ACCOUNTING FOR PLANNING AND CONTROL TEST 1 PRACTICE (SAMPLE)

STUDY GUIDE

Prepare with structure. Pass with confidence

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

• Practice answering questions under realistic conditions,

• Improve accuracy and speed,

• Review explanations to strengthen weak areas, and

• Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

1. Current assets less current liabilities equals

A. working capital

B. equity

C. net assets

D. current ratio

2. Which of the following best describes organizational architecture components?

A. Decision-right assignment

B. Reward system

C. Performance evaluation system

D. All of the above

3. From 1925 to 1975, management accounting was heavily influenced by _____.

A. income taxes

B. cost accounting practices

C. financial accounting requirements

D. managerial heuristics

4. Which of the following is not a limitation of the internal rate of return (IRR) method?

A. It can give multiple rates for the same cash flows.

B. It can be inconsistent with discounted cash flows.

C. It can mislead if used to compare projects of different sizes.

D. It indicates the relative return on the investment.

5. Which act may apply to special orders?

A. The Sherman Act

B. The Clayton Act

C. The Federal Trade Commission Act

D. The Robinson-Patman Act

6. Most of today's modern management accounting techniques developed within the last 20 years.

A. True

B. False

C. They began in the 1990s

D. They will in the future

7. Accountants are not charged with _____ the firm's accounting system.

A. recording

B. purchasing

C. auditing

D. controlling

8. If a perpetuity pays $500 per year, what interest rate yields a price of 6250?

A. 8%

B. 6%

C. 7%

D. 9%

9. When an investment is considered risky _____.

A. adjust none of the inputs

B. adjust only cash flows

C. adjust only the discount rate

D. adjust both cash flows and the discount rate

10. Which statement best describes the role of information systems in organizations?

A. They require constant overhauls every year.

B. They may be simple or sophisticated and provide data for decision making.

C. They are used only for external reporting.

D. They are unrelated to decision making.

Answers

1. A
2. D
3. C
4. D
5. D
6. B
7. B
8. A
9. D
10. B

Explanations

1. Current assets less current liabilities equals

A. working capital

B. equity

C. net assets

D. current ratio

The main idea is short term liquidity: how much resources a business has available after it covers near term obligations. Subtracting current liabilities from current assets gives this measure, called working capital. It shows the cushion available to fund day to day operations and unexpected needs. Current assets are items that can be turned into cash within a year (like cash, accounts receivable, and inventory). Current liabilities are obligations due within a year (like accounts payable and short term debt). The difference between these two totals is working capital, a positive number signals potential to meet short term debts and continue operations. This isn't equity, which reflects owners' claims after all liabilities. It isn't net assets, which is a broader measure (assets minus liabilities, not limited to the near term). It isn't the current ratio, which is current assets divided by current liabilities and answers a different question about coverage level, not the net short term resource amount.

2. Which of the following best describes organizational architecture components?

A. Decision-right assignment

B. Reward system

C. Performance evaluation system

D. All of the above

Organizational architecture is the way authority, incentives, and controls are arranged to guide behavior and performance. The components described—who has the right to make which decisions (decision-right assignment), how people are rewarded (reward system), and how performance is measured and fed back (performance evaluation system)—are all fundamental parts of that structure. Decision rights determine who can act and make proposals, shaping accountability and communication flows. The reward system provides incentives that align effort with desired outcomes, influencing motivation and behavior. The performance evaluation system offers feedback, measures results, and ties to rewards or corrective actions, closing the loop between actions and outcomes. Taken together, these elements define how the organization coordinates activities, motivates people, and controls results. Therefore, all of these components together describe organizational architecture.

3. From 1925 to 1975, management accounting was heavily influenced by _____.

A. income taxes

B. cost accounting practices

C. financial accounting requirements

D. managerial heuristics

Internal management information in that era was shaped by external financial reporting requirements. Managers used internal reports built on the same measurement bases that governed the financial statements—such as how inventory and depreciation were valued and how overhead was allocated—so the numbers could be reconciled with, and consistent with, external reports. This alignment with financial accounting standards and practices meant that internal decision-making supported and reflected what the company would present to outsiders, not just purely internal heuristics or tax-driven figures. While taxes and other cost practices mattered, they were largely filtered through the framework of financial accounting requirements, making them secondary to the need for consistency with external reporting.

4. Which of the following is not a limitation of the internal rate of return (IRR) method?

A. It can give multiple rates for the same cash flows.

B. It can be inconsistent with discounted cash flows.

C. It can mislead if used to compare projects of different sizes.

D. It indicates the relative return on the investment.

IRR is the discount rate that makes the net present value of a project's cash flows equal to zero, effectively giving you the project's annual rate of return. That rate is a measure of profitability, which is why describing IRR as indicating the relative return on the investment is not a limitation—it's exactly what IRR provides. The other statements describe real limitations of IRR. Non-conventional cash flows can produce more than one IRR, leading to ambiguity about which rate to use. IRR can also give rankings that don't align with discounted cash flow values, especially when comparing projects with different scales or timing. And because IRR ignores the size of the investment, it can mislead when comparing projects of different sizes.

5. Which act may apply to special orders?

A. The Sherman Act

B. The Clayton Act

C. The Federal Trade Commission Act

D. The Robinson-Patman Act

Special orders often involve negotiating a unique price for a specific customer. The Robinson-Patman Act targets price discrimination—charging different prices for goods of like grade and quality to different buyers when that difference tends to lessen competition or create a monopoly. In practice, if a seller offers a special order price to one buyer but not to others in similar situations, and there's no valid cost difference or other allowed justification, the transaction could fall under this act. The law requires any price differences to be supported by cost differentials, the need to meet a competitor's price, or similar defenses; without such justification, discriminatory pricing in special orders can be illegal. The Sherman Act and the Clayton Act address broader antitrust concerns, and the FTC Act covers unfair or deceptive practices, but price discrimination in the context of special orders is most directly governed by the Robinson-Patman Act.

6. Most of today's modern management accounting techniques developed within the last 20 years.

A. True

B. False

C. They began in the 1990s

D. They will in the future

The idea being tested is about when modern management accounting techniques were developed. Many techniques that are now considered standard or "modern" actually have roots long before the last two decades. Budgeting and standard costing were established early in the 20th century and became foundational tools well before today. Activity-based costing emerged in the late 1980s and gained prominence in the 1990s, changing how overheads are traced to products and services. The balanced scorecard was introduced in the early 1990s and popularized as a comprehensive performance measurement framework. Concepts like target costing and life-cycle costing were in use before the 2000s as well. While the field has continued to evolve over the last 20 years—with advances in rolling forecasts, driver-based planning, real-time analytics, sustainability accounting, and more—the majority of influential techniques did not originate in the most recent two decades.

7. Accountants are not charged with _____ the firm's accounting system.

A. recording

B. purchasing

C. auditing

D. controlling

In accounting, duties are kept separate to strengthen internal controls. Accountants handle recording transactions, maintaining the books, auditing processes, and helping ensure the accounting system functions correctly. Purchasing, however, is about obtaining goods and services and is typically managed by a separate procurement function. By keeping purchasing outside the accounting role, the organization prevents conflicts of interest and reduces the chance of errors or fraud, since the authority to buy is not the same as the authority to record those purchases. So, purchasing is not charged to accountants.

8. If a perpetuity pays $500 per year, what interest rate yields a price of 6250?

A. 8%

B. 6%

C. 7%

D. 9%

For a perpetuity, the present value is found with PV = C / i, where C is the annual payment and i is the discount rate. This reflects that a never-ending stream of 500 per year is worth the annual cash flow divided by the yield. Here, the present value (price) is 6250 and the annual payment is 500. So 6250 = 500 / i. Solving for i gives i = 500 / 6250 = 0.08, which is 8%. Intuitively, an 8% return means each year the payment of 500 represents 8% of the price 6250, so the perpetuity's value aligns with that yield. If the rate were lower, the price would be higher; if the rate were higher, the price would be lower.

9. When an investment is considered risky _____.

A. adjust none of the inputs

B. adjust only cash flows

C. adjust only the discount rate

D. adjust both cash flows and the discount rate

Risk affects both what you expect to receive from an investment and the return you demand for taking that risk. When an investment is risky, it's appropriate to adjust the forecasted cash flows to reflect uncertainty—for example, using probability-weighted outcomes or scenario analysis to show possible upsides and downsides. At the same time, you should raise the discount rate to incorporate the higher required return for bearing risk, which lowers the present value of those cash flows. Doing both gives a more accurate, conservative assessment than adjusting only one side. If you adjust only cash flows, you might still understate the cost of risk; if you adjust only the discount rate, you might misstate the likelihood of those cash flows materializing. Adjusting both components aligns the valuation with the investment's risk level.

10. Which statement best describes the role of information systems in organizations?

A. They require constant overhauls every year.

B. They may be simple or sophisticated and provide data for decision making.

C. They are used only for external reporting.

D. They are unrelated to decision making.

Information systems are about turning data into information that helps people make decisions. They can be as simple as a spreadsheet or as complex as an enterprise resource planning and data-warehouse setup. The essential point is that they provide timely, relevant data to support planning, monitoring, and control, as well as evaluating performance and guiding strategic choices. That's why the statement that information systems may be simple or sophisticated and provide data for decision making is the best description. They serve internal decision making and performance management, not only external reporting, and they don't require constant yearly overhauls.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://accounting4planningcontrol.examzify.com

We wish you the very best on your exam journey. You've got this!