

University of Central Florida (UCF) ACG3173 Accounting for Decision-Makers Exam 3 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 does the term "other noncurrent liabilities" include?**
 - A. Unpaid debts categorized as short-term**
 - B. Obligations relating to pension plans and employee benefits**
 - C. Short-term loans and lines of credit**
 - D. Deferred revenue from customers**

- 2. Which components make up a master budget?**
 - A. Only the operating budget**
 - B. Operating budget, capital expenditure budget, financial budget, and cash budget**
 - C. Sales budget and project budget**
 - D. Revenue budget and profit budget**

- 3. True or False: A bond issue does affect the Return on Assets (ROA).**
 - A. True**
 - B. False**
 - C. Only if the proceeds are invested**
 - D. Only if interest rates rise**

- 4. Is net income considered relevant in financial analysis?**
 - A. Yes, always**
 - B. No, never**
 - C. Only for small businesses**
 - D. Only for public companies**

- 5. What is the purpose of a cash flow statement?**
 - A. To provide information about the cash inflows and outflows during a specific period**
 - B. To summarize the company's financial position at a specific point in time**
 - C. To detail the changes in equity over a period**
 - D. To list all the revenues and expenses of the business**

6. Which of the following financial measures provides a clearer picture of a company's core profitability?

- A. Net income**
- B. Operating income**
- C. Net cash flow**
- D. EBITDA**

7. Which of the following represents the three main types of manufacturing costs?

- A. Direct materials, direct labor, and manufacturing overhead**
- B. Administrative expenses, selling expenses, and cost of goods sold**
- C. Fixed costs, variable costs, and semi-variable costs**
- D. Research and development, marketing expenses, and cost of sales**

8. What is a job order costing system?

- A. A system used for estimating future costs**
- B. A costing system used to determine the average cost of goods sold**
- C. A costing system used to determine the cost of producing specific products or job orders**
- D. A method of standardizing production expenses**

9. What is the main purpose of an internal control system?

- A. To minimize operational costs**
- B. To ensure the integrity of financial reporting and compliance with laws and regulations**
- C. To improve management's decision-making process**
- D. To maximize profitability**

10. Which of the following is true about preferred stock?

- A. Holds voting rights**
- B. Dividends are paid after common stock dividends**
- C. Dividends have preference over common stock but no voting rights**
- D. Cumulative dividends are not applicable**

Answers

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

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Explanations

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1. What does the term "other noncurrent liabilities" include?

- A. Unpaid debts categorized as short-term
- B. Obligations relating to pension plans and employee benefits**
- C. Short-term loans and lines of credit
- D. Deferred revenue from customers

The term "other noncurrent liabilities" primarily encompasses obligations that are not due within the next year and often relate to long-term commitments. Among these, obligations relating to pension plans and employee benefits represent a significant category. These liabilities arise from future payments the company is required to make to employees as part of retirement or other post-employment benefits. Pension plans, for example, require companies to set aside funds to cover future obligations towards employees. This commitment is not something that will need to be settled within the current operating cycle and can span over many years, thus categorizing it as a noncurrent liability. Employee benefits, such as health care after retirement, also fall under this umbrella for the same reason. The other options listed refer to different types of liabilities. Unpaid debts categorized as short-term and short-term loans and lines of credit both represent obligations that are due within a year, thus categorizing them as current liabilities. Deferred revenue from customers implies that payment has been received but not yet earned, which is usually classified as a current liability as well since it's expected to be recognized in the near term. Therefore, the focus on long-term obligations, such as those related to pensions and employees, justifies why obligations relating to pension plans and employee benefits

2. Which components make up a master budget?

- A. Only the operating budget
- B. Operating budget, capital expenditure budget, financial budget, and cash budget**
- C. Sales budget and project budget
- D. Revenue budget and profit budget

The master budget is an overarching financial plan that encapsulates all aspects of an organization's financial activities for a specific period, typically a fiscal year. The reason why the chosen answer is correct is that it encompasses several critical components necessary for comprehensive financial planning. The operating budget details the revenues and expenses associated with regular business operations, helping organizations anticipate and manage operational income and expenditures. The capital expenditure budget outlines the anticipated investments in long-term assets, ensuring that a company is prepared for future growth or investment needs. The financial budget includes projections regarding the organization's funding needs along with its anticipated revenue and expenditure plans, which are crucial for maintaining liquidity. The cash budget is vital for cash flow management, providing insight into expected cash inflows and outflows to ensure that the organization can meet its short-term obligations. Together, these components offer a complete picture of the organization's financial strategy, enabling effective decision-making. This holistic approach helps in aligning various operational aspects and financial metrics, ensuring all teams within an organization are working toward unified financial goals.

3. True or False: A bond issue does affect the Return on Assets (ROA).

- A. True**
- B. False**
- C. Only if the proceeds are invested**
- D. Only if interest rates rise**

The statement that a bond issue does affect the Return on Assets (ROA) is false. ROA is calculated by dividing a company's net income by its total assets. The issuance of bonds primarily affects the liabilities of a company rather than the assets directly. When a company issues bonds, it receives cash (an increase in assets) but also takes on a corresponding liability (the bond payable). If the proceeds from the bond are not invested in assets that generate additional income, there would be no increase in net income from that asset addition in the calculation of ROA, resulting in an unchanged ROA. While the use of the bond proceeds can eventually impact ROA if those funds are effectively used to generate profit (such as investing in profitable projects), the mere act of issuing the bonds in itself does not affect ROA directly. Thus, the correct conclusion is that issuing bonds does not inherently change ROA, supporting the choice that the statement is false.

4. Is net income considered relevant in financial analysis?

- A. Yes, always**
- B. No, never**
- C. Only for small businesses**
- D. Only for public companies**

Net income is considered relevant in financial analysis because it serves as a key indicator of a company's profitability over a specific period. Investors and analysts closely examine net income to assess the financial health of a business, as it reflects the company's ability to generate profit after all expenses, taxes, and costs have been deducted from its total revenues. Net income is essential for various financial metrics, such as earnings per share (EPS), return on equity (ROE), and overall profitability ratios, which are vital for making investment decisions, evaluating management performance, and comparing companies within the same industry. While some may argue that net income may not be as relevant in certain contexts—like small businesses or companies focusing on growth over profitability—it remains crucial to understanding a company's financial performance across all business types. Therefore, it is widely accepted that net income is a relevant metric in financial analysis for both small and large enterprises, as well as public companies.

5. What is the purpose of a cash flow statement?

- A. To provide information about the cash inflows and outflows during a specific period**
- B. To summarize the company's financial position at a specific point in time**
- C. To detail the changes in equity over a period**
- D. To list all the revenues and expenses of the business**

The purpose of a cash flow statement is to provide information about the cash inflows and outflows during a specific period. This financial statement is crucial because it shows how a company generates and uses cash through its operating, investing, and financing activities. By analyzing the cash flow statement, stakeholders can assess the liquidity, solvency, and overall financial health of the organization. Cash inflows include money received from operations, investments, and financing, while cash outflows represent payments made in these areas. Understanding these movements is vital for making informed decisions regarding budgeting, investment, and evaluating the company's ability to meet its short-term obligations. The other options introduce concepts that are not related to the cash flow statement. For instance, summarizing the company's financial position at a specific point in time refers to the balance sheet, which highlights assets, liabilities, and equity. Detailing changes in equity over a period relates to the statement of changes in equity, showing how investments and distributions affect equity balances. Finally, listing revenues and expenses pertains to the income statement, which focuses on the profitability of the organization over time rather than the actual cash movements.

6. Which of the following financial measures provides a clearer picture of a company's core profitability?

- A. Net income**
- B. Operating income**
- C. Net cash flow**
- D. EBITDA**

Operating income provides a clearer picture of a company's core profitability because it focuses on the profits generated from regular business operations, excluding non-operational revenue and expenses such as interest and taxes. This measure highlights how effectively a company is running its core business activities by reflecting the direct costs associated with producing goods or services, such as cost of goods sold and operating expenses. While net income includes all revenues and expenses, it can be affected by factors like taxes, interest, and extraordinary items, which may not be reflective of the company's ongoing operational performance. Net cash flow focuses on the cash generated and used in a specific period but does not directly correlate with profitability since it can be influenced by timing of cash transactions or financing activities. EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is also a useful measure as it provides insights into operational profitability by excluding expenses that don't directly impact cash flow, but it can still mask some ongoing costs like capital expenditures and could lead to an inflated view of financial performance compared to operating income. In summary, operating income is often preferred for analyzing the true profitability of a company's core operations, making it the most relevant choice among the options listed.

7. Which of the following represents the three main types of manufacturing costs?

- A. Direct materials, direct labor, and manufacturing overhead**
- B. Administrative expenses, selling expenses, and cost of goods sold**
- C. Fixed costs, variable costs, and semi-variable costs**
- D. Research and development, marketing expenses, and cost of sales**

The correct choice identifies the three main types of manufacturing costs as direct materials, direct labor, and manufacturing overhead. These components are essential in determining the total cost of production within a manufacturing environment. Direct materials refer to the raw materials that are directly used in the manufacturing of a product. They are essential for creating the final product and their costs can be directly attributed to specific units of production. Direct labor includes the wages and salaries paid to workers who are directly involved in the manufacturing process. This cost reflects the labor required to transform raw materials into finished goods. Manufacturing overhead encompasses all other costs associated with production that are not directly tied to specific products. This includes costs such as factory utilities, depreciation of manufacturing equipment, and salaries of production supervisors, among others. Manufacturing overhead is necessary for the production process but cannot be directly linked to individual units of product output. In contrast, the other choices include costs that do not specifically pertain to manufacturing. Administrative and selling expenses focus more on non-manufacturing activities and how businesses operate, rather than the production costs incurred. Fixed, variable, and semi-variable costs describe cost behavior rather than the specific categories that make up the manufacturing costs. Lastly, research and development, along with marketing expenses, are considered operating costs

8. What is a job order costing system?

- A. A system used for estimating future costs**
- B. A costing system used to determine the average cost of goods sold**
- C. A costing system used to determine the cost of producing specific products or job orders**
- D. A method of standardizing production expenses**

A job order costing system is specifically designed to calculate the costs associated with producing individual products or completing specific job orders. This system is essential in environments where products are customized or made-to-order, as opposed to being mass-produced. Each job or order is treated as a unique project, allowing for detailed tracking of direct materials, direct labor, and overhead costs incurred for that particular job. By utilizing a job order costing system, businesses can precisely allocate costs to specific jobs, providing more accurate financial information and helping management make informed pricing and production decisions. This method ensures that costs are linked to actual production efforts, which is crucial for assessing profitability and efficiency for each job undertaken. In contrast, the other options focus on broader concepts of costing or production that do not align with the specific purpose and functionality of a job order costing system. For instance, estimating future costs or determining an average cost does not capture the individualized cost tracking inherent in job order costing. Similarly, standardizing production expenses is unrelated to the specific tracking of costs associated with unique jobs.

9. What is the main purpose of an internal control system?

- A. To minimize operational costs
- B. To ensure the integrity of financial reporting and compliance with laws and regulations**
- C. To improve management's decision-making process
- D. To maximize profitability

The primary purpose of an internal control system is to ensure the integrity of financial reporting and compliance with laws and regulations. Internal controls are designed to safeguard assets, ensure accurate and reliable financial reporting, and promote operational efficiency. By implementing these controls, organizations can prevent errors, fraud, and non-compliance with applicable laws, thereby enhancing the reliability of financial statements that stakeholders depend on for decision-making. This focus on financial integrity involves various components, such as risk assessment, control activities, information and communication, and monitoring. For example, ensuring that appropriate checks are in place can prevent misreporting, while continuous monitoring of compliance against laws and regulations protects the organization from legal penalties and reputational damage. While minimizing operational costs, improving management's decision-making process, and maximizing profitability are important business objectives, they are secondary effects of maintaining strong internal controls. When an internal control system is functioning effectively, it indirectly supports these other goals by providing accurate information and ensuring compliance, which can ultimately lead to more efficient operations and better decision-making.

10. Which of the following is true about preferred stock?

- A. Holds voting rights
- B. Dividends are paid after common stock dividends
- C. Dividends have preference over common stock but no voting rights**
- D. Cumulative dividends are not applicable

Preferred stock is a type of equity security that generally provides its holders with certain advantages over common stockholders. The statement that dividends have preference over common stock but no voting rights accurately reflects the characteristics of preferred stock. Preferred stockholders typically receive dividends before any dividends are distributed to common stockholders. This priority ensures that those who hold preferred shares have a more stable income stream, especially in companies that may face fluctuations in profitability. Furthermore, preferred stock usually does not carry voting rights, which means that preferred shareholders do not have a say in corporate governance matters, unlike common shareholders who can vote on important issues such as electing the board of directors. Understanding these characteristics is essential for investors when choosing between preferred and common stock, as it impacts their rights and expectations regarding returns.

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-acg3173-exam3.examzify.com>

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

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