



Accounting and Financial Reporting – Extra Questions

Week 5



Welcome To Success Formula Extra Questions

What Is It?

This free set of custom questions gives you a clear taste of what to expect on the exam and helps you check if you are keeping up with the material. They are based on our Weekly Meetings and cover the key topics you need to know. The difficulty of each question is shown in the corner by the number of lit Success Formula logos. Share, discuss, and have fun testing your knowledge with them! 😊

How Does It Work?

Give the questions a go on your own! We are not giving the answers on purpose. Peeking would make it way too easy. Stuck or unsure? Come into into our WhatsApp group and discuss them with us. The link/QR is on the last slide if these questions were shared with you.



Exam Time!



Question

Warranty expense should be recorded in which of the following periods?

Answers

- A. In the period in which the product sold is repaired or replaced.
 - B. In the period in which the warranty cost is due.
 - C. In the period in which the product is sold and recognized as revenue.
 - D. In the period after the product is sold and recognized as revenue.
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Exam Time!



Question

Success Formula Industries (SFI) offers a one-year warranty on its products. The balance in the warranty provision on 01.01.2025 was 10,000€. During the year, 5,000€ was paid to settle warranty claims on products sold in the previous year. Assume that in 2025 all the sales were made at year-end and that they amount to 100,000€. On December 31st 2025, SFI needs to adjust the warranty provision and estimates that the warranty costs will be 5% of sales. What is the amount of warranty expense for the year?

Answers

- A. 0€
- B. 5,000€
- C. 10,000€
- D. 15,000€



Exam Time!



Question

Success Formula (SF) has 5€ par value ordinary shares and has 1,000 shares authorized, 750 shares issued. The entry to record SF's re-purchase of 100 ordinary shares at 10€ per share includes a:

Answers

- A. Debit to retained earnings for 5,000€
 - B. Credit to share capital for 5,000€
 - C. Debit to share capital for 1,000€
 - D. Debit to treasury shares for 1,000€
-



Exam Time!



Question

Which of the three types of activities in the cash flow statement is the most important for evaluating a company's ability to generate cash?

Answers

- A. Operating activities
- B. Investing Activities
- C. Financing activities
- D. All of the sections are equally important.





Exam Time!



Question

The following data is provided for the current year. Net income was 10,000€, which includes 1,000€ of depreciation. Current receivables and prepaid expenses increased by 2,000€ and 1,000€, respectively. Current payables decreased by 1,000€. Under the indirect method, the cash flows from operating activities are:

Answers

- A. 7,000€
 - B. 8,000€
 - C. 10,000€
 - D. 12,000€
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