

### Question 1 of 25

Which of the following is the basic governmental fund accounting equation?

- A.  $\text{Assets} + \text{Deferred outflows} - \text{Liabilities} - \text{Deferred inflows} = \text{Net position}$
  - B.  $\text{Assets} - \text{Liabilities} = \text{Fund balance}$
  - C.  $\text{Current assets} + \text{Deferred Inflows} - \text{Current liabilities} - \text{Deferred Outflows} = \text{Fund balance}$
  - D.  $\text{Current assets} + \text{Deferred outflows} - \text{Current liabilities} - \text{Deferred Inflows} = \text{Fund balance}$
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### Question 2 of 25

In the year a city enters into a capital lease to finance a new fire engine, the General Fund will report the purchase in its funds-level financial statements as an

- A. Increase in capital assets.
  - B. Long-term liability for the present value of future lease payments.
  - C. Other financing source.
  - D. Other financing use.
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### Question 3 of 25

Rodder, Inc. manufactures a component in a router assembly. The selling price and unit cost data for the component are as follows:

Selling price	\$15
Direct materials cost	3
Direct labor cost	3
Variable overhead cost	3
Fixed manufacturing overhead cost	2
Fixed selling and administration cost	1

The company received a special one-time order for 1,000 components. Rodder has an alternative use for production capacity for the 1,000 components that would produce a contribution margin of \$5,000. What amount is the lowest unit price Rodder should accept for the component?

- A. \$9.
- B. \$12.
- C. \$14.
- D. \$24.

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### Question 4 of 25

Which of the following scenarios would encourage a company to use short-term loans to retire its ten-year fixed-rate callable bonds that have five years until maturity?

- A. Interest rates have declined over the last five years.
  - B. Interest rates have increased over the last five years.
  - C. The company expects interest rates to increase over the next five years.
  - D. The company is experiencing cash flow problems.
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### Question 5 of 25

A corporation is in the final stages of developing a computer software program that will be sold to the general public. The company's costs related to the software are as follows:

Development of a working model of the software	\$4 million
Customer support	2 million
Product master production	1 million

The costs associated with the product master production were incurred after the establishment of technological feasibility. What amount, if any, should the corporation expense against earnings?

- A. \$6 million.
- B. \$5 million.
- C. \$4 million.
- D. \$0

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### Question 6 of 25

An asset with a market value of \$125,000 and a cost of \$110,000 is leased on January 1, Year 1. The lease is a sales-type lease for the lessor. Five annual lease payments are due on January 1 beginning in Year 1. The asset will have no residual value. The lessor sets a rate of return of 6%.

Present value factor of an ordinary annuity for five years at 6% 4.21236

Present value factor of an annuity due for five years at 6% 4.46511

Present value factor of a single sum for a five-year term at 6% .74726

What amount will the lessor charge the lessee in annual lease payments?

- A. \$25,000
  - B. \$27,995
  - C. \$29,675
  - D. \$93,408
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### Question 7 of 25

At annual sales of \$900,000, the Ebo product has the following unit sales price and costs:

Sales	\$20
Prime cost	6
Manufacturing overhead	
Variable	1
Fixed	7
Selling and admin. costs	
Variable	1
Fixed	3
	<u>18</u>
Profit	<u>\$2</u>

What is Ebo's breakeven point in units?

- A. 25,000
  - B. 31,500
  - C. 37,500
  - D. 45,000
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### Question 8 of 25

Which of the following would be most impacted by the use of the percentage of sales forecasting method for budgeting purposes?

- A. Accounts payable.
  - B. Mortgages payable.
  - C. Bonds payable.
  - D. Common stock.
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