



# Accounting and Financial Reporting – Extra Questions

Meeting 6 by Edward



## 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.

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## Exam Time!



### Question

Which of the following statements is correct regarding the process of auditing?

### Answers

- A. Auditors provide a guarantee that financial statements are error-free.
  - B. Auditors prepare the financial statements of the company in accordance with accounting standards.
  - C. Auditors express an independent opinion on whether financial statements present fairly, in all material aspects, the financial position and performance of the entity.
  - D. Auditors should be internal agents, so that they best understand all actions of the business.
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## Exam Time!



### Question

When preparing the operating cash flow section under the indirect method, which of the following statements is true?

### Answers

- A. We subtract depreciation because it is a non-cash expense.
  - B. We subtract gains on sale of long-term assets as it belongs in the investment activities.
  - C. Increases in current liabilities are subtracted from net income.
  - D. Decreases in current assets are subtracted from net income.
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## Exam Time!



### Question

Success Formula has 100,000€ of current assets and 200,000€ of current liabilities before borrowing 50,000€ from another business with a 4-month note payable. What effect does the borrowing transaction have on Success Formula's current ratio?

### Answers

- A. The ratio remains unchanged.
  - B. The ratio increases.
  - C. The ratio decreases.
  - D. We cannot determine the effect of the change.
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## Exam Time!



### Question

Success Formula has an acid-test ratio of 1.5, what respective effects will the borrowing of cash by short-term debt and collection of accounts receivable have on the ratio?

### Answers

- A. The ratio remains unchanged.
  - B. The ratio increases.
  - C. The ratio decreases.
  - D. We cannot determine the effect of the change.
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## Exam Time!



### Question

Success Formula had net income of 20,000€ and cost of goods sold of 100,000€ for the year. The beginning inventory for the year amounted to 5,000€ and the ending inventory was 15,000€. The average number of days in inventory during the year was:

### Answers

- A. 73
  - B. 10
  - C. 182.5
  - D. 36.5
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