

“Test Yourself”: (an exam that was given to a managerial accounting class - ACCT 2301. The exam covers basics from the prerequisite course, introductory financial accounting.)

For our purposes (EMBA Group A), the intent is (1) to build common expectations regarding September’s in-class financial accounting test and (2) to help you gauge how carefully you need to inspect the Ferris and Wallace book prior to September. The labels provided in question 1 apply to all five questions.

Requirements for ACCT 2301 (with a rough version of the numeric grading scale):

Provide a clear and concise answer to each question. All responses must be on this sheet of paper (you can use the front and back).

- 1. Provide one example of an asset that financial accounting typically does not record at economic value. Explain why the difference between accounting value and economic value exists.**

1	2	3	4	5
I couldn’t answer this question	I would write something... but my confidence would be low	I could take a reasonable stab at this one	The explanation wouldn’t be terribly clear, but I could correctly name an asset	I could give a very clear, specific answer

- 2. A company reports \$189 million of shareholders’ equity on its balance sheet. Does this mean the company has \$189 million to spend? Why or why not?**

1	2	3	4	5
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- 3. A company purchases a machine for \$20,000 by paying \$5,000 in cash and signing a note payable for the remainder. Does the company now have more equity? Why or why not?**

1	2	3	4	5
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- 4. Provide two specific examples that explain why net income is not the same as net cash inflow.**

1	2	3	4	5
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- 5. Two companies have identical physical inventory. Is it possible for the two companies to have different inventory values? Why or why not?**

1	2	3	4	5
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