

Which of the following is **NOT** a primary source of short-term financing?

- ☐ a. Bonds
- ☐ b. Accruals
- ☐ c. Accounts payable
- ☐ d. Commercial paper

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Which of the following is **NOT** a type of dividend?

- ☐ a. Bond dividend
- ☐ b. Stock dividend
- ☐ c. Treasury stock
- ☐ d. Cash dividend

Bearer biological assets are: _____.

- ☐ a. consumable biological assets
- ☐ b. livestock held for sale
- ☐ c. to be harvested as agricultural produce or sold as biological assets
- ☐ d. not agricultural produce rather they are self-regenerating

Possible causes of variances in manufacturing concerns includes the following **EXCEPT**:

- ☐ a. Material Usage
- ☐ b. Tax Rate
- ☐ c. Labor Rate
- ☐ d. Material Price

Which of the following can be considered as direct finance?

- ☐ a. When investor gets loan from bank for investment
- ☐ b. When a corporation buys security's from OTC market
- ☐ c. When corporation buys stock issued by another company
- ☐ d. When there is an intermediary between the surplus and deficit agent

Choose a letter with the right steps of financial forecasting processes listed below.

- I. Deciding on how to finance the required assets
- II. Forecasting of sales for the future period
- III. Determining the assets required to meet the sales targets

- ☐ a. III, I, II
- ☐ b. I, II, III
- ☐ c. II, I, III
- ☐ d. II, III, I

A credit sales of Br. 12,500 is made on January 10 with terms 2/15, net/30. On January 20 sales return of Br. 4,000 is accepted and confirmed. The total amount to be received on the discount period is:

- ☐ a. Br. 12,250
- ☐ b. Br. 8,330
- ☐ c. Br. 8,500
- ☐ d. Br. 12,500

The risk that auditors reach an erroneous conclusion for a reason not related to sampling risk is called: _____.

- ☐ a. Inherent risk
- ☐ b. Sampling error
- ☐ c. sampling risk
- ☐ d. Non-sampling risk

Which of the following are temporary differences that are normally classified as expenses or losses that are deductible after they are recognized in financial income?

- ☐ a. Product warranty liabilities
- ☐ b. Advance rental receipts
- ☐ c. Fines and expenses resulting from a violation of law
- ☐ d. Depreciable property

In partnership liquidation, the process of converting all non-cash asset to cash is called: ____.

- ☐ a. Valuation
- ☐ b. Conversion
- ☐ c. Realization
- ☐ d. Liquidation

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A loss Carry forward represents:

- ☐ a. Deferred tax liability
- ☐ b. Imminent expense
- ☐ c. Contra capital
- ☐ d. Deferred tax asset

The principles of internal control **DO NOT** include:

- ☐ a. Establishment of responsibility
- ☐ b. Documentation procedures
- ☐ c. Management responsibility
- ☐ d. Independent internal verification

_____ is a resource sacrificed or forgone to achieve a specific objective.

- ☐ a. Cost object
- ☐ b. Cost Pool
- ☐ c. Cost
- ☐ d. Cost driver

Which one of the following is **NOT TRUE** about methods of increasing capital of companies in Ethiopia?

- ☐ a. With approval of an extraordinary general meeting
- ☐ b. By an increase in the par value of existing shares
- ☐ c. Through issuance of unauthorized share
- ☐ d. Issue of new shares

_____ is measure of insurance contracts with a boundary period of one year or less, usually applicable to casualty and property.

- ☐ a. The building block approach
- ☐ b. The premium allocation approach
- ☐ c. The Premium approach
- ☐ d. The variable fee approach

The intention in the process of divorcing the wife on paper, so that her income **is not** added together with husband's income is known as:

- ☐ a. Tax avoidance
- ☐ b. Tax exemption
- ☐ c. Tax evasion
- ☐ d. Tax remedies

Government entities differ from business entities in one of the following:

- ☐ a. There is transferable equity ownership rights
- ☐ b. They are provide only free services to the society
- ☐ c. There is profit motive
- ☐ d. Usually the benefits are not proportional to the resources provided

If the break-even quantity is 20,000 units and the budgeted sales is 25,000 units, the margin of safety percentage would be:

- ☐ a. 125%
- ☐ b. 80%
- ☐ c. 25%
- ☐ d. 20%

Risk preference assumptions used by financial managers to evaluate risky projects include the following **EXCEPT**: _____.

- ☐ a. Risk averse
- ☐ b. Risk seeking (risk lover)
- ☐ c. Risk indifferent (neutral)
- ☐ d. Opportunity cost

A Component of the Financial System that oversees financial transactions and ensures compliance with financial laws and regulations is: _____.

- ☐ a. Financial institution
- ☐ b. Financial markets
- ☐ c. Regulatory institutions
- ☐ d. Financial intermediaries

Activity of the governments when often act either as an agent or trustee for parties outside the government is known as:

- ☐ a. Business type activity
- ☐ b. Proprietary activities
- ☐ c. Government activity
- ☐ d. Fiduciary activities

The minimum rate of return that a firm must earn in order to satisfy the overall rate of return required by its investors is called: _____.

- ☐ a. Capital structure
- ☐ b. Cost of capital
- ☐ c. Cost of Retained Earnings
- ☐ d. Common stock

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Which of the following is a **NOT** a characteristic of capital project funds?

- ☐ a. Financial statements are not required
- ☐ b. Modified accrual basis of accounting is applicable.
- ☐ c. Encumbrance accounting is used for contracts and purchase commitments.
- ☐ d. Formal budgetary accounting is usually not required.

Which one of the following is **NOT** an assumption of **CVP** analysis?

- ☐ a. The selling price, variable cost per unit, and fixed costs are known and constant.
- ☐ b. Changes in the level of revenues and costs arise only because of changes in the number of product (or service) units sold.
- ☐ c. Total costs can be separated into a fixed component that does not vary with the units sold and a component that is variable with respect to the units sold.
- ☐ d. All revenues and costs are added and compared by taking the time value of money into account.

In finance, risk is defined as:

- ☐ a. It considers only future loss of a business
- ☐ b. When profits are lower than others similar companies
- ☐ c. The likelihood that actual results deviate from expected returns
- ☐ d. The Present and future loss of a business

Which of the following is **NOT** among functions performed by Investment bankers?

- ☐ a. Buying the securities from the issuer
- ☐ b. Distributing the investment issue to investors
- ☐ c. Set policy related to Investment bankers
- ☐ d. Advising the issuer on the terms and the timing of the offering

Capital market is primarily deals with:

- ☐ a. Commercial paper
- ☐ b. Short- term debt instruments
- ☐ c. Long term securities
- ☐ d. Treasury bond

If the inventory at the end of the year is over stated by Br. 1,200, the error will cause an:

	Units	Unit Cost
Inventory, Jan. 1	7,500	Birr 11
Purchase, June 19	12,000	12
Purchase, Nov. 8	6,500	13

- ☐ a. Understatement of merchandise inventory for the year by Br. 1,200
- ☐ b. Understatement of Cost of goods sold for the year by Br. 1,200
- ☐ c. Overstatement of liability for the year by Br. 1,200
- ☐ d. Understatement of gross profit for the year by Br. 1,200

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Companies must answer the following questions in error analysis **EXCEPT**: _____.

- ☐ a. After discovery of the error, should financial statements be restated
- ☐ b. What entries are needed to correct for the error
- ☐ c. Companies should not accept any kind of change occurred due to error
- ☐ d. What type of error is involved

_____ is to determine whether the client is following rules, procedures, regulations, and policies set down by the management.

- ☐ a. Internal Audit
- ☐ b. Operational audit
- ☐ c. Financial statement audit
- ☐ d. Compliance audit

Which of the following is **NOT** categorized under consumption taxes?

- ☐ a. Surtax
- ☐ b. Value Added Tax (VAT)
- ☐ c. Turnover Tax (TOT)
- ☐ d. Excise tax

_____ is a functional concept of internal control that indicates no one department or person should handle all aspects of a transaction from beginning to end.

- ☐ a. Authorization of Transactions
- ☐ b. Independent checks on performance
- ☐ c. Adequate Documentation
- ☐ d. Segregation of Duties

A type of joint arrangement in which contractual arrangement establishes each party's share in the profit or loss relating the activities of the arrangements is: _____.

- ☐ a. Joint venture
- ☐ b. joint Partnership
- ☐ c. Joint control
- ☐ d. Joint operation

Select the correct statement with regard to IFRS and GAAP:

- ☐ a. IFRS account for inventory acquisitions at historical cost and evaluate inventory for lower-of-cost-or-net realizable value
- ☐ b. Bank overdrafts are classified as financing activities under IFRS
- ☐ c. IFRS are more rules-based as compared with GAAP
- ☐ d. GAAP uses judgment approach to assess the need for a valuation allowance.

If a merchandise purchased on credit is returned, the buyer usually issues the seller:

- ☐ a. Bill payment
- ☐ b. Debit memorandum
- ☐ c. Invoice
- ☐ d. Credit memorandum

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_____ is a business combination in which one company (the survivor) acquires all the outstanding common stock of one or more other companies that are then dissolved and liquidated, with their net assets owned by the survivor.

- ☐ a. Statutory Consolidation,
- ☐ b. Statutory Merger
- ☐ c. Acquisition of Common Stock
- ☐ d. Acquisition of Assets

Which of the following is **NOT** a type of audit evidence?

- ☐ a. evidence created by the client
- ☐ b. Documentary evidence
- ☐ c. Physical evidence
- ☐ d. Testimonial evidence

What is the primary function of the Ethiopian government budget?

- ☐ a. To consolidate all financial requirements of the government
- ☐ b. To eliminate deficits
- ☐ c. To limit government spending
- ☐ d. To promote private sector investment

_____ is 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.

- ☐ a. Market rent
- ☐ b. Market value
- ☐ c. Investment value
- ☐ d. Equitable value

Which one of the following **is not** part of investment property?

- ☐ a. Property leased to another entity under a finance lease
- ☐ b. Vacant building that is held to be leased out under operating lease
- ☐ c. Land held for a currently undetermined future use
- ☐ d. Land held for long-term appreciation

If financial securities are sold, the cash receipt should be reported in _____ section of cash flow statement.

- ☐ a. Financing activities
- ☐ b. Investing activities
- ☐ c. Operating activities
- ☐ d. Reserve activities

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- ☐ c. Acquisition of Common Stock
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Which of the following are **NOT** Primary Objectives of Audit?

- ☐ a. Confirming the existence and value of assets and liabilities
- ☐ b. Verifying the authenticity and validity of transactions
- ☐ c. Checking arithmetical accuracy of books of accounts
- ☐ d. Preparing financial statement in line with IFRS

Which of the following is considered as manufacturing overhead cost?

- ☐ a. Advertisement cost
- ☐ b. Salary paid to direct factory labor
- ☐ c. Depreciation of administrative office building
- ☐ d. Indirect material used in the production process

The main purpose of privatization of public enterprises in Ethiopia is:

- ☐ a. To increase the government control
- ☐ b. To enhance efficiency and attract private investors
- ☐ c. To limit the involvement of foreign companies
- ☐ d. To maintain monopoly ownership

Geda Pharmacy has the following inventory data:

	Units	Unit Cost
Inventory, Jan. 1	7,500	Birr 11
Purchase, June 19	12,000	12
Purchase, Nov. 8	6,500	13

If Geda has 8,500 units on hand at December 31, the cost of the ending inventory under FIFO will be:

- ☐ a. Birr 108,500
- ☐ b. Birr 117,000
- ☐ c. Birr 94,500
- ☐ d. Birr 108,000

Suppose you have purchased an inventory with an invoice price of birr 10,000 with terms of 2/10, n/30, and FOB destination. Transportation costs paid by the seller were birr 350. What is the cost of the merchandise purchased if payment is made during the discount period?

- ☐ a. Birr 9,800
- ☐ b. Birr 10,143
- ☐ c. Birr 10,350
- ☐ d. birr 10,150

In taxation, canon of economy represents:

- ☐ a. every person ought to contribute toward the support of the government, as nearly as possible, in proportion to their abilities
- ☐ b. the tax system should be productive enough
- ☐ c. the cost of collection taxes should be the minimum possible
- ☐ d. taxes should be increased or decreased according to the needs of the government

f the branch pays the freight cost for merchandise shipments from the home office:

- ☐ a. There is no effect on either the Investment in Branch or Home Office accounts
- ☐ b. The branch will decrease its Home Office account
- ☐ c. The home office will decrease its Investment in Branch account
- ☐ d. The home office will increase its Investment in Branch account

Which one of the following is among the criteria developed by IASB for determining the circumstances under which short-term obligations may be properly excluded from current liabilities?

- ☐ a. It must intend to refinance the obligation on a long-term basis
- ☐ b. It must have a conditional right to defer settlement of the liability for at least 12 months after the reporting date
- ☐ c. It must intend to refinance the obligation on a short-term basis
- ☐ d. There must be bankruptcy on the business that intends to refinance

When there is a change in estimated depreciation:

- ☐ a. Both previous and future year's depreciations are revised
- ☐ b. Current and future years' depreciation should be revised
- ☐ c. Previous depreciation should be corrected
- ☐ d. Only future years' depreciation should be revised

Current liability is: _____.

- ☐ a. A liability expected to be settled within 12 months after the reporting
- ☐ b. An obligation that enforces the creation of other current asset
- ☐ c. An obligation for which payment will require the use of long term assets
- ☐ d. Liability of uncertain timing or amount

Which of the following statement is true?

- ☐ a. Goodwill is recorded only when a business is purchased.
- ☐ b. If periodic depreciation is revised, previous depreciation should be corrected.
- ☐ c. The process of allocating the cost of natural resources is referred to as amortization.
- ☐ d. Depreciation is always calculated from the depreciable cost amount.

In Account recording system debit stands for _____.

- ☐ a. Amount Borrowed
- ☐ b. Left hand side
- ☐ c. Right hand Side
- ☐ d. Increase in Liability

Low inventory turnover indicates that:

- ☐ a. Higher days of inventory holding
- ☐ b. Lower average collection period
- ☐ c. High sales of inventory
- ☐ d. Low amount of inventory on hand

Which one of the following is **NOT** an advantage of leasing to lessees?

- ☐ a. Protection against obsolescence
- ☐ b. Less costly financing
- ☐ c. 100% financing at fixed rates
- ☐ d. It often provides profitable interest margins

What is the price of the bond if a company issues Br. 100,000 bond, due in four years with 8% interest payable annually at year-end and the market rate for such bonds is 12% at the time of issue?

- ☐ a. Br. 91,370
- ☐ b. Br. 63,553
- ☐ c. Br. 87,853
- ☐ d. Br. 66,469

Which one of the following is **NOT** among factors influencing firm's capital structure decisions?

- ☐ a. Size of the company
- ☐ b. Market conditions
- ☐ c. Operating leverage
- ☐ d. Regulatory environment

Which of the following is **NOT** an alternative method of translation of Foreign Subsidiary's Financial Statement?

- ☐ a. Consolidated method
- ☐ b. Current / Non-current Method
- ☐ c. Temporal Method
- ☐ d. Monetary/ Non -monetary Method

Share-based payments are governed under accounting standard of: _____.

- ☐ a. IFRS 17
- ☐ b. IFRS 12
- ☒ c. IFRS 6
- ☐ d. IFRS 2

Investment property is addressed under: _____.

- ☐ a. IAS 17
- ☐ b. IAS 41
- ☐ c. IAS 2
- ☐ d. IAS 40

What is the primary difference between flexible budget and static budget?

- ☐ a. Static budget is used in small companies, while flexible budget is used in large companies
- ☐ b. The static budget contains only fixed costs, while the flexible budget contains only variable costs.
- ☐ c. The static budget is prepared for a single level of activity, while flexible budget is adjusted for different activity levels.
- ☐ d. The static budget is adjusted for different activity levels, while flexible budget is prepared for a single level of activity.

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Which one of the following is **NOT** role of Accounting in a business?

- ☐ a. Provides decision for both internal and external users in line with their need.
- ☐ b. Provides information to executives and managers in planning and controlling their businesses
- ☐ c. Provides information to other users in assessing the economic performance
- ☐ d. Provides information for managers to use in operating the business

The Ethiopian income tax system is considered as:

- ☐ a. Progressive Tax System
- ☐ b. Digressive Tax system
- ☐ c. Proportional Tax System
- ☐ d. Regressive Tax System

_____ is used to account the equity of external participants typically other governments in a sponsoring government's investment pool.

- ☐ a. Public-Purpose Trust
- ☐ b. Agency funds
- ☐ c. Investment Trust Funds
- ☐ d. Private-purpose Trust Funds

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