

Arizona State University (ASU) ACC241 Uses of Accounting Information II Exam 2 Practice (Sample)

Study Guide



Everything you need from our exam experts!

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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	16

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. When calculating the breakeven point, which operating income amount is typically used?**
 - A. \$0**
 - B. Target Profit in Sales Dollars**
 - C. Sales volume**
 - D. Target sales in units**
- 2. How is contribution margin defined?**
 - A. Sales revenue minus fixed costs**
 - B. Sales revenue minus total expenses**
 - C. Sales revenue minus variable costs**
 - D. Sales revenue plus total costs**
- 3. In accounting terms, what does the term 'variance' typically indicate?**
 - A. The difference between budgeted and actual results**
 - B. The total cost of goods sold**
 - C. The increase in revenue**
 - D. The depreciation of assets**
- 4. What characterizes mixed costs?**
 - A. They are entirely fixed regardless of production**
 - B. They increase as volume increases, combining fixed and variable costs**
 - C. They do not change with production volume**
 - D. They decrease as more units are produced**
- 5. What defines prevention costs in quality management?**
 - A. Costs incurred to inspect goods before delivery**
 - B. Costs incurred to correct defects after delivery**
 - C. Costs incurred to avoid poor quality goods or services**
 - D. Costs associated with holding excess inventory**

- 6. What is the significance of analyzing margins in cost accounting?**
- A. To improve budgeting strategies**
 - B. To determine pricing strategies of competitors**
 - C. To evaluate the performance and profitability of products**
 - D. To track historical sales trends**
- 7. How would you define standard cost?**
- A. The actual cost incurred during manufacturing**
 - B. A budgeted cost used for variance analysis**
 - C. The average cost of production over time**
 - D. A cost that fluctuates based on market conditions**
- 8. In a contribution margin income statement, where are fixed costs located?**
- A. Above the contribution margin line**
 - B. Below the contribution margin line**
 - C. Mixed with sales revenue**
 - D. Included in variable costs**
- 9. Why do companies adopt activity-based costing?**
- A. To decrease the number of cost pools**
 - B. To better understand resource demands of products**
 - C. To increase reliance on output unit-level costs only**
 - D. To hide inefficiencies in production**
- 10. Which type of cost increases in steps with changes in production volumes?**
- A. Variable costs**
 - B. Fixed costs**
 - C. Curvilinear costs**
 - D. Step costs**

Answers

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

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Explanations

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1. When calculating the breakeven point, which operating income amount is typically used?

- A. \$0**
- B. Target Profit in Sales Dollars**
- C. Sales volume**
- D. Target sales in units**

The operating income amount typically used when calculating the breakeven point is \$0. The breakeven point represents the level of sales at which a company's total revenues equal its total costs, resulting in no profit or loss. Therefore, at the breakeven point, the operating income is zero. When analyzing various scenarios in cost-volume-profit (CVP) analysis, the goal is to determine how many units must be sold or what sales revenue needs to be achieved to cover all fixed and variable costs. Since breakeven signifies a neutral outcome where income is neither gained nor lost, \$0 is the logical benchmark for operating income in this calculation. Other amounts like Target Profit in Sales Dollars or sales volume reflect differing financial objectives beyond simply achieving breakeven and are used in other profit planning contexts, such as when setting specific sales goals or forecasting profits. Target sales in units may be relevant for calculating a breakeven point in terms of units sold, but in terms of operating income itself, the focus is strictly on reaching the point where income equals zero.

2. How is contribution margin defined?

- A. Sales revenue minus fixed costs**
- B. Sales revenue minus total expenses**
- C. Sales revenue minus variable costs**
- D. Sales revenue plus total costs**

Contribution margin is defined as the difference between sales revenue and variable costs. This represents the amount available to cover fixed costs and generate profit after accounting for the costs that vary directly with production levels. In essence, the contribution margin helps businesses understand how much revenue is contributing to fixed costs and profitability after accounting for the direct costs of producing goods or services. The concept is crucial for decision-making within a business, as it allows managers to evaluate the impact of sales volume on profitability. By focusing on variable costs, businesses can determine how changes in production levels will affect overall profitability and assess their breakeven point. This understanding of contribution margin is pivotal in various strategic decisions like pricing, budgeting, and cost management, making option C the accurate definition among the choices provided.

3. In accounting terms, what does the term 'variance' typically indicate?

- A. The difference between budgeted and actual results**
- B. The total cost of goods sold**
- C. The increase in revenue**
- D. The depreciation of assets**

The term 'variance' in accounting primarily refers to the difference between budgeted and actual results. This concept is essential for financial analysis and performance evaluation, as it highlights discrepancies between what was planned (budget) and what was realized (actual performance). By analyzing variances, businesses can identify areas requiring attention, assess operational efficiency, and implement corrective measures when necessary. For example, if a company budgets \$100,000 for sales but realizes only \$90,000, the variance is \$10,000 unfavorable. This information is vital for management to understand, as it can provide insights into market conditions, operational issues, or effectiveness in sales strategies. Variance analysis is frequently performed on various components, including revenue, expenses, and profit margins, making it a key tool for effective financial management.

4. What characterizes mixed costs?

- A. They are entirely fixed regardless of production**
- B. They increase as volume increases, combining fixed and variable costs**
- C. They do not change with production volume**
- D. They decrease as more units are produced**

Mixed costs are characterized by their combination of fixed and variable elements. This means that part of the cost remains constant regardless of the level of production or activity, while another part varies with the volume produced. For example, a business might incur a fixed monthly fee for essential services, such as rent, while also facing additional variable costs that change depending on the level of production, like utilities or materials. As production increases, the variable component of mixed costs grows, thus aligning with option B that states these costs increase as volume increases due to the combination of fixed and variable costs. Understanding mixed costs is crucial for businesses when forecasting expenses and making informed budgeting and pricing decisions. This dual nature allows for flexibility in financial planning since these costs can adapt based on operational levels.

5. What defines prevention costs in quality management?

- A. Costs incurred to inspect goods before delivery**
- B. Costs incurred to correct defects after delivery**
- C. Costs incurred to avoid poor quality goods or services**
- D. Costs associated with holding excess inventory**

Prevention costs are defined as the expenses associated with activities aimed at preventing defects and ensuring a high level of quality in products or services before they are produced or delivered. This proactive approach to quality management focuses on creating robust systems, processes, and training that minimize the chance of defects occurring in the first place. Expenses in this category might include costs for quality planning, training employees, process control, and quality improvement initiatives. By investing in prevention activities, organizations can significantly reduce the likelihood of producing poor quality goods or services, which ultimately saves costs related to inspections, corrections, and potential customer dissatisfaction. This makes prevention costs a fundamental aspect of effective quality management, as they directly contribute to the reliability and quality of the output from the start.

6. What is the significance of analyzing margins in cost accounting?

- A. To improve budgeting strategies**
- B. To determine pricing strategies of competitors**
- C. To evaluate the performance and profitability of products**
- D. To track historical sales trends**

Analyzing margins in cost accounting is crucial for evaluating the performance and profitability of products. Margins represent the difference between sales revenue and the costs associated with producing and selling products. By calculating and analyzing these margins, businesses can gain valuable insights into which products are contributing positively to profitability and which may be underperforming. When margins are analyzed, a company can assess how well it is managing its costs in relation to its sales. This analysis helps identify not just which products are the most lucrative, but also allows for strategic decision-making regarding product lines, inventory management, and cost control. Understanding profit margins enables firms to focus on optimizing their operations, adjusting pricing strategies, or enhancing production efficiency for the most profitable items. Ultimately, thorough margin analysis informs several key business decisions, including whether to invest in new product development, discontinue underperforming products, or re-strategize marketing efforts to enhance overall profitability.

7. How would you define standard cost?

- A. The actual cost incurred during manufacturing**
- B. A budgeted cost used for variance analysis**
- C. The average cost of production over time**
- D. A cost that fluctuates based on market conditions**

Standard cost refers to a budgeted cost that is predetermined and used as a benchmark for measuring performance, particularly in variance analysis. This cost is established based on historical data, industry standards, or management expectations regarding production processes. In the context of variance analysis, standard costs serve as a reference point against which actual costs are compared. By analyzing the differences, or variances, between standard costs and actual costs, businesses can identify areas where performance may need improvement or where efficiencies may be gained. This helps in budgeting, controlling costs, and making informed management decisions. The other choices do not define standard cost accurately. Actual cost refers to the costs that have been incurred, while average cost pertains to overall production costs across a time frame without considering budgeted projections. A cost that fluctuates based on market conditions would be more applicable to variable costs rather than standard costs, which are set in advance to provide consistency in financial planning and performance measurement.

8. In a contribution margin income statement, where are fixed costs located?

- A. Above the contribution margin line**
- B. Below the contribution margin line**
- C. Mixed with sales revenue**
- D. Included in variable costs**

In a contribution margin income statement, fixed costs are located below the contribution margin line. The contribution margin represents the amount remaining from sales revenue after variable costs have been subtracted. This format emphasizes how much of the revenue contributes to covering fixed costs and generating profits. By placing fixed costs below the contribution margin line, the statement clearly shows the relationship between sales, variable costs, and how fixed costs impact profitability. This layout allows users of the statement to easily see the contribution margin available to cover fixed costs and assess the company's performance relative to its operating expenses.

9. Why do companies adopt activity-based costing?

- A. To decrease the number of cost pools
- B. To better understand resource demands of products**
- C. To increase reliance on output unit-level costs only
- D. To hide inefficiencies in production

Companies adopt activity-based costing (ABC) primarily to gain a deeper understanding of the resource demands associated with their products and services. This method allocates costs based on actual activities and usage rather than spreading costs across products or departments uniformly. By accurately tracing expenses to specific activities, organizations can identify the true cost drivers behind their products, leading to more informed pricing, budgeting, and operational decisions. This level of detail helps companies to identify which products are actually profitable and which may be consuming more resources than they generate in revenue. It supports better strategic decisions regarding product development, discontinuation, or re-engineering. In contrast, the other approaches do not provide the nuanced insights that ABC offers: reducing the number of cost pools or focusing on output unit-level costs ignores the complexity and varied resource demands of different products. Additionally, using ABC is not about hiding inefficiencies; rather, it aims to uncover them, allowing for improvements in efficiency and cost management.

10. Which type of cost increases in steps with changes in production volumes?

- A. Variable costs
- B. Fixed costs
- C. Curvilinear costs
- D. Step costs**

Step costs are characterized by their behavior in relation to production volumes. They remain fixed over certain ranges of activity but jump to a higher level once those activity levels exceed predetermined thresholds. This means that when production increases and surpasses specific volume limits, a step cost increases in increments rather than continuously. For instance, a manufacturing company may require an additional supervisor for every 100 units produced, leading to an increase in labor costs only when production reaches each set threshold. This step increase is distinct from variable costs, which change proportionally with production volume, and fixed costs, which do not change with production levels within a relevant range. Curvilinear costs also behave differently, as they change in a nonlinear fashion rather than in distinct steps. Understanding these cost behaviors is crucial for planning and budgeting in business operations.

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-acc241exam2.examzify.com>

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