joint products?

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A. a.
Gross Profit Margin Methods
B. b.
Net Realizable Value Method
C. c.
Constant Gross-Margin percentage NRV
D. d.
Sales Value at Split off Method

Ans. b. Net Realizable Value Method

95 The advantage of the payback period in the evaluation of capital budgeting is:
A. a.
It considers cash flows beyond the payback period
B. b.
It considers profitability of the business
C. c.
It is a rough measure of riskiness of the business
D. d.
It considers time value of money

Ans. c. It is a rough measure of riskiness of the business

96 An attitude of professional skepticism means:
A. a.
Previous knowledge or dependence of the auditor to company under investigation
B. b.
Gaining an understanding of the client's business and financial report risks.
C. c.
The auditor can rely on management assertions.
D. d.
The auditor can rely on past experience to determine current risk of fraud.

Ans. b. Gaining an understanding of the client's business and financial report risks.

97 Which of the following is NOT Similarities between Job order and Process Costing Systems?
A. a.
Identical product is produced either on continuous basis
B. b.
Both systems have the same basic purposes-assigning manufacturing costs and providing a mechanism for determining unit product costs
C. c.
The flow of costs through the manufacturing accounts is basically the same

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D. d.
They use the same basic manufacturing accounts: MOH, Raw Materials, Work-in-Process, and Finished goods

Ans. a. Identical product is produced either on continuous basis

98 When the money for the grant is promised:

A. a.
Grant receivable is debited and Unearned grant revenue is credited

B. b.
Government account receivable is debited and revenue is credited

C. c.
Unearned grant revenue is debited and expenditure is credited

D. d.
Grants Receivable is debited and deferred revenue is credited

Ans. a. Grant receivable is debited and Unearned grant revenue is credit

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