1. Which statement shows the financial progress a business has made over a period of time?
   a. balance sheet
   b. income statement
   c. profit sheet
   d. worksheet

   Competency: Financial Statements
   Task: Describe the different types of financial statements; explain their purposes and compare the differences.

2. A nominal account determined by the corporation directors and assigned to no-par stock is called:
   a. par value
   b. market value
   c. book value
   d. stated value

   Competency: Corporate Accounting
   Task: Identify and describe the different classes of stock and explain the rights afforded each class of stock.

3. What does a merchandise inventory turnover ratio of 6.3 indicate?
   a. that 6.3 times of the beginning inventory is purchased each year
   b. that merchandise inventory is 6.3 times the average amount of the ending cash balance
   c. that ending inventory is 6.3 times smaller than beginning inventory
   d. that the inventory is being sold 6.3 times per year

   Competency: Ratios and Data Analysis
   Task: Compute financial ratios and analyze financial statements using horizontal analysis, vertical analysis, and commonly used financial ratios.

4. On the Statement of Cash Flows, receipts from the issuance of a bond is an example of a(n):
   a. cash outflow
   b. investing activity
   c. financing activity
   d. operating activity

   Competency: Budgeting and Cash Flow
   Task: Determine cash flows from operating activities, investing activities, and financial activities.
5. Manufacturing costs consist of:
   a. production and shipping costs
   b. direct materials, direct labor, and manufacturing overhead
   c. direct materials, direct labor, marketing and administrative costs
   d. direct materials, direct labor, and administrative costs

   **Competency:** Cost Accounting/Manufacturing  
   **Task:** Interpret and explain cost and accounts that are unique to the manufacturing process.

6. What is the first indication that an action is unethical?
   a. It violates professional standards.
   b. It negatively affects your co-workers.
   c. It is illegal.
   d. It negatively affects your customers.

   **Competency:** Ethics  
   **Task:** Explain the importance of ethical business decisions.

7. The difference between the value of a liability or an asset and the amount of tax that is due on the liability or asset is called a(n):
   a. deferred tax
   b. unearned tax
   c. unearned tax loss
   d. deferred cash

   **Competency:** Income Tax  
   **Task:** Identify differences between pretax financial income and taxable income.

8. During a period of increasing prices, which inventory valuing method usually results in the highest reported net income?
   a. lower of cost or market
   b. weighted-average
   c. LIFO
   d. FIFO

   **Competency:** Inventory  
   **Task:** Determine the value of inventory using various costing methods, such as LIFO, FIFO, or Weighted Average method.

9. After the accounts are closed and the journal entries have been posted, the following account would have a balance:
   a. miscellaneous expense
   b. professional expense
   c. supplies
   d. payroll taxes expense

   **Competency:** Journalizing and Posting  
   **Task:** Journalize and post the adjusting and closing entries for a business.
10. Max Warren is paid one and one-half times the regular hourly rate for all hours worked in excess of 40 hours per week and double time for work on Sunday. Warren's regular rate is $8 per hour. During the week ended April 11, he worked 9 hours each day from Monday through Friday, 6 hours on Saturday, and 4 hours on Sunday. Warren's total earnings for the week ended April 11 are:

a. $516
b. $430
c. $320
d. $110

**Competency:** Payroll  
**Task:** Calculate earnings at an hourly and piece rate and on a salary, commission, and salary/commission basis.
Accounting II Answer Key

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