University of Central Florida (UCF) ACG2071 Principles of Managerial Accounting Practice Test 1 (Sample)

Study Guide

BY EXAMZIFY

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

1. **COGM predominantly transfers into which account?**
   - A. Cost of Goods Sold
   - B. Accounts Payable
   - C. Finished Goods
   - D. Work In Progress

2. **The wages of security guards to protect the factory building are an example of what type of costs?**
   - A. Direct; variable
   - B. Indirect; product
   - C. Fixed; period
   - D. Direct; period

3. **At what point are manufacturing costs expensed?**
   - A. When goods are purchased
   - B. When finished goods are sold
   - C. When production begins
   - D. When goods are returned

4. **When budgeting overhead, what is typically determined first in the process?**
   - A. Direct labor hours
   - B. Budgeted raw materials
   - C. Budgeted overhead costs
   - D. Applied overhead rate

5. **What is the main purpose of a responsibility accounting system?**
   - A. To manage company-wide assets and liabilities
   - B. To promote accountability by tracking revenues and expenses
   - C. To consolidate financial statements for external reporting
   - D. To prepare tax filings for the organization

6. In the context of manager accounting, what does the term 'applied MOH' refer to?

A. Estimated total manufacturing costs

B. Overhead allocated based on a predetermined rate

C. Actual costs incurred during production

D. Costs that are budgeted for future periods

7. Which overhead rate is used for calculating the overhead in managerial accounting?

A. Actual overhead

B. Applied overhead

C. Budgeted overhead

D. Variable overhead

8. If the cost of goods sold is less than the cost of goods manufactured, what happens to Finished Goods Inventory during the period?

A. Decreases

B. Increases

C. Stays the same

D. Becomes zero

9. How is the contribution margin ratio calculated?

A. By subtracting total costs from total revenue

B. By dividing total sales by total expenses

C. By dividing contribution margin by sales revenue

D. By adding gross profit to net income

10. What type of costs do managers typically have control over?

A. Fixed and variable costs that are predetermined

B. Only variable costs that fluctuate with production

C. Controllable costs that can be managed directly

D. Indirect costs that relate to overall operations

Answers

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

Explanations

1. COGM predominantly transfers into which account?

A. Cost of Goods Sold

B. Accounts Payable

C. Finished Goods

D. Work In Progress

Cost of Goods Manufactured (COGM) represents the total costs incurred to produce goods during a specific period. This amount is crucial in understanding how much product is available for sale. COGM predominantly transfers into the Finished Goods account, which reflects the cost of products that are completed and ready to be sold. When production is completed, the costs are moved out of the Work in Progress account, where costs accumulate for materials, labor, and overhead that are partially completed, and allocated into Finished Goods. This movement signifies that these goods are now available for sale to customers. Once the goods in Finished Goods are sold, their costs will then be transferred to the Cost of Goods Sold account, representing the expense for products that have been sold during a specific period. However, the primary transfer of COGM happens into the Finished Goods account, as it indicates goods available for sale after production is complete.

2. The wages of security guards to protect the factory building are an example of what type of costs?

A. Direct; variable

B. Indirect; product

C. Fixed; period

D. Direct; period

Wages for security guards protecting the factory building are classified as indirect costs associated with product manufacturing. Indirect costs are those that cannot be directly traced to a specific product but are necessary for the production process; they support the manufacturing activities indirectly. Security guards provide a service that ensures the safety of the factory and its operations, but their wages are not directly tied to the production of a specific unit of product. Additionally, these costs are categorized as product costs because they are part of the overall expenses incurred to manufacture those products. Product costs encompass all costs related to the production process, including both direct and indirect costs. Since the wages of security guards help maintain the factory environment conducive to production, they fit within this classification. In contrast, other options may refer to costs that do not accurately represent the nature of security guard wages. For instance, direct costs would refer to expenses that are directly tied to the production of specific goods, while period costs are typically associated with non-manufacturing activities, not directly related to production or inventory.

3. At what point are manufacturing costs expensed?

A. When goods are purchased

<u>B. When finished goods are sold</u>

C. When production begins

D. When goods are returned

Manufacturing costs are expensed at the point when finished goods are sold. This reflects the fundamental principle of matching costs with revenues, ensuring that expenses are recognized in the same period as the revenues they helped generate. In managerial accounting, manufacturing costs (composed of direct materials, direct labor, and manufacturing overhead) are initially treated as inventory on the balance sheet. It is only when these goods are sold that the costs transfer to the income statement as cost of goods sold (COGS), reducing net income for that period. This approach is critical for accurately portraying a company's profitability and financial performance. It aligns with accrual accounting principles, which dictate that expenses should be recorded when they are incurred, not necessarily when cash is paid out. Thus, the timing of recognizing manufacturing costs as expenses corresponds directly with the sale of the associated goods, reinforcing the importance of tracking inventory and sales data to manage financial outcomes effectively.

4. When budgeting overhead, what is typically determined first in the process?

A. Direct labor hours

B. Budgeted raw materials

<u>C. Budgeted overhead costs</u>

D. Applied overhead rate

In the budgeting process for overhead, determining budgeted overhead costs is typically the first step. This is because the overhead costs form the baseline for what needs to be allocated throughout the production process. Budgeted overhead costs include estimates of all indirect costs related to manufacturing, such as utilities, maintenance, and salaries of supervisory staff. These costs are critical as they directly influence the overall budget and are necessary for calculating the overhead rate that will be applied to direct labor hours or machine hours. Once the budgeted overhead costs are established, the next steps usually involve determining how these costs will be allocated to products made, which includes calculating the applied overhead rate based on direct labor hours or machine hours. This structured approach ensures that all overhead expenses are accounted for, allowing for accurate product costing and financial planning. By having a clear understanding of the budgeted overhead costs, managers can effectively plan for profitability and cost control, making this the logical starting point in the budgeting process.

5. What is the main purpose of a responsibility accounting system?

A. To manage company-wide assets and liabilities

B. To promote accountability by tracking revenues and expenses

C. To consolidate financial statements for external reporting

D. To prepare tax filings for the organization

The main purpose of a responsibility accounting system is to promote accountability by tracking revenues and expenses related to specific segments or departments within an organization. This approach allows managers at various levels to take ownership of their financial performance and makes it easier to evaluate their effectiveness based on their ability to meet budgetary goals. In a responsibility accounting system, various responsibilities are assigned to different managers, and their performance is assessed based on the results of operations they control. This system not only highlights areas where managers excel or need improvement, but it also aligns their decision-making with the overall goals of the organization, encouraging a more engaged and responsible management culture. The importance of tracking revenues and expenses specifically lies in its ability to provide valuable feedback to managers, enabling them to make more informed decisions about resource allocation, efficiency improvements, and strategic planning. This focused approach is essential for understanding how individual departments contribute to the overall success of the organization, fostering a culture of accountability and performance evaluation.

6. In the context of manager accounting, what does the term 'applied MOH' refer to?

A. Estimated total manufacturing costs

B. Overhead allocated based on a predetermined rate

C. Actual costs incurred during production

D. Costs that are budgeted for future periods

Applied manufacturing overhead (MOH) refers to the amount of overhead that is allocated to products based on a predetermined rate. This predetermined rate is established before the accounting period begins, often based on estimates of total overhead costs and expected activity levels, such as machine hours or labor hours. When manufacturing costs are assigned to products, applied MOH is included as it represents a systematic approach to distributing indirect manufacturing costs (like utilities, maintenance, and depreciation) across units produced. This process enables better costing of products and provides insights into profitability by ensuring that all incurred costs, not just direct materials and direct labor, are appropriately matched with the revenue generated from the sale of those products. This method is particularly useful for businesses to control costs and evaluate operational efficiency, thus facilitating managerial decision-making.

7. Which overhead rate is used for calculating the overhead in managerial accounting?

A. Actual overhead

B. Applied overhead

C. Budgeted overhead

D. Variable overhead

The correct answer is budgeted overhead because it represents the forecasted costs that a company anticipates incurring during a specific period. This rate is established before the period begins and is based on estimates which allow for planning and decision-making within the organization. It helps to create a framework for applying overhead to products or services as they are produced. Budgeted overhead is essential in managerial accounting because it allows managers to allocate resources effectively and manage costs. By using budgeted overhead rates, managers can set standard costs, analyze performance, and compare actual costs to the budgeted amounts to make informed decisions about business operations. In contrast, actual overhead is not typically used for initial calculations of product costs because it reflects past expenses and may not provide a reliable estimate for future production. Applied overhead refers to the overhead costs assigned to products based on the budgeted rate throughout the production process, making it a result of using the budgeted overhead. Variable overhead pertains only to costs that change with production levels and does not encompass all fixed and variable factors needed for a complete overhead analysis. Thus, the emphasis on budgeted overhead illustrates its significance in planning and controlling costs in managerial accounting.

8. If the cost of goods sold is less than the cost of goods manufactured, what happens to Finished Goods Inventory during the period?

A. Decreases

B. Increases

C. Stays the same

D. Becomes zero

When the cost of goods sold is less than the cost of goods manufactured, it indicates that more goods have been produced than sold during that period. This results in an increase in Finished Goods Inventory. In this scenario, the excess production over the sales means that the remaining unsold goods will be added to the Finished Goods Inventory, which reflects the total value of products that are available for sale but have not yet been sold. As these manufactured goods accumulate without corresponding sales, the inventory balance rises, leading to an overall increase in Finished Goods Inventory for that period. This relationship is fundamental in understanding how production and sales affect inventory levels in a business.

9. How is the contribution margin ratio calculated?

- A. By subtracting total costs from total revenue
- B. By dividing total sales by total expenses
- C. By dividing contribution margin by sales revenue
- D. By adding gross profit to net income

The contribution margin ratio is an essential concept in managerial accounting that helps businesses understand the relationship between sales and profitability. It is calculated by dividing the contribution margin by sales revenue. The contribution margin itself is defined as the sales revenue minus variable costs. This ratio provides insight into how much of each sales dollar contributes to covering fixed costs and generating profit. When evaluating this calculation, it's clear that understanding the contribution margin is vital. By expressing this margin as a ratio of sales revenue, a company can assess its profitability on a per-dollar basis. For example, if the contribution margin is calculated to be $200,000 and total sales revenue is $1,000,000, the contribution margin ratio would be 20%. This indicates that 20 cents of every dollar earned is contributing to covering fixed costs and profit, which is a crucial figure for financial decision-making and strategic planning. Other approaches mentioned in the choices do not accurately represent how contribution margin ratio is derived. Calculating by subtracting total costs from total revenue does not isolate the contribution margin effectively, since total costs include both fixed and variable components, thus overshadowing how much contributes to net profit. Dividing total sales by total expenses does not align with standard financial metrics relevant to this context. Lastly,

10. What type of costs do managers typically have control over?

- A. Fixed and variable costs that are predetermined
- B. Only variable costs that fluctuate with production
- C. Controllable costs that can be managed directly
- D. Indirect costs that relate to overall operations

Managers typically have control over controllable costs that they can manage directly, making this the correct choice. Controllable costs are those costs that managers can influence through their decisions and actions. These may include costs related to materials, labor, and certain overhead expenses. By actively managing these costs, managers can impact the overall budget and profitability of their departments or organizations. Controllable costs contrast with other types of costs, such as fixed and variable costs, which may include predetermined elements but are not always within the manager's direct influence. While managers can often influence variable costs through operational decisions, fixed costs remain constant over a period and do not change with production levels, often limiting managerial control. Indirect costs are typically associated with overall operations and are usually allocated across multiple departments, making them harder for an individual manager to control effectively. Thus, focusing on controllable costs provides managers with direct actionable items to optimize financial performance.

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://ucf-acg2071-test1.examzify.com

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