

Arizona State University (ASU) ACC231 Uses of Accounting Information I Exam 2 Practice (Sample)

Study Guide



Everything you need from our exam experts!

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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

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- 1. What is the formula for calculating gross profit?**
 - A. Net Sales + Cost of Goods Sold (COGS)**
 - B. Net Sales - Cost of Goods Sold (COGS)**
 - C. Cost of Goods Sold (COGS) - Net Sales**
 - D. Net Sales / Cost of Goods Sold (COGS)**

- 2. Which of the following is a consequence of collusion in fraud?**
 - A. Increased oversight**
 - B. It diminishes the risk of fraud**
 - C. It can be more difficult to detect**
 - D. It is less harmful than individual fraud**

- 3. What is the primary function of the income statement?**
 - A. To report a company's revenues and expenses over a specific period**
 - B. To illustrate the company's financial position at a point in time**
 - C. To show cash flows from operating activities**
 - D. To present shareholders' equity changes**

- 4. Which of the following best describes the purpose of internal control?**
 - A. To increase sales revenue**
 - B. To enhance customer satisfaction**
 - C. To safeguard assets and improve accounting reliability**
 - D. To reduce tax liabilities**

- 5. What is included in the Statement of Cash Flows?**
 - A. Only operating activities**
 - B. Operating, investing, and financing activities**
 - C. Only investing and financing activities**
 - D. Only cash received by customers**

- 6. What is the direct write-off method used for in accounting?**
- A. To record uncollectible accounts as revenue**
 - B. To record uncollectible accounts as an expense**
 - C. To adjust inventory values**
 - D. To manage cash flow more effectively**
- 7. What does the term 'capital expenditure' refer to?**
- A. Spending on products that generate immediate revenue**
 - B. Long-term investments in physical assets**
 - C. Funds set aside for short-term operations**
 - D. Cash spent on employee wages**
- 8. What is a fiscal year?**
- A. A one-year period used for financial reporting and budgeting, which may not align with the calendar year**
 - B. A calendar year used by all companies for reporting**
 - C. An accounting period that lasts for six months**
 - D. An annual period tied to the company's operational performance**
- 9. What is a fiscal year in terms of financial reporting?**
- A. A one-year period used for financial reporting and budgeting**
 - B. A specific calendar year used for tax purposes**
 - C. A period of six months for budget analysis**
 - D. A financial reporting period that always aligns with the calendar year**
- 10. What is the function of accounts payable?**
- A. A liability account that represents money owed by a company to suppliers for goods or services received.**
 - B. An asset account that tracks company inventory levels.**
 - C. A revenue account that records sales from services.**
 - D. A tracking system for customer bills and payments.**

Answers

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

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Explanations

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1. What is the formula for calculating gross profit?

- A. Net Sales + Cost of Goods Sold (COGS)
- B. Net Sales - Cost of Goods Sold (COGS)**
- C. Cost of Goods Sold (COGS) - Net Sales
- D. Net Sales / Cost of Goods Sold (COGS)

Gross profit is calculated by taking net sales and subtracting the cost of goods sold (COGS). This formula effectively measures the efficiency of a company in producing its goods and can indicate how well the company is controlling its production costs relative to the revenue generated from its sales. When calculating gross profit, you start with the total revenue generated from sales (net sales), which is the amount received from customers after deducting returns, allowances, and discounts. From this figure, you subtract the total direct costs associated with producing the products that were sold, represented by COGS. The result is gross profit, which provides insight into the financial health of the company's core operations, excluding other expenses like selling, general administrative costs, taxes, and interest. Understanding this relationship is fundamental in accounting because it lays the groundwork for further profitability analysis, making it essential for businesses to track these figures accurately.

2. Which of the following is a consequence of collusion in fraud?

- A. Increased oversight
- B. It diminishes the risk of fraud
- C. It can be more difficult to detect**
- D. It is less harmful than individual fraud

Collusion in fraud refers to a situation where two or more individuals work together to commit fraudulent acts, which can complicate detection and enforcement efforts. When individuals collude, they often devise methods to conceal their activities more effectively than an individual might do alone. This collaboration can create a web of deceit that is harder to unravel, leading to greater challenges for auditors and investigators in identifying fraudulent behavior. As a result, the collective efforts of multiple individuals can result in increased complexity and a greater likelihood of successfully executing fraudulent activities without detection. The multiple layers of cooperation also mean that the usual checks and balances that might catch an individual fraudster could be circumvented, further increasing the risk of fraud going unnoticed. Understanding collusion as a factor in fraud highlights the necessity for organizations to implement robust internal controls that not only monitor for individual fraudulent actions but also scrutinize collaborative behaviors that might indicate collusion. This awareness aids in developing more effective fraud prevention strategies.

3. What is the primary function of the income statement?

- A. To report a company's revenues and expenses over a specific period**
- B. To illustrate the company's financial position at a point in time**
- C. To show cash flows from operating activities**
- D. To present shareholders' equity changes**

The primary function of the income statement is to report a company's revenues and expenses over a specific period. This financial statement provides a summary of how much money a company has earned (revenues) and how much it has spent (expenses) during that time frame, typically covering a quarter or a year. This information is vital for stakeholders to assess the company's profitability and performance over the specified period. The income statement reflects the fundamental concept of matching revenues with the related expenses incurred to generate those revenues, which is essential for understanding the company's operational efficiency. By analyzing this information, investors, management, and other stakeholders can make informed decisions regarding the company's financial health and future prospects.

4. Which of the following best describes the purpose of internal control?

- A. To increase sales revenue**
- B. To enhance customer satisfaction**
- C. To safeguard assets and improve accounting reliability**
- D. To reduce tax liabilities**

The choice that accurately captures the purpose of internal control is focused on safeguarding assets and improving accounting reliability. Internal control systems are designed to ensure that an organization's resources are protected from theft, fraud, or misuse, thereby safeguarding its assets. By implementing effective internal controls, organizations can also enhance the accuracy and reliability of their financial reporting. This means that the financial statements accurately reflect the financial status of the company, which is crucial for decision-making by management and stakeholders. The other options fail to encompass the comprehensive objective of internal control. While increasing sales revenue and enhancing customer satisfaction are essential goals for a business, they are not the primary focus of internal control systems. Additionally, reducing tax liabilities may be a financial goal, but it does not relate directly to the function of internal controls, which is primarily concerned with the integrity of financial information and the protection of assets.

5. What is included in the Statement of Cash Flows?

- A. Only operating activities
- B. Operating, investing, and financing activities**
- C. Only investing and financing activities
- D. Only cash received by customers

The Statement of Cash Flows is designed to provide a comprehensive view of all cash inflows and outflows during a specific period, categorizing them into three main activities: operating, investing, and financing. Operating activities reflect the cash generated or used in the core business operations, including cash received from customers and cash paid to suppliers and employees. This section is vital as it shows how well the company is performing its day-to-day business. Investing activities involve cash flows generated from buying and selling long-term assets, such as property, plant, and equipment, as well as investments in securities. This part of the statement illustrates how a company is using its cash for long-term growth. Financing activities encompass cash flows related to borrowing and repaying debt, issuing or buying back shares, and paying dividends. This portion highlights how the company finances its operations and growth. Including all of these activities provides stakeholders with crucial insights into the overall cash position of the business and how it meets its obligations, invests in future growth, and interacts with shareholders. This comprehensive approach is what distinguishes the Statement of Cash Flows and demonstrates its importance in financial reporting.

6. What is the direct write-off method used for in accounting?

- A. To record uncollectible accounts as revenue
- B. To record uncollectible accounts as an expense**
- C. To adjust inventory values
- D. To manage cash flow more effectively

The direct write-off method is used in accounting to recognize uncollectible accounts as an expense. Under this method, when a company determines that a specific account receivable is no longer collectible, it writes off that amount directly to bad debt expense. This approach reflects the actual loss incurred due to the uncollectible account and matches that loss to the period in which the revenue was initially recognized. This method is straightforward and easy to apply, but it can lead to mismatches in timing between revenue recognition and expense recognition, which could affect financial reporting. Therefore, while it is often used for small businesses and companies with few uncollectible accounts, larger organizations typically use the allowance method, which estimates uncollectible accounts in advance. The methods for adjusting inventory values or managing cash flow don't relate to recognizing bad debts as an expense, making them irrelevant in the context of the direct write-off method. Additionally, the direct write-off method does not record uncollectible accounts as revenue; instead, it signifies a loss on amounts that were expected to be received but are not collectible.

7. What does the term 'capital expenditure' refer to?

- A. Spending on products that generate immediate revenue**
- B. Long-term investments in physical assets**
- C. Funds set aside for short-term operations**
- D. Cash spent on employee wages**

The term 'capital expenditure' refers to long-term investments in physical assets, such as property, plant, and equipment. These expenditures are critical for a business as they are intended to improve the productive capacity or extend the useful life of assets rather than resulting in immediate revenue. Capital expenditures often involve significant sums of money and have a lasting effect on the company's financial position, as they are typically capitalized on the balance sheet and depreciated over time rather than expensed in the current period. This contrasts with other types of expenditures, such as operational costs or immediate revenue-generating activities, which are aimed at short-term benefits rather than long-term asset development.

8. What is a fiscal year?

- A. A one-year period used for financial reporting and budgeting, which may not align with the calendar year**
- B. A calendar year used by all companies for reporting**
- C. An accounting period that lasts for six months**
- D. An annual period tied to the company's operational performance**

A fiscal year is defined as a one-year period used for financial reporting and budgeting that may not necessarily align with the calendar year, which runs from January 1 to December 31. Organizations can choose any 12-month period that fits their operational needs for financial reporting, allowing them to better match the timing of their revenues and expenses. This flexibility allows businesses to select a fiscal year that coincides with their peak business activity or other relevant operational cycles. For example, a company whose operations peak during the summer months might choose a fiscal year running from July 1 to June 30. In contrast, a calendar year is fixed and may not fit well with a company's unique sales cycles or industry practices, which could lead to less meaningful reporting in terms of financial performance. The other options do not accurately capture this aspect of a fiscal year, as they either suggest a fixed annual period or an incorrect duration.

9. What is a fiscal year in terms of financial reporting?

- A. A one-year period used for financial reporting and budgeting**
- B. A specific calendar year used for tax purposes**
- C. A period of six months for budget analysis**
- D. A financial reporting period that always aligns with the calendar year**

A fiscal year refers to a one-year period used for financial reporting and budgeting purposes. This timeframe can vary depending on the organization and does not necessarily align with the calendar year, which runs from January 1 to December 31. Organizations often choose a fiscal year that corresponds with their operational schedule, seasonal sales patterns, or industry practices. For instance, a retail company might choose a fiscal year that ends after the holiday season to better reflect annual performance. This flexibility in choosing a fiscal year allows organizations to present their financial results in a way that accurately reflects their business cycles and provides a clearer picture of their financial health to stakeholders. By utilizing a fiscal year tailored to its specific needs, a company can improve financial planning, comparison, and management. The other options do not capture this concept accurately. A specific calendar year pertains to tax purposes and does not define fiscal reporting. A period of six months is too short to serve as a fiscal year and is more relevant to interim financial reporting. Lastly, a financial reporting period that always aligns with the calendar year describes a calendar year rather than a fiscal year, which can vary in start and end dates.

10. What is the function of accounts payable?

- A. A liability account that represents money owed by a company to suppliers for goods or services received.**
- B. An asset account that tracks company inventory levels.**
- C. A revenue account that records sales from services.**
- D. A tracking system for customer bills and payments.**

The function of accounts payable is accurately described as a liability account that represents money owed by a company to suppliers for goods or services received. This means that when a business purchases goods or services on credit, it incurs a liability, which is recorded in the accounts payable account. This account tracks the total amount that the company is required to pay to its creditors. Having accounts payable is essential for managing a company's cash flow and ensuring that financial obligations to suppliers are met in a timely manner. This allows businesses to maintain good relationships with their suppliers while also managing their available resources effectively. The other options do not accurately reflect the nature of accounts payable. For instance, tracking inventory levels refers to asset management, which is distinct from accounts payable. Revenue accounts pertain to the income generated from sales and are unrelated to liabilities. A tracking system for customer bills and payments primarily deals with accounts receivable, which is the amount owed to the company by customers, not what the company owes to its suppliers. This clarification is crucial for understanding the fundamental role that accounts payable plays in accounting and financial management.

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://asu-acc231exam2.examzify.com>

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

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