

CUCET Sample Paper: Accountancy

1. Financial statements are prepared:

- A) Only for publicly owned business organizations.
- B) For corporations, but not for sole proprietorships or partnerships.
- C) Primarily for the benefit of persons outside of the business organization.
- D) In either monetary or nonmonetary terms, depending upon the need of the decision maker.

2. The basic purpose of an accounting system is to:

- A) Develop financial statements in conformity with generally accepted accounting principles.
- B) Provide as much useful information to decision makers as possible, regardless of cost.
- C) Record changes in the financial position of an organization by applying the concepts of double-entry accounting.
- D) Meet an organization's need for accounting information as efficiently as possible.

3. Information is cost effective when:

- A) The information aids management in controlling costs.
- B) The information is based upon historical costs, rather than upon estimated market values.
- C) The value of the information exceeds the cost of producing it.
- D) The information is generated by a computer-based accounting system.

4. Although accounting information is used by a wide variety of external parties, financial reporting is primarily directed toward the information needs of:

- A) Investors and creditors.
- B) Government agencies such as the Internal Revenue Service.
- C) Customers.
- D) Trade associations and labor unions.

5. All of the following are characteristics of managerial accounting, except:

- A) Reports are used primarily by insiders rather than by persons outside of the business entity.
- B) Its purpose is to assist managers in planning and controlling business operations.
- C) Information must be developed in conformity with generally accepted accounting principles or with income tax regulations.
- D) Information may be tailored to assist in specific managerial decisions.

6. A complete set of financial statements for Hartman Company, at December 31, 1999, would include each of the following, except:

- A) Balance sheet as of December 31, 1999.
- B) Income statement for the year ended December 31, 1999.
- C) Statement of projected cash flows for 2000.
- D) Notes containing additional information that is useful in interpreting the financial statements.

7. In comparison with a financial statement prepared in conformity with generally accepted accounting principles, a managerial accounting report is more likely to:

- A) Be used by decision makers outside of the business organization.
- B) Focus upon the operation results of the most recently completed accounting period.
- C) View the entire organization as the reporting entity.
- D) Be tailored to the specific needs of an individual decision maker.

8. The nature of an asset is best described as:

- A) Something with physical form that is valued at cost in the accounting records.
- B) An economic resource owned by a business and expected to benefit future operations.
- C) An economic resource representing cash or the right to receive cash in the near future.
Something owned by a business that has a ready market value.

9. The balance sheet item that represents the resources invested by the owner is:

- A) Accounts receivable.
- B) Cash.
- C) Note payable.
- D) Owner's equity.

10. Arguments that the cost principle is not a satisfactory basis for the valuation of assets in financial statements are usually based on:

- A) The lack of objective evidence to permit verification of cost data.
- B) Increased availability and capacity of computers.
- C) Stronger internal control structures.
- D) Continued inflation.