ACCOUNTING FOR PLANNING AND CONTROL TEST 1 PRACTICE (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

https://accounting4planningcontrol.examzify.com

Table of Contents

Copyright 1
Table of Contents 2
Introduction 3
How to Use This Guide 4
Questions 5
Answers 8
Explanations 10
Next Steps 15

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. One of the primary benefits of a single accounting system is

A. increases the credibility of financial reports
B. eliminates the need for external audits
C. reduces internal controls
D. increases complexity

2. Internal reports often include product-level cost data because they are used for

A. internal decision making and performance evaluation
B. external tax reporting
C. external disclosures
D. external reporting

3. A plant at 80% capacity increases to 216 units (90%), the opportunity cost is which value?

A. 4.50
B. 5.78
C. 6.40
D. 5.00

4. An internal accounting system ______.

A. has no impact on external reporting
B. is not used for internal decision making
C. costs more than it contributes to the firm's value
D. provides information to detect production inefficiencies

5. Economic profit equals accounting profit minus opportunity costs.

A. False
B. True
C. It can be negative or positive
D. Depends on taxes

6. The internal audit department may report to which of the following?

A. To the CFO only

B. To the CEO only

C. To the board only

D. To the CFO, CEO, controller or board of directors

7. In evaluating a special order, the difference between incremental revenue and incremental cost equals:

A. Incremental profit

B. Net present value

C. Total profit

D. Accounting income

8. The additional cost incurred to produce an additional unit is called which cost?

A. Fixed cost

B. Average cost

C. Marginal cost

D. Sunk cost

9. If price is set as average total cost plus a markup, the price will be above the average total cost.

A. Sometimes

B. Never

C. True

D. False

10. If you invest $500 at the end of each year for 18 years at 6% interest, the value at the end of year 18 is closest to which amount?

A. 15000

B. 15453

C. 15600

D. 16000

Answers

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

Explanations

1. One of the primary benefits of a single accounting system is

A. increases the credibility of financial reports

B. eliminates the need for external audits

C. reduces internal controls

D. increases complexity

Using one integrated accounting system creates a single source of truth for all financial data, which boosts the credibility of financial reports. When data are entered, stored, and processed in one place, the figures come from the same underlying records, reducing inconsistencies and errors that can erode trust. The integrated system also provides a complete, easily traceable audit trail and supports standardized policies and procedures, making it easier for external users—such as investors, lenders, and regulators—to rely on the statements. The idea that external audits could be eliminated isn't correct, since independent verification remains important. The belief that internal controls would be reduced isn't accurate either; a single system typically strengthens controls through consistent access restrictions, approval workflows, and uniform processes. And the notion that complexity increases with a single system is opposite to reality, as it tends to simplify data handling and reconciliation rather than add layers of complication.

2. Internal reports often include product-level cost data because they are used for

A. internal decision making and performance evaluation

B. external tax reporting

C. external disclosures

D. external reporting

Product-level cost data in internal reports is valuable because managers need granular cost information to make informed decisions and to evaluate how each product performs. This level of detail supports planning and control actions such as pricing decisions, product mix adjustments, and resource allocation, as well as evaluating profitability and holding managers accountable for the costs under their control. External tax reporting and external disclosures don't rely on this level of product-by-product detail for decision making; they focus on broader financial results and compliance rather than the ongoing internal assessment of individual product lines.

3. A plant at 80% capacity increases to 216 units (90%), the opportunity cost is which value?

A. 4.50

B. 5.78

C. 6.40

D. 5.00

Opportunity cost in capacity decisions is the value of the best alternative use of the scarce capacity you forego by producing more of one product. Here, moving from 80% to 90% capacity changes output from 192 units (0.8 × 240) to 216 units (0.9 × 240). That means full capacity is 240 units, and the increase uses 24 additional units of capacity. The per unit opportunity cost is the value of one extra unit of capacity in its next best use. That value is given as 5.78 (in the relevant currency) per unit. Therefore, the opportunity cost per additional unit is 5.78, and for the 24 extra units the total would be 24 × 5.78 if you need the aggregate value.

4. An internal accounting system _____.

A. has no impact on external reporting

B. is not used for internal decision making

C. costs more than it contributes to the firm's value

D. provides information to detect production inefficiencies

Internal accounting systems are built to help managers plan, control, and evaluate performance by providing timely cost information. They track inputs, processes, and outputs, then compare actual results to standards or budgets. This variance analysis highlights where production is not meeting targets, pointing to inefficiencies such as waste, bottlenecks, or idle capacity. With that information, management can investigate root causes and take corrective actions to improve efficiency and reduce costs. While data from internal systems can inform external financial reporting, their primary purpose is internal decision making and control. The idea that it costs more than it contributes isn't consistent with how these systems are intended to add value through better resource use and performance monitoring.

5. Economic profit equals accounting profit minus opportunity costs.

A. False

B. True

C. It can be negative or positive

D. Depends on taxes

Economic profit reflects not only explicit costs but also the value of resources foregone in the next-best use. Accounting profit is revenue minus explicit costs. Economic profit goes further by subtracting implicit costs (the opportunity costs). So economic profit = revenue − explicit costs − implicit costs, which is the same as accounting profit minus opportunity costs. This makes the statement true regardless of the numbers: you can have positive or negative economic profit depending on whether revenue covers both explicit costs and the foregone alternatives. Taxes affect accounting profit, but the relation to opportunity costs remains the same.

6. The internal audit department may report to which of the following?

A. To the CFO only

B. To the CEO only

C. To the board only

D. To the CFO, CEO, controller or board of directors

Internal audit needs to stay objective and have access to governance so it can independently evaluate risk, controls, and governance processes. Because different organizations structure oversight differently, the reporting line for internal audit isn't fixed to one entity. It can be administratively aligned with senior management—such as the CFO, CEO, or controller—while often maintaining a direct reporting relationship to the board or an audit committee to preserve independence and provide strong governance oversight. Therefore, the internal audit function may report to the CFO, CEO, controller, or board of directors, depending on policy and the balance between management interaction and board-level oversight.

7. In evaluating a special order, the difference between incremental revenue and incremental cost equals:

A. Incremental profit

B. Net present value

C. Total profit

D. Accounting income

In incremental analysis for a special order, the key idea is to focus only on what changes if you take the order. The net result of those changes is the incremental profit. Specifically, when you subtract the incremental costs (the extra costs incurred to fulfill the order) from the incremental revenue (the extra revenue the order brings in), you get the incremental profit. This is the profit directly attributable to that decision, ignoring sunk costs and any costs that wouldn't change with the order. That's why the difference between incremental revenue and incremental cost is called incremental profit. The other concepts don't capture the specific change caused by the decision: net present value looks at timing and discounting of cash flows, total profit is overall profitability not tied to a single decision, and accounting income includes non-cash items and allocated overheads that aren't necessarily affected by the special order.

8. The additional cost incurred to produce an additional unit is called which cost?

A. Fixed cost

B. Average cost

C. Marginal cost

D. Sunk cost

Marginal cost is the incremental cost of producing one additional unit. It equals the change in total cost when output increases by one unit, and in the short run it mainly reflects the extra variable costs tied to that unit since fixed costs stay the same regardless of production. This distinction matters because decisions about expanding production hinge on how much extra cost is needed for each extra unit. Fixed cost is constant and does not vary with output, average cost is total cost divided by the number of units (mixing fixed and variable costs into an per-unit figure), and sunk cost is money already spent that cannot be recovered. For the added unit, the new cost that gets incurred is the marginal cost.

9. If price is set as average total cost plus a markup, the price will be above the average total cost.

A. Sometimes

B. Never

C. True

D. False

In cost-plus pricing you take the average total cost per unit and add a markup to determine the selling price. Since a markup is a positive amount, the price becomes ATC plus that positive amount, which is strictly greater than ATC. (Only if the markup were zero would the price equal ATC, but with a positive markup the price is above it.) So the statement is true.

10. If you invest $500 at the end of each year for 18 years at 6% interest, the value at the end of year 18 is closest to which amount?

A. 15000

B. 15453

C. 15600

D. 16000

When you deposit a fixed amount at the end of each year, each payment earns interest for the remaining years until the final date. This is the future value of an ordinary annuity. The value after n periods with payment P and rate i is FV = P × [((1+i)^n − 1) / i]. Here, P = 500, i = 0.06, n = 18. Compute (1.06)^18 ≈ 2.85433. Then ((2.85433 − 1) / 0.06) ≈ 1.85433 / 0.06 ≈ 30.9055. Multiply by 500 to get ≈ 15,452.75, about $15,453. So the end-of-year-18 value is approximately $15,453.

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!