

EXAM
CODE **253**

CATALOG
NUMBER **ACCx211**

TAKE ADVANTAGE OF ONLINE
**PRACTICE
EXAMS**
SEE PAGE 5 FOR DETAILS

Financial Accounting

CREDIT
HOURS

3

LEVEL

LOWER

PUBLISHED FEBRUARY 2021

The most current content guides are available at:

www.excelsior.edu/contentguides

U **EXCEL**[®]
STUDY.LEARN.SUCCEED.

CONTENTS

Preparing for the Exam	1
Before You Choose This UExcel Exam	1
Uses for the Examination.....	1
Examination Length and Scoring.....	1
Score Reporting.....	2
Letter Grade Description.....	2
Excelsior College Bookstore.....	2
Excelsior College Library.....	2
Take Charge of Your Own Learning	2
How Long Will It Take Me to Study?.....	2
How Can I Create an Effective Long-Term Study Plan?.....	3
What Learning Strategy Should I Use?.....	4
Study Tips.....	4
Using UExcel Practice Exams.....	5
About Test Preparation Services.....	6
Exam Preparation Strategies	6
Content Guides.....	6
Using the Content Outline.....	6
Using the Sample Questions and Rationales.....	6
Recommended Resources for the UExcel Exam in Financial Accounting	7
Textbook Editions.....	7
Strongly Recommended.....	7
Optional Resources.....	7
Reducing Textbook Costs.....	8
Open Educational Resources.....	8
Content Outline	10
General Description of the Examination.....	10
Learning Outcomes.....	10
General Education Career Competencies Addressed in this Exam.....	10
Content Outline.....	11
Sample Questions	16
Rationales	20
Taking the Exam	24
Registering for Your Exam	24
Register Online.....	24
Examination Administration.....	24
Accessibility Services.....	24
Computer-Delivered Testing.....	24
Whiteboards.....	24
Calculator.....	24
Breaks.....	25
Online Proctoring.....	25
On the Day of Your Exam	25
Important Reminders.....	25
Academic Integrity Nondisclosure Statement.....	25
UExcel Grade Report.....	25
Grade Appeals.....	25
What If I Miss My Appointment?.....	25
Late Arrivals.....	25
Information About UExcel Exams for Colleges and Universities.....	26
Financial Accounting Exam Development Committee	26
Sample Grade Report	27



SECTION ONE

Preparing for the Exam

Before You Choose This UExcel Exam

Uses for the Examination

- Excelsior College, the test developer, recommends granting three (3) semester hours of lower-level undergraduate credit to students who receive a letter grade of C or higher on this examination.
- Other colleges and universities also recognize this exam as a basis for granting credit or advanced standing.
- Individual institutions set their own policies for the amount of credit awarded and the minimum acceptable score.

Examinees who have applied to Excelsior College should ask their academic advisor where this exam fits within their degree program.

Examinees **not enrolled** in an Excelsior College degree program should check with the institution from which they wish to receive credit to determine whether credit will be granted and/or to find out the minimum grade required for credit. Those who intend to enroll at Excelsior College should ask an admissions counselor where this exam fits within their intended degree program.

For more information on exam availability and actual testing information, see the [Exam Registration and Information Guide](#).

Examination Length and Scoring

This examination consists of 120 multiple choice and other type questions. You will have two (2) hours to complete the exam. Your score will be reported as a letter grade. Questions are scored either correct (1) or incorrect (0). There is no partial credit. Each credit-bearing exam contains pretest questions, which are embedded throughout the exam. They are indistinguishable from the scored questions. It is to your advantage to do your best on all the questions. Pretest questions are being tried out for use in future versions of the exam.

The UExcel exams do **not** have a fixed grading scale such as A = 90–100%, B = 80–90%, and so forth, as you might have seen on some exams in college courses. Each UExcel test has a scale that is set by a faculty committee and is different for each exam. The process, called standard setting, is described in more detail in the [Technical Handbook](#). Excelsior puts each exam through a standard setting because different test questions have different levels of difficulty. To explain further, getting 70% of the questions right on the exam when the questions are easy does not show the same level of proficiency as getting 70% of questions correct when the questions are hard. Every form of a test (a form contains the test questions) has its own specific grading scale tailored to the particular questions on each exam form.

Please also note that on each form, some of the questions (referred to as pretest questions) count toward the score and some do not; the grading scale applies only to those questions that count toward the score. The area with percentage ratings on the second page of your score report is intended to help identify relative strengths and weaknesses and which content areas to emphasize, should you decide to take the examination again. Your grade

is **based on only the scored questions**. Therefore, the percentage ratings do not necessarily reflect the total percentage that counted toward your grade.

For the best view of the types of questions on this exam, see the sample questions in the back of this guide. Practice, practice, practice!

Score Reporting

For most of our examinations, based on performance, an examinee is awarded a letter grade of A, B, C, or F. A letter grade of D can be given, but credit is awarded for A, B, and C letter grades only. The letter grades reported to examinees indicate that their performance was equivalent to the performance of students who received the same letter grade in a comparable, on-campus course.

More specifically, the letter grade indicates the examinee's proficiency relative to the learning outcomes specified in the exam content guide. Following are general descriptions of examinee performance at each level:

Letter Grade Description

- A Highly Competent: Examinee's performance demonstrates an advanced level of knowledge and skill relative to the learning outcomes.
- B Competent: Examinee's performance demonstrates a good level of knowledge and skill relative to the learning outcomes.
- C Marginally Competent: Examinee's performance demonstrates a satisfactory level of knowledge and skill relative to the learning outcomes.
- D Not Competent (no credit recommended): Examinee's performance demonstrates weak knowledge of the content and minimal skill relative to the learning outcomes.^①
- F Fail (no credit recommended): Examinee's performance demonstrates no knowledge of the content and no skill in the subject relative to the learning outcomes.

Credit is transcripted by Excelsior College for examinees who achieve letter grades of C or higher.

We encourage colleges and universities to use the Excelsior College letter grades of A, B, and C as acceptable standards for awarding credit.

^① In general, two-hour exams do not award a D letter grade.

See page 27, at the back of this content guide, for a sample UExcel Grade Report for Examinations.

Excelsior College Bookstore

The Excelsior College Bookstore offers recommended textbooks and other resources to help you prepare for UExcel exams.

The bookstore is available online at (login required): www.excelsior.edu/bookstore

Excelsior College Library

Library services are available to students enrolled in a degree program at Excelsior College. Created through our partnership with the Sheridan Libraries of The Johns Hopkins University, the library provides access to journal articles, books, websites, databases, reference services, and many other resources. To access the Excelsior College Library, visit www.excelsior.edu/library (login is required). Access to the library is available 24/7.

Take Charge of Your Own Learning

At Excelsior College, independent, self-directed study supported by resources we help you find is not a new concept. We have always stressed to students who take exams that they are acting as their own teacher, and that they should spend as much time studying for an exam as they would spend in a classroom and on homework for a corresponding college course in the same subject area.

Begin by studying the content outline contained in this content guide, at its most detailed level. You will see exactly which topics are covered, and where chapters on those topics can be found in the Recommended Resources. You will see exactly where you might need to augment your knowledge or change your approach.

The content outline, along with the learning outcomes for this exam and recommended textbooks, will serve as your primary resources.

How Long Will It Take Me to Study?

Study for a UExcel exam is comparable to an equivalent college-level course. As an independent

learner, you should study and review as much as you would for the same subject in a campus-based college course. If you already have a background in the subject, you may be able to pass the exam successfully with fewer hours of study. It depends upon the learner as well as the subject, the number of credits (for example, a 6- or 8-credit exam will require more hours of study than a 3-credit exam), and the length of the exam. We strongly encourage you to create a long-term action or study plan, so that you have a systematic approach to prepare for the exam. We've included guidelines for creating such a plan.

How Can I Create an Effective Long-Term Study Plan?

1. Determine the time you will require to complete your preparation for this exam. If you have not studied the subject before, you should plan to budget approximately 45 hours of study time for every credit: 135 hours for 3 credits, 180 hours for 4 credits, 270 hours for 6 credits, and 360 hours for 8 credits. These hours are rules of thumb based on expectations for a student taking a course in the subject; it may take you more or less time, depending on how familiar you are with the material and how easily you absorb the information studying on your own. Aside from the content review, you should then factor in time to search for and use other resources, and to complete any projects and assignments in the study materials that will clarify your understanding of the topics in the content outline (that part in the content guide where the specific areas of study are spelled out). Spend more time on concepts and areas in which you feel you are weak. Totaled, this is approximately the amount of time you should expect to devote to a three-credit, campus-based course. The actual amount of time you require depends on many factors, and will be approximate. If your background is weak, you may need to set aside substantially more than 135–150 hours. If your background is strong, you may budget less time.

Take a few minutes to review the content outline to assess your familiarity with the content. Then, in the space below, write the number of hours you will allocate to complete preparing for the exam.

Hours Required =

2. Determine the time you will have available for study.

In self-study, you need structure, as well as motivation and persistence, and a methodical approach to preparation. There is no set class to keep you on task. You have to do that yourself. Construct a time-use chart to record your daily activities over a one-week period. The most accurate way to do this is to complete the chart on a daily basis to record the actual amount of time you spend eating, sleeping, commuting, working, watching television, caring for others and yourself, reading, and everything else in an adult's life. However, if your schedule is regular, you might prefer to complete the chart in one sitting and, perhaps, by consulting your appointment book or planner.

After you have recorded your activities, you will be ready to schedule study periods around these activities or, perhaps, instead of some of them. In the space below, write the number of hours you will be able to set aside for study each week.

Hours Required =

3. Divide the first number by the second number.

This will give you the number of weeks you will need to set aside for independent study. For example, if you think you will require 170 hours of study and you have 10 hours available to study each week, divide 170 hours by 10 hours and you will get 17. This means that you will need about 17 weeks to complete this course of study. However, you will also need to allow about a week for review and self-testing. Moreover, to be on the safe side, you should also add two weeks to allow for unforeseen obstacles and times when you know you will not be able to study (e.g., during family illnesses or holidays). So, in this case, you should allot a total of 18 to 19 weeks to complete your study.

4. Schedule your examination to coincide with the end of your study period.

For example, if you plan to allow 18 weeks for study, identify a suitable examination date and begin study at least 18 weeks before that date. (The date you begin study assumes that you will have received all of your study materials, particularly textbooks, by that time.)

5. Format a long-term study plan.

You will need to use a calendar, planner, or some other tool to format and track your long-term study plan. Choose a method that is convenient and one that keeps you aware of your study habits on a daily basis. Identify the days and exact hours of each day that you will reserve for study throughout your whole independent study period. Check to see that the total number of hours you designate for study on your long-term study plan adds up to the number of hours you have determined you will need to complete this course of study (Step 1).

6. Record in your long-term study plan the content you plan to cover during each study period.

Enter the session numbers, review, and examination preparation activities you will complete during each study period. While it is suggested that approximately 160–170 hours of study is required for this exam, each and every student may require different timelines based on their comfort with, and comprehension of, the material.

You now have a tentative personal long-term study plan. Keep in mind that you will have to adjust your study plan, perhaps several times, as you study. It is only by actually beginning to work systematically through the material, using the content outline, that you will be able to determine accurately how long you should allow for each unit.

What Learning Strategy Should I Use?

The following guidelines are intended to help you acquire the grounding in the knowledge and skills required for successful completion of this examination.

1. Approach learning with a positive attitude.

Most students are capable of learning subject content if they devote enough time and effort to the task. This devotion will give you a positive edge and a feeling of control.

2. Diligently complete the exact work you specified in your study plan.

Your study plan is being designed for the specific purpose of helping you achieve the learning outcomes for this exam.

3. Be an active learner.

You should actively engage in the learning process. Read critically, take notes, and continuously monitor your comprehension. Keep a written record of your progress, highlight content you find difficult to grasp, and seek assistance from someone in your learning community who can help you if you have difficulty understanding a concept.

4. Be patient: you may not understand everything immediately.

When encountering difficulty with new material, be patient with yourself and don't give up. Understanding will come with time and further study. Sometimes you may need to take a break and come back to difficult material. This is especially true for any primary source material (original letters, documents, and so forth) that you may be asked to read. The content outline will guide you through the material and help you focus on key points. You will find that many concepts introduced in earlier sessions will be explained in more detail in later sessions.

5. Apply your learning to your daily life.

Use insights you gain from your study to better understand the world in which you live. Apply the learning whenever you can. Look for instances that support or contradict your reading on the subject.

6. Accommodate your preferred way of learning.

How do you learn best? Common ways to learn are reading, taking notes and making diagrams, and by listening to someone (on video or live). Others learn by doing. Do any of these descriptions apply to you? Or does your learning style vary with the learning situation? Decide what works for you and try to create a learning environment to accommodate your preferences.

Study Tips

Become an active user of the resource materials. Aim for understanding rather than memorization. The more active you are when you study, the more likely you will be to retain, understand, and apply the information.

The following techniques are generally considered to be active learning:

- **preview or survey** each chapter

- **highlight or underline text** you believe is important
- **write questions or comments** in the margins
- **practice re-stating content** in your own words
- **relate what you are reading** to the chapter title, section headings, and other organizing elements of the textbook
- **find ways to engage** your eyes, your ears, and your muscles, as well as your brain, in your studies
- **study with a partner or a small group**
- **prepare your review notes** as flashcards or create recordings that you can use while commuting or exercising

When you feel confident that you understand a content area, review what you have learned. Take a second look at the material to evaluate your understanding. If you have a study partner, the two of you can review by explaining the content to each other or writing test questions for each other to answer. Review questions from textbook chapters may be helpful for partner or individual study, as well.

Study smart for your UExcel exam! Success starts with establishing a relationship with your advisor.

Using UExcel Practice Exams

The official UExcel practice exams are highly recommended as part of your study plan. They can be taken using any computer with a supported web browser such as Google Chrome.

The practice exam package comes with two sets of questions. Please be aware that there will be fewer questions on the practice exams than there will be on the exam you take for credit. Generally, the practice questions will not be the same as the ones you will see when you take the actual exam for credit. They are intended to expose you to the types of questions you'll encounter in the actual exam. Practice questions are a tool, and do not provide a full exam experience. For example, the practice question sets do not have time limitations. Begin with the Content Guide, especially the detailed content outline. Memorizing specific questions and answers on the practice sets is not as effective as using the questions to practice, along with the content outline, to see which concepts you may need to study further. To register for the practice exam, visit www.excelsior.edu and log into your MyExcelsior

account. **Please note: You must be registered for the corresponding credit-bearing exam before you can register for the practice exam.**

Practice exams are not graded. Rather, they are intended to help you make sure you understand the subject and give you a sense of what the questions will be like on the exam for credit. Ideally, you would check any questions you got wrong, look at the explanations, and go back to the textbook to reinforce your understanding. After taking both forms of the practice exam, you should feel confident in your answers and confident that you know the material listed in the content outline.

Practice exams are one of the most popular study resources. Practice exams are typically shorter than the credit-bearing exam. Since the questions are drawn from the same pool of questions that appear on the credit-bearing exam, what you will see when you sit for the graded exam will be roughly the same. Used as intended, these practice exams will enable you to:

- Review the types of questions you may encounter on the actual exam.
- Practice testing on a computer in a timed environment.
- Practice whenever and wherever it is convenient for you.

Take two different forms of a practice exam within a 180-day period. (We highly recommend that you take the first form of the practice exam as a pretest, early in the study period. Use the results to identify areas to further study and carry out a plan. Then take the second form as a post-test and see how much you have improved.)

Although there is no guarantee, our research suggests that exam takers who do well on the practice exams are more likely to pass the actual exam than those who do not take advantage of the opportunity. Note that since the practice exams are not graded (calibrated) the same way as the scores on the credit-bearing exam, it will be hard for you to use the practice exams as a way to predict your score on the credit-bearing exam. The main purpose of the practice exams is for you to check your knowledge and to become comfortable with the types of questions you are likely to see in the actual, credit-bearing exam.

About Test Preparation Services

Preparation for UExcel® exams and Excelsior College® Examinations, though based on independent study, is supported by Excelsior College with a comprehensive set of exam learning resources and services designed to help you succeed. These learning resources are prepared by Excelsior College so you can be assured that they are current and cover the content you are expected to master for the exams. These resources, and your desire to learn, are usually all that you will need to succeed.

There are test-preparation companies that will offer to help you study for our examinations. Some may imply a relationship with Excelsior College and/or make claims that their products and services are all that you need to prepare for our examinations.

Excelsior College does not endorse the products and services of any tutorial or test preparation firm. We do not review the materials provided by these firms for the content or compatibility of their material and resources with UExcel® exams or Excelsior College Examinations®. No test preparation vendor is authorized to provide admissions counseling or academic advising services, or to collect any payments, on behalf of Excelsior College. Excelsior College does not send authorized representatives to a student's home nor does it review the materials provided by test preparation companies for content or compatibility with Excelsior College examinations.

To help you become a well-informed consumer, we suggest that before you make any purchase decision regarding study materials provided by organizations other than Excelsior College, you consider the points outlined on our website at www.excelsior.edu/testprep.

Exam Preparation Strategies

Each learner is different. However, all learners should read the content outline in the exam's Content Guide and ensure that they have mastered the concepts. For someone with no prior knowledge of the subject, a rule of thumb is 135 hours of study for a 3-credit exam—this number is just to give you an idea of the level of effort you will need, more or less.

Content Guides

This content guide is the most important resource. It lists the outcomes, a detailed content outline of what is covered, and textbooks and other study resources. It also has sample questions and suggestions for how to study. Content guides are updated periodically to correspond with changes in particular examinations and in textbook editions. Examinees can download any of the latest free UExcel content guides by visiting the individual exam page or from the list at www.excelsior.edu/contentguides.

Using the Content Outline

Each content area in the content outline includes the most important sections of the recommended resources for that area. These annotations are not intended to be comprehensive. You may need to refer to other chapters in the recommended textbooks. **Chapter numbers and titles may differ among textbook editions.**

This content outline contains examples of the types of information you should study. Although these examples are many, do not assume that everything on the exam will come from these examples. Conversely, do not expect that every detail you study will appear on the exam. Any exam is only a broad sample of all the questions that could be asked about the subject matter.

Using the Sample Questions and Rationales

Each content guide provides sample questions to illustrate those typically found on the exam. These questions are intended to give you an idea of the level of knowledge expected and the way questions are typically phrased. The sample questions do not sample the entire content of the exam and are not intended to serve as an entire practice test.

Recommended Resources for the UExcel Exam in Financial Accounting

The resources listed below were selected by the faculty members on the examination committee for use in developing this exam.

Resources listed under “Strongly Recommended” were used by the committee to verify all the questions on the exam. Please refer to the Content Outline to see which parts of the exam are cross-referenced to these resources.

Resources listed under “Optional” provide additional material that may deepen or broaden your understanding of the subject, or that may provide an additional perspective on the exam content. Textbook resources, both Strongly Recommended and Optional, may be purchased from the [Excelsior College Bookstore](#).

You should allow ample time to obtain the necessary resources and to study sufficiently before taking the exam, so plan appropriately, with an eye towards your own personal learning needs. See the sections in this guide on the Excelsior College Bookstore and the Excelsior College Library, and under Reducing Textbook Costs, to help you secure the Strongly Recommended resources successfully.

Textbook Editions

Textbook editions listed in the UExcel content guides may not be the same as those listed in the bookstore. Textbook editions may not exactly match up in terms of table of contents and organization, depending upon the edition. However, our team of exam developers checks exam content against every new textbook edition to verify that all subject areas tested in the exam are still adequately available in the study materials. If needed, exam developers will list additional Strongly Recommended resources to ensure that all topics in the exam are still sufficiently covered. Public libraries may have the textbooks you need, or may be able to obtain them for you through interlibrary loan to reduce textbook costs. You may also consider financial aid, if you qualify, to further help defray the steep cost of textbooks. A section on open educational

resources (OER) has been included in this guide to help you locate additional, possibly free resources to augment your study.

Strongly Recommended

Miller-Nobles, T. L., Mattison, B. L., & Matsumura, EM (2018). *Horngren’s Financial & Managerial Accounting: The Financial Accounting Chapters* (6th ed.). United States: Pearson Education, Inc.

The study materials may be purchased from the [Excelsior College Bookstore](#).

Optional Resources

The following topics may appear on the exam but are not covered in the textbook. These are free, online resources that are necessary to complete your study for the exam.

The separate entity concept

<https://www.accountingtools.com/articles/2017/5/16/separate-entity>

<http://www.businessdictionary.com/definition/separate-entity.html>

Arm’s length transaction

<https://www.investopedia.com/terms/a/armlength.asp>

<http://www.businessdictionary.com/definition/arm-s-length-transaction.html>

Adjusting entries

Unrecorded receivables

Unrecorded liabilities

Prepaid expenses

Unearned revenues

<https://www.accountingcoach.com/blog/appreciating-adjusting-entries>

<https://www.accountingtools.com/articles/2017/5/17/adjusting-entries>

Typical problems with financial information

Errors in the reporting process

Disagreements in judgement

Fraudulent financial reporting

<https://study.com/academy/lesson/typical-problems-with-financial-information.html>

Cash collection

Control of cash

<https://courses.lumenlearning.com/sac-finaccounting/chapter/cash-receipts-and-disbursements/>

Inventory errors

<https://www.accountingtools.com/articles/2017/5/8/types-of-inventory-errors>

Employee compensation

Compensated absences

<https://www.accountingtools.com/articles/2017/5/17/compensated-absence-accounting>

Contingencies

<https://study.com/academy/lesson/accounting-for-contingencies-environmental-liabilities.html>

Summarizing operations on an income statement

Other revenues and expenses

<https://courses.lumenlearning.com/boundless-finance/chapter/the-income-statement/>

<https://www.accountingcoach.com/income-statement/explanation/4>

Investments: Property, plant, and equipment and intangible assets

Repairs and improvements

<https://www.accountingtools.com/articles/how-do-i-account-for-land-improvements.html>

Intangible Assets

<https://www.investopedia.com/ask/answers/013015/how-do-intangible-assets-appear-balance-sheet.asp>

Measuring property, plant, and equipment efficiency

<https://study.com/academy/lesson/measuring-property-plant-equipment-asset-efficiency.html>

<http://www.business-literacy.com/financial-concepts/property-plant-equipment-ppe-turnover/>

Accelerated depreciation methods

Sum-of-the-years'-digits method

<https://www.accountingformanagement.org/sum-of-the-years-digits-method/>

<https://www.accountingtools.com/articles/2017/5/17/sum-of-the-years-digits-depreciation>

<https://www.investopedia.com/terms/s/sum-of-the-years-digits.asp>

Accounting for stock repurchases

<https://courses.lumenlearning.com/boundless-accounting/chapter/stock-transactions/>

<https://www.accountingtools.com/articles/2017/5/17/stock-accounting>

<https://www.investopedia.com/articles/investing/112013/impact-share-repurchases.asp>

Using information from the statement of cash flows to make decisions

<https://study.com/academy/lesson/using-the-statement-of-cash-flows-for-decision-making.html>

Return on sales ratio

<https://www.investopedia.com/terms/r/ros.asp>

Efficiency ratios

Accounts receivable efficiency

Inventory efficiency

Property, plant, and equipment efficiency

<https://www.investopedia.com/ask/answers/040715/what-do-efficiency-ratios-measure.asp>

<https://www.accountingtools.com/articles/efficiency-ratios.html>

<https://www.investopedia.com/exam-guide/cfa-level-1/financial-ratios/uses-limitations-ratios.asp>

Reducing Textbook Costs

Many students know it is less expensive to buy a used textbook, and buying a previous edition is also an option. The Excelsior College bookstore includes a buyback feature and a used book marketplace, as well as the ability to rent digital versions of textbooks for as long as students need them. Students are encouraged to explore these and the many other opportunities available online to help defray textbook costs.

Open Educational Resources

There are many resources available online free of charge that may further enhance your study for the exam. Known as Open Educational Resources (OER), these may be textbooks, courses, tutorials, or encyclopedias. Any additional OER that you find independently should be used to augment study—not as replacements for the Strongly Recommended resources.

Most sites for university-based OER can be searched through www.ocwconsortium.org and/or www.oercommons.org.

Sites that specialize in web courses designed by college professors under contract with the website sponsor, rather than in web versions of existing college courses, include:

www.education-portal.com

www.opencourselibrary.org (abbreviated as OCL)

We have included specific courses that cover material for one or more UExcel® exams from the sites in the listings above. It's worth checking these sites frequently to see if new courses have been added that may be more appropriate or may cover an exam topic not currently listed.

Sites like Khan Academy (www.khanacademy.com) and iTunes U feature relatively brief lessons on very specific topics rather than full courses. Full courses are also available on iTunes U (<http://www.apple.com/education/ipad/itunes-u/>). We have chosen a few courses and collections for this listing.

Open Online Textbooks

BookBoon

<http://bookboon.com/en/textbooks-ebooks>

Flatworld Knowledge

<http://catalog.flatworldknowledge.com/#our-catalog>

College Readiness

Khan Academy

<http://www.khanacademy.org/>

Hippocampus

<http://www.hippocampus.org/>

Open Course Library

<http://opencourselibrary.org/collg-110-college-success-course/>

Study Aids

Education Portal

<http://education-portal.com/>

Khan Academy

<http://www.khanacademy.org/>

Annenberg Learner

<http://www.learner.org/>

OpenCourseWare

<http://ocwconsortium.org/en/courses/search>

OER Commons

<http://www.oercommons.org/>

Open Course Library

<http://www.opencourselibrary.org/>

To achieve academic success, rate yourself at Excelsior College's Self-Regulated Learning Lab. Visit the Diagnostic Assessment & Achievement of College Skills site at <https://srl.daacs.net/>

It's free!

Content Outline

General Description of the Examination

The UExcel Financial Accounting examination is based on material typically taught in a one-semester, three-credit, lower-level course in Financial Accounting.

The examination measures comprehension and understanding of basic financial accounting in pursuit of organizational goals and strategies, familiarity with the technical skills of financial statements, accounting information systems, operating decisions, and financing decisions, and the ability to identify relevant information and the appropriate methods for analyzing information, working in a financial, global, and ethical environment.

No prior knowledge of accounting is required before beginning study for this exam.

Learning Outcomes

After you have successfully worked your way through the recommended study materials, you should be able to demonstrate the following learning outcomes:

1. Explain the role of financial accounting in reporting to the stakeholders of an organization, including investors, creditors, and management.
2. Explain and use the basic concepts and elements of financial statements.
3. Describe a typical accounting information system.
4. Analyze business transactions and understand their effects on financial statements.
5. Recognize the role of ethics in preparing and communicating financial information. (Aligns to GECC 6.1)

General Education Career Competencies Addressed in this Exam

GECC-6: Ethical Reasoning: Explain different ethical positions in relation to a problem or issue.

Content Outline

The content outline describes the various areas of the test, similar to the way a syllabus outlines a course. To fully prepare requires self-direction and discipline. Study involves careful reading, reflection, and systematic review.

The major content areas on the Financial Accounting examination, the percent of the examination, and the hours to devote to each content area are listed below.

Content Area	Percent of the Examination	Hours of Study*
I. Financial Accounting and Reporting	15%	20
II. Accounting Information Systems and Internal Controls	25%	34
III. Operating Activities	25%	34
IV. Investing and Financing Activities	25%	34
V. Other Dimensions of Financial Reporting	10%	14
Total	100%	

*Approximate: For those examinees who know the topic well, less time may be needed to learn the subject matter. For those who are new to the subject matter, more time may be required for study.

NOTE: Occasionally, examples will be listed for a content topic to help clarify that topic. However, the content of the examination is not limited to the specific examples given.

I. Financial Accounting and Reporting

15 PERCENT OF EXAM

A. Accounting information

1. Purpose of accounting
 - a. Relationship of accounting to business
 - b. Users of accounting information
2. The accounting environment

- a. Significance and development of accounting standards
- b. Financial Accounting Standards Board
- c. Other organizations
- d. International business
- e. Ethical environment
- f. Technology

B. Financial statements

1. Types of financial statements
 - a. Balance sheet
 - b. Income statement
 - c. Statement of cash flows
2. Notes to the financial statements
3. External audit
4. Fundamental concepts and assumptions

- a. The separate entity concept
- b. The assumption of arm's length transactions
- c. The cost principle
- d. The monetary measurement concept
- e. The going concern assumption

II. Accounting Information Systems and Internal Controls

25 PERCENT OF EXAM

A. The accounting cycle: The mechanics of accounting

- 1. Information collection
- 2. Transactions and the accounting equation
 - a. The accounting equation
 - b. Using accounts to categorize transactions
 - c. Expanding the accounting equation to include revenues, expenses, and dividends
- 3. Recording the effects of transactions
 - a. Acquiring cash
 - b. Acquiring other assets
 - c. Selling goods or providing services
 - d. Collecting cash and paying obligations
- 4. Posting journal entries and preparing a trial balance
 - a. Determining account balances

B. Completing the accounting cycle

- 1. Accrual accounting
 - a. Periodic reporting
 - b. Accrual versus cash-basis accounting
- 2. Adjusting entries
 - a. Unrecorded receivables
 - b. Unrecorded liabilities
 - c. Prepaid expenses

- d. Unearned revenues
- 3. Preparing financial statements
 - a. The notes
 - b. The audit
- 4. Closing the books
 - a. Real and nominal accounts
 - b. Closing entries
 - c. Preparing a post-closing trial balance

C. Internal controls

- 1. Typical problems with financial information
 - a. Errors in the reporting process
 - b. Disagreements in judgment
 - c. Fraudulent financial reporting
- 2. Safeguards
 - a. The control environment
 - b. Control activities (procedures)
- 3. Reasons for earnings management
- 4. The Sarbanes-Oxley Act
 - a. Public Company Accounting Oversight Board
 - b. Constraints on auditors
 - c. Constraints on management
- 5. The role of auditors in the accounting process
 - a. Internal auditors
 - b. External auditors
 - c. Audit procedures
 - d. The assumption of independence
- 6. The Securities and Exchange Commission

III. Operating Activities

25 PERCENT OF EXAM

A. Receivables: Selling a product or service

- 1. Major business activities
- 2. Recognizing revenue

- a. Timing
 - b. Revenue recognition criteria
3. Cash collection
 - a. Sales discounts
 - b. Sales returns and allowances
 - c. Control of cash
 4. Accounting for non-payment by credit customers
 - a. The allowance method
 - b. Bad debt accounting examples
 5. Evaluating receivables management
 6. Recording warranty and service costs associated with a sale
 7. Reconciling the bank account
- B. Inventory and the cost of sales**
1. Inventory and cost of goods sold
 - a. Definition of inventory
 - b. Costs included in inventory cost
 - c. Ownership of inventory
 - d. Ending inventory and costs of goods sold
 2. Accounting for inventory purchases and sales
 - a. Overview of perpetual and periodic systems
 - b. Perpetual and periodic journal entries
 3. Counting inventory and calculating cost of goods sold
 - a. Taking a physical count of inventory
 - b. The income effect of an error in ending inventory
 4. Inventory cost flow assumptions
 - a. Specific identification
 - b. First in, first out (FIFO)
 - c. Last in, first out (LIFO)
 - d. Averaging
 5. Evaluating investment management
 - a. Evaluating the level of inventory
 - b. Number of days' purchases in accounts payable
 6. Inventory errors
 7. Complications of the perpetual method with LIFO and average cost
 8. Reporting inventory at amounts below cost
 - a. Inventory valued at net realizable value
 - b. Inventory valued at lower of cost or market
- C. Completing the operating cycle**
1. Employee compensation
 - a. Payroll
 - b. Compensated absences (for example: sick leave)
 - c. Bonuses
 2. Taxes
 - a. Sales taxes
 - b. Property taxes
 - c. Income taxes
 3. Contingencies
 4. Capitalize vs. expense
 - a. Research and development
 - b. Advertising
 5. Summarizing operations on an income statement
 - a. Other revenues and expenses
 - b. Extraordinary items
 - c. Earnings per share
 - d. Differing income statement formats

IV. Investing and Financing Activities

25 PERCENT OF EXAM

A. Investments: Property, plant, and equipment and intangible assets

1. Long-term operating assets
2. Deciding whether to acquire a long-term operating asset

3. Accounting for acquisition of property, plant, and equipment
 - a. Assets acquired by purchase
 - b. Acquisition of several assets at once
4. Calculating and recording depreciation expense
 - a. Straight-line method
 - b. Units-of-production method
 - c. Partial-year depreciation calculations
 - d. Units-of-production method with natural resources
5. Repairs and improvements
6. Disposal
 - a. Discarding
 - b. Selling
7. Accounting for intangible assets
 - a. Amortization
 - b. Impairment
8. Measuring property, plant, and equipment efficiency
 - a. Evaluating the level of property, plant, and equipment
 - b. Industry differences in fixed asset turnover
9. Accelerated depreciation methods
 - a. Declining-balance method
 - b. Sum-of-the-years'-digits method
10. Changes in depreciation estimates and methods

B. Financing: Long-term liabilities

1. Measuring long-term liabilities
 - a. Present value and future value concepts
 - b. Computing the present value of an annuity
2. Accounting for long-term liabilities
 - a. Interest-bearing notes
 - b. Mortgages payable
3. The nature of bonds

- a. Types
- b. Characteristics
- c. Determining a bond's issuance price
- d. Accounting for bonds payable issued at face value
- e. Bond retirement before maturity
4. Using debt-related financial ratios
 - a. Debt ratio and debt-to-equity ratio
 - b. Interest earned ratio
5. Bonds issued at a discount or at a premium (straight-line amortization)
 - a. Accounting for bonds issued at a discount
 - b. Accounting for bonds issued at a premium

C. Financing equity

1. Raising equity financing
 - a. Difference between a loan and an investment
 - b. Proprietorships and partnerships
2. Corporations and corporate stock
 - a. Starting a corporation
 - b. Common stock
 - c. Preferred stock
3. Accounting for stock
 - a. Issuance of stock
 - b. Accounting for stock repurchases
 - c. Balance sheet presentation
4. Retained earnings
 - a. Cash dividends
 - b. Dividend payout ratio

V. Other Dimensions of Financial Reporting

10 PERCENT OF EXAM

A. The statement of cash flows

1. Purpose of the statement
2. Information included

- a. Major classifications of cash flows
- b. Noncash investing and financing activities
- c. Cash flow patterns
3. Preparing a statement of cash flows
4. Analyzing the other primary financial statements to prepare a statement of cash flows
 - a. The six-step process for preparing a statement of cash flows
5. Using information from the statement of cash flows to make decisions

B. Analyzing financial statements

1. Purpose of financial statement analysis
2. Widely used financial ratios
 - a. Debt ratio
 - b. Current ratio
 - c. Return on sales
 - d. Asset turnover
 - e. Return on equity
 - f. Price-earnings ratio
3. Common-size financial statements
4. Efficiency ratios
 - a. Accounts receivable efficiency
 - b. Inventory efficiency
 - c. Property, plant, and equipment efficiency
5. Leverage ratios
 - a. Debt-to-equity ratio
 - b. Times interest earned ratio
6. Potential pitfalls in financial statement analysis
 - a. Incomplete information
 - b. Lack of comparability
 - c. Search for the smoking gun
 - d. Anchoring, adjustment, and timelines

SECTION THREE

Sample Questions

The sample questions give you an idea of the level of knowledge expected in the exam and how questions are typically phrased. They are not representative of the entire content of the exam and are not intended to serve as a practice test.

Rationales for the questions can be found on pages 20–23 of this guide. In that section, the correct answer is identified and each answer is explained. The number in parentheses at the beginning of each rationale refers to the corresponding section of the content outline. For any questions you answer incorrectly, return to that section of the content outline for further study. You will be provided with an erasable white board to use during your exam, and you will have access to a basic 8-function calculator on the computer. The calculator button is in the top left hand corner of the page as each question is presented. A picture of a typical 8-function calculator is provided at the back of this content guide.

1. Which information is most likely to be included in the notes to financial statements?
 - 1) statement of cash flow
 - 2) supplementary information required by the FASB
 - 3) explanation of the various methods used in depreciation
 - 4) total number of all long-term debentures with specific debt issues in the balance sheet

2. An emergency gear manufacturer has completed a sale for 1,000 of its flashlights to a large retailer. The retailer paid \$500 as a down payment on the day of the sale, and will be billed for the remainder during the next billing cycle. The flashlights normally sell for \$12 each, but the manufacturer allowed for a 10% bulk discount. The cost of goods sold is 40% of the normal sales price. What would be the correct entry for the sale?

1)

	Debit	Credit
Cash	\$500	
Accounts Receivable	\$11,500	
Cost of Goods Sold	\$4,800	
Revenue		\$12,000
Inventory		\$4,800

2)

	Debit	Credit
Cash	\$500	
Accounts Receivable	\$11,500	
Cost of Goods Sold	\$4,320	
Revenue		\$12,000
Inventory		\$4,320

3)

	Debit	Credit
Cash	\$500	
Accounts Receivable	\$10,300	
Cost of Goods Sold	\$4,800	
Revenue		\$10,800
Inventory		\$4,800

4)

	Debit	Credit
Cash	\$500	
Accounts Receivable	\$11,300	
Cost of Goods Sold	\$4,320	
Revenue		\$10,800
Inventory		\$4,320

3. What is the primary purpose of auditing financial statements?
 - 1) to ensure that the statements have been prepared in conformity with generally accepted accounting principles
 - 2) to compute the ending balance of retained earnings used to prepare the balance sheet
 - 3) to compile summarized numerical data contained in the notes to the financial statements
 - 4) to determine revenues, expenses, assets, and liability balances used to prepare the financial statements

4. What type of account adjustment is the auditor most concerned with when conducting a financial statement audit?

An adjustment that

 - 1) understates revenue and overstates expense
 - 2) overstates assets and understates liabilities
 - 3) overstates expense and understates assets
 - 4) understates revenue and overstates liabilities

5. During the fiscal year, Company F had an average accounts payable balance of \$5,000, their sales totaled \$100,000, and their purchases totaled \$35,000. On average, how long did it take Company F to pay its vendors?
 - 1) 2.9 days
 - 2) 7 days
 - 3) 20 days
 - 4) 52 days

6. If inventory available for sale totals \$60,000 and beginning and ending inventory are both \$15,000, what would be the cost of goods sold and purchase total for the fiscal year?
 - 1) \$45,000 and \$45,000
 - 2) \$45,000 and \$60,000
 - 3) \$75,000 and \$45,000
 - 4) \$75,000 and \$60,000

7. Which organization would expect bad debt expense as a percentage of sales to vary significantly from year to year?
 - 1) a volatile internet service company
 - 2) a restaurant that accepts cash only sales
 - 3) a government administrative department
 - 4) a well established automobile manufacturer

8. Revenue of goods is recognized when which combination of events occurs?

When an order of goods

 - 1) has been shipped and a promise of future payment has been made by the customer
 - 2) has been placed and a promise of future payment has been made by the customer
 - 3) has been placed and the goods have been shipped to the customer
 - 4) has been placed and cash has been received from the customer

9. Physical inventory cost must be compared to which calculated amounts to determine inventory shrinkage for a period?
 - 1) beginning inventory + net purchases - cost of goods sold
 - 2) beginning inventory + net purchases + ending inventory
 - 3) beginning inventory + ending inventory - net purchases
 - 4) ending inventory + net purchases - cost of goods sold

10. Company B had year-end accounts payable balances in Year 1 and Year 2 of \$38,000 and \$42,000 respectively. The total cost of goods sold in Year 2 was \$358,000 and inventory increased by \$7,000 from Year 1 to Year 2. What would be the number of days purchases in accounts payable?
 - 1) 38 days
 - 2) 40 days
 - 3) 42 days
 - 4) 80 days

11. A small company patents its own products, and also purchases patents in order to carry out its work. This year, the company handled two patents, Patent A and Patent B.

For Patent A, the company internally generated the patent and incurred research and development costs of \$40,000. The estimated value of the patent is \$85,000. The patent has an estimated life of 10 years.

For Patent B, The company purchased the patent for \$25,000 on January 1. The company incurred registration and filing fees of \$2,000 relative to this patent. Patent B has an estimated life of 8 years.

Regarding its involvement with Patents A and B, what balances will the company have in the asset section of the balance sheet at year end and what amount of expense will be on its income statement for the year?

1)

Balance Sheet		Income Statement	
Patent A	Patent B	Patent A	Patent B
\$36,000	\$23,625	\$4,000	\$3,375

2)

Balance Sheet		Income Statement	
Patent A	Patent B	Patent A	Patent B
\$ -	\$23,625	\$40,000	\$3,375

3)

Balance Sheet		Income Statement	
Patent A	Patent B	Patent A	Patent B
\$ -	\$21,875	\$40,000	\$5,125

4)

Balance Sheet		Income Statement	
Patent A	Patent B	Patent A	Patent B
\$76,500	\$23,625	\$8,500	\$3,375

12. If an investor acquires \$10,000 of callable, convertible debentures, what does this mean to the investor?

Callable, convertible debentures are bonds

- 1) backed only by the earnings of a company, which can be redeemed early by the company and exchanged for stock at the discretion of the investor.
- 2) guaranteed or backed by the company's assets, which can be redeemed early by the company and converted to stock at the discretion of the company.
- 3) backed only by the earnings of the company, which can be redeemed early or exchanged for stock both at the discretion of the company and the investor.
- 4) guaranteed by the company's assets, which can be redeemed early by the company or exchanged for stock at the discretion of the investor.

13. Which type of activity on the statement of cash flows shows the replacement of long-term assets by trading in the old assets and making additional payments?

- 1) financing transactions
- 2) investing transactions
- 3) noncash transactions
- 4) operating transactions

14. How should a gain on the sale of a long-term asset in the statement of cash flows be treated?

- 1) Include the gain as an operating activity.
- 2) Classify the gain as an investing activity.
- 3) Eliminate the effect of the gain from the income statement.
- 4) Prepare a revised income statement without the gain included.

15. How should a financial accountant treat depreciation expense when preparing the statement of cash flows?
- 1) Include depreciation expense as a deduction on the statement.
 - 2) Eliminate the expense since depreciation does not involve cash.
 - 3) Include depreciation expense in the financing section of the statement of cash flows.
 - 4) Eliminate depreciation expense from operating and include it in the investing section.
16. What does a financial statement analyze?
- 1) evaluation by investors and creditors of information in the financial statements in order to make operating decisions
 - 2) examination of both the relationships among financial statement numbers and trends in those numbers over time
 - 3) investment by the entity in companies that employ and utilize the services of financial analysts
 - 4) recording transactions, development of the financial statements, and issuance of the annual report
17. To what should the results of computing financial ratios for a company for the current period be compared?
- 1) common-size financial statements for the company for the current period
 - 2) the financial statements of the leading company in the same industry
 - 3) the results of the same ratios for prior periods for the same company
 - 4) the adjusting journal entries made around the year-end date
18. What are the financial implications when a company prepays \$5,000 of a mortgage, which is not due for three years, on the last day of the fiscal year?
- The transaction
- 1) exemplifies the going-concern assumptions.
 - 2) is based on the monetary measurement.
 - 3) leaves current ratio unchanged.
 - 4) decreases current ratio.
19. What does the ratio of net income to stockholder's equity measure?
- 1) asset turnover
 - 2) return on sales
 - 3) price-earnings ratio
 - 4) return on investment
20. How are common-size financial statements computed?
- By dividing
- 1) all financial statement amounts for a given year by sales for that year
 - 2) only income statement amounts for a given year by sales for that year only
 - 3) only balance sheet amounts for a given year by total assets for that year
 - 4) all financial statement amounts for a given year by total assets for that year

SECTION FOUR

Rationales

1. (IB5)

- 1) The statement of cash flows is a basic financial statement itself, and is presented before the notes to the financial statement.
- *2) The FASB (and the SEC) require certain supplementary information to be reported in the financial statement notes.
- 3) The financial statements (i.e., the balance sheet) contain the summary number of all long-term debentures; the details of the debt are presented in the notes.
- 4) The summary of significant accounting policies note in the financial statements includes an explanation of (only) the method(s) of depreciation used by the business (not all of the various methods of depreciation).

2. (IIA3c)

- 1) The cash amount is accurate, but the receivable amount of \$11,500 does not take into consideration the 10% sales discount. The discount would lead to total revenues of \$10,800.
- 2) The cash amount is accurate, but the receivable amount of \$11,500 does not take into consideration the 10% sales discount. The discount would lead to total revenues of \$10,800. In addition, cost of goods sold should be debited and inventory credited. The COGS amount should be 40% of the normal sales price of \$12/unit.
- *3) Revenue has been accurately calculated at 1,000 units times the discounted price of \$10.80/unit. Cost of goods sold was accurately calculated as 40% of the normal sales price or \$4.80/unit.

*correct answer

- 4) Revenue has been accurately calculated at 1,000 units times the discounted price of \$10.80/unit. Cost of goods sold should be 40% of the normal sales price rather than the discounted price.

3. (IIB3c)

- *1) The primary purpose of the audit of the financial statements is to ensure that the financial statements have been prepared in conformity with generally accepted accounting principles.
- 2) See 1).
- 3) See 1).
- 4) See 1).

4. (IIB3c)

- 1) Understating revenue and overstating expenses would be a more conservative presentation of financial statement numbers.
- *2) When assets are overstated and liabilities are understated, the investor may be misled to believe that the company has greater equity and perhaps is worth more than it truly is.
- 3) Overstating revenue and understating assets would be a more conservative presentation of financial statement numbers.
- 4) An understatement of revenue and/or an overstatement of liabilities would be a more conservative presentation of financial statement numbers.

5. (IIIB5b)

- 1) This results from dividing the Sales of \$100,000 by the Purchases of \$35,000.
- 2) This results from dividing the Purchases of \$35,000 by the average Accounts Payable of \$5,000.
- 3) This results from dividing the Sales of \$100,000 by the average Accounts Payable of \$5,000.
- *4) Divide Purchases of \$35,000 by the average Accounts Payable of \$5,000 to get a factor of 7. Divide 365 days by 7 to produce 52 days.

6. (IIIB3)

- *1) Beginning Inventory of \$15,000 and Goods Available for Sale of \$60,000 suggests that Purchases were \$45,000. If Ending Inventory is \$15,000, the Cost of Goods Sold has to be \$45,000. The formula used is $BI + P + \text{Goods Available} - EI = \text{COGS}$.
- 2) The \$60,000 Cost of Goods Sold does not consider the amount of the beginning inventory.
- 3) See 1).
- 4) See 1).

7. (IIIA4b)

- *1) A volatile internet service company would likely experience swings in estimated bad debt expense from year to year, due to the volatile nature of the business.
- 2) If cash only sales are accepted, there would be no bad debt expense.
- 3) A government administrative department would not be likely to have any sales, and therefore would have no allowance for bad debts.
- 4) A well established automobile manufacturer would likely have predictable estimates of bad debt expense each year based on historic records.

8. (IIIA2a)

- *1) Revenue is recognized when both a promise of payment has been made by the customer and the work of the supplier is substantially complete. This is usually determined by shipment of the goods.
- 2) Revenue is not recorded until the work of the supplier is substantially complete. This has not occurred if only an order has been placed by the customer.
- 3) Even though shipment has been made to the customer, no promise has been made by the customer for payment. It is required that payment be "reasonably assured" before revenue is recorded. This is usually indicated by a promise to pay from the customer.
- 4) Revenue is not recorded until the work of the supplier is substantially complete, which has not occurred if only an order has been placed by the customer.

9. (IIIB3)

- *1) Beginning Inventory + Net Purchases - Cost of Goods Sold will determine what the ending inventory balance should be. The difference between what it is, based on the physical count, and what it should be is the shrinkage.
- 2) This formula will produce the cost of goods sold for the period. Also, ending inventory amount is not known, so it can't be used in the calculation.
- 3) Ending inventory amount is not known, so it can't be used in the calculation.
- 4) See 3).

10. (IIIB5b)

- 1) This is the result of a calculation that only used accounts payable from Year 1.
- *2) The correct calculation is $38,000 + 42,000 / 2$ over $358,000 + 7000 / 365$
- 3) This is the result of a calculation that only used accounts payable from Year 2.
- 4) This results from adding accounts payable values from Year 1 and Year 2 but then not dividing by 2 to obtain the average.

*correct answer

11. (IVA7a)

- 1) The research and development costs of internally generated intangibles should not be capitalized.
- *2) The research and development costs of internally generated intangibles should not be capitalized, but rather expensed as incurred (Patent A's costs of \$40,000 should be expensed immediately). The cost of intangibles that were purchased from third parties may be capitalized. In addition, costs to successfully defend a patent should also be capitalized. Intangible assets with a determinable life should be amortized. The total capitalized amount for Patent B is \$27,000 (purchase price of \$25,000 + successful litigation of \$2,000). Patent B has an estimated life of 8 years, so the total capitalized amount is amortized, using straight-line, over this 8-year period, or \$3,375/year.
- 3) The research and development costs of internally generated intangibles should not be capitalized, but rather expensed as incurred (Patent A's costs of \$40,000 should be expensed immediately). The cost of intangibles that were purchased from third parties may be capitalized. In addition, costs to successfully defend a patent should also be capitalized. In this choice, only the costs to purchase Patent B of \$25,000 were capitalized. This \$25,000 cost was then amortized over the 8-year life, \$3,125/year. The legal costs were erroneously expensed. So, the total amount expensed for Patent B in this choice was \$5,125 (Amortization of \$3,125 + legal costs to successfully defend of \$2,000).
- 4) The estimated value of internally generated intangibles should not be capitalized.

12. (IVB3a)

- *1) All three provisions or terms are correctly defined.
- 2) Debentures are backed only by earnings of corporation and conversion is at discretion of investor.
- 3) The callable provision is at discretion of corporation, not investors.
- 4) Debentures are backed only by earnings of the business and not secured by specific assets.

13. (VA2c)

- 1) Financing activities include transactions and events whereby resources are obtained from or paid to owners and creditors.
- *2) Replacing assets by trading in and paying cash is an investing activity.
- 3) Replacing assets by trading in and paying cash involves cash and thus, cannot be classified as a noncash transaction.
- 4) Operating activities include those transactions and events that enter into the calculation of net income and do not encompass the replacement of long-term assets.

14. (VA4a)

- 1) Operating activities include those cash transactions and events that enter into the calculation of net income; a gain or loss on the sale of long-term assets is not a cash transaction.
- 2) Investing activities include cash transactions and events that involve the purchase and sale of securities, property, buildings, and equipment; other assets; and the making and collecting of loans. A gain is not a cash activity.
- *3) Nonoperating activity items, such as gains and losses on the sale of long-term assets, are eliminated from the income statement in converting the statement from an accrual-basis to a cash-basis summary of operations; this conversion is a part of the process of developing the statement of cash flows.
- 4) To develop the statement of cash flows, the effects of nonoperating activity items on the income statement, such as gains or losses on the sale of long-term assets, are eliminated; a revised income statement is not issued.

*correct answer

15. (VA4b)

- 1) Depreciation is a noncash transaction and thus, is not deducted on the statement of cash flows.
- *2) Depreciation does not involve any cash flow; expenses not involving cash are eliminated.
- 3) Since depreciation is not a cash flow transaction, it is not included in the financing section (or either of the other two sections).
- 4) Depreciation expense is a non-cash transaction that is reported in the opening section. It is not proper to show it in the investing section.

16. (VB1)

- 1) Investors and creditors use the financial statements and analysis information in deciding whether to invest in, or loan money to, a company; they are not involved in operating decisions.
- *2) Financial statement analysis involves the examination of both the relationships among financial statement numbers and trends in those numbers over time.
- 3) The performance of financial statement analysis includes the examination of relationships among financial statement numbers and trends in those numbers; making investment decisions is not part of financial statement analysis.
- 4) Development of the financial statements must be complete prior to commencing the performance of a financial statement analysis.

17. (VB1)

- 1) Common-size financial statements are used to compare the results of two companies of different sizes in different years; ratios are not compared to common-size financial statements.
- 2) Financial ratios may be compared to the same financial ratios of other companies in the same industry; ratios of one company are not compared to the financial statements of another.
- *3) Information provided by financial ratios is greatly enhanced when it is compared with the results of the same ratios for prior periods for the same company.
- 4) Financial ratios for the current period use summary information in the calculations and help management to obtain a broad look at the company; adjusting journal entries are at a detailed level and ratios are not compared to adjusting journal entries.

18. (VB2b)

- 1) The going-concern concept relates to the future viability of a company. If a company is able to prepay its long-term debts, the going-concern is not an issue.
- 2) The monetary measurement concept relates to events that can be recorded in a monetary unit.
- 3) See 4).
- *4) When cash is used to pay a long-term liability, current assets are decreased, but current liabilities remain the same. This decreases the current ratio.

19. (VB2e)

- 1) Asset turnover measures company efficiency, which is equal to sales divided by total assets.
- 2) Return on sales measures the amount of profit earned per dollars of sales.
- 3) Price-earnings ratio measures growth potential, earnings stability, and management capabilities.
- *4) Return on investment or return on equity measures the amount of profit earned per dollar of investment.

20. (VB3)

- *1) Common-size financial statements are computed by dividing all financial statement amounts for a given year by sales for that year.
- 2) Common-size financial statements include both the balance sheet and the income statement.
- 3) Common-size financial statements include both the balance sheet and the income statement and use sales rather than total assets as the denominator.
- 4) Common-size financial statements use sales rather than total assets as the denominator.

*correct answer

SECTION FIVE

Taking the Exam

Registering for Your Exam

Register Online

www.excelsior.edu/examregistration

Follow the instructions and pay by Visa, MasterCard, American Express, or Discover Card.

Examination Administration

Pearson Testing Centers serve as the administrator for all Excelsior College computer-delivered exams.

Accessibility Services

Excelsior College is committed to the principle that every individual should have an equal opportunity to enroll in an Excelsior College degree program, to register for courses or examinations in order to demonstrate their knowledge and skills under appropriate conditions, and to complete a degree.

The Accessibility Services Office at Excelsior College is responsible for considering requests for reasonable accommodations for individuals with verifiable, documented disabilities. If you are requesting an accommodation due to a disability/condition, complete a [Request for Accommodation form](#).

Computer-Delivered Testing

The UExcel exams are delivered by computer. You can take this exam either in a [Pearson VUE testing center](#) or at your home or office with an online proctor. If you are interested in remote proctoring, visit [PearsonVUE OnVUE online proctoring](#).

The system is designed to be as user-friendly as possible, even for those with little or no computer

experience. On-screen instructions are similar to those you would see in a paper examination booklet. You will use either the keyboard or the mouse to submit your answers, depending upon the type of question.

Before taking your exam, we strongly encourage you to go on a virtual tour of the testing center. To access this tour, click the What to Expect in a Pearson VUE test center at the following link: home.pearsonvue.com/test-taker/security.aspx

You also will receive a small, erasable whiteboard if you need one.

Whiteboards

Examinees cannot bring scratch paper to the exam. Instead, one will be provided for you to write notes or calculations on: a small whiteboard if you are testing at a Pearson Testing Center, and an on-screen “whiteboard” if you are testing online. You can see what the [on-screen “whiteboard”](#) looks like, and even try it out.

Calculator

You may not take your own calculator, if the exam calls for it. One will be provided on the testing screen. See example below.

The screenshot displays a computer screen with a test question: "What colour is the sky on a clear day?" with radio button options: A. Blue, B. Green (selected), C. Purple, and D. Yellow. A yellow callout box points to a "Calculator" button with the text "Click to launch calculator". The calculator is a TI-108 Texas Instruments calculator. To the right, a "Periodic Table" and "LightAndOptics" tab are visible. The "LightAndOptics" tab contains various formulas for light and optics, including $v = f\lambda$, $n = \frac{c}{v}$, $n_i \sin \theta_i = n_r \sin \theta_r$, $\sin \theta_{crit} = \frac{n_2}{n_1}$, $I = I_{max} \cos^2 \theta$, $f = \frac{R}{2}$, $\frac{1}{s} + \frac{1}{s'} = \frac{1}{f}$, $m = \frac{y'}{y} = -\frac{s'}{s}$, $d \sin \theta = m\lambda$, and $\sin \theta = \frac{m\lambda}{a}$.

Breaks

Breaks are only permitted for exams taken at Pearson VUE Testing Centers, and are not permitted during exams delivered via online proctoring.

Online Proctoring

As of spring 2021, Excelsior is offering an [online delivery option for UExcel exams](#), using OnVUE, Pearson VUE's online delivery and proctoring service.

You must use a personal (vs. an employer's) computer if you want to take the exam online and not in a testing center, so the exam can be effectively delivered to you.

Breaks are not allowed during an exam taken online from home. You may not leave your seat during an online-proctored exam, so be prepared to sit for two or three hours. If you need extra time, the exam will have to be taken at a PearsonVUE Testing Center, and an accommodation formally requested.

NOTE: English Composition, Spanish, Music, and College Writing will NOT be available for online proctoring.

On the Day of Your Exam

Important Reminders

On the day of your exam, remember to:

- dress comfortably: the computer will not mind that you're wearing your favorite relaxation outfit
- arrive at the test site rested and prepared to concentrate for an extended period
- allow sufficient time to travel, park, and locate the test center
- be prepared for possible variations in temperature at the test center due to weather changes or energy conservation measures
- bring your ID, but otherwise, don't weigh yourself down with belongings that will have to be kept in a locker during the test.

Academic Integrity Nondisclosure Statement

- All examinees must agree to the terms of the Excelsior College Academic Integrity Policy before taking an examination. The agreement will be presented on screen at the Pearson VUE Testing Center before the start of your exam.
- Once the examinee agrees to the terms of the Academic Integrity Nondisclosure Agreement (NDA), the exam will begin.

If you choose not to accept the terms of the agreement

- your exam will be terminated
- you will be required to leave the testing center
- you will not be eligible for a refund. For more information, review the Student Policy Handbook at www.excelsior.edu/studentpolicyhandbook.

Student behavior is monitored during and after the exam. Electronic measures are used to monitor the security of test items and scan for illegal use of intellectual property. This monitoring includes surveillance of Internet chat rooms, websites, and other public forums.

UExcel Grade Report

After you complete the exam, you will be issued a UExcel Grade Report for Examinations. See the [sample UExcel Grade Report](#) in this content guide.

Grade Appeals

If you believe that your score grade is incorrect, you may appeal your grade to examcredit@excelsior.edu. Details about the appeals process are in the [Student Handbook](#).

What If I Miss My Appointment?

If you don't cancel or reschedule your testing appointment 24 hours before your test appointment, you will have to pay the full fee of the exam, even if you don't show up.

Late Arrivals

You will also forfeit the exam fee if you arrive to the test center more than 15 minutes late.

Information About UExcel Exams for Colleges and Universities

A committee of teaching faculty and practicing professionals determines the learning outcomes to be tested on each exam. Excelsior College Center for Educational Measurement staff oversee the technical aspects of test construction in accordance with current professional standards. To promote fairness in testing, we take special care to ensure that the language used in the exams and related materials is consistent, professional, and user friendly. Editorial staff perform systematic quantitative and qualitative reviews to ensure accuracy, clarity, and compliance with conventions of bias-free language usage.

Excelsior College, the test developer, recommends granting three (3) semester hours of lower-level undergraduate credit to students who receive a letter grade of C or higher on this examination. The examination may be used to help fulfill a core requirement for Business degrees or as a free elective for all Excelsior College degree programs that allow for free electives. Other colleges and universities also recognize this exam as a basis for granting credit or advanced standing. Individual institutions set their own policies for the amount of credit awarded and the minimum acceptable score.

Financial Accounting Exam Development Committee

Chuo-Hsuan (Jason) Lee, PhD
(Kent State University, Accounting, 2003)
Associate Professor of Accounting, SUNY
Plattsburgh

Mohamed Gaber, PhD
(Baruch College of CUNY, Accounting, 1985)
Professor and Chair of Accounting, SUNY
Plattsburgh

Tami Barton, MBA
(St. Joseph's University, Finance, 1996)
Assistant Professor of Accounting, Lebanon Valley
College

Tom Amyot, MBA, MS
(The College of Saint Rose, Management, 1986)
Associate Professor of Business (retired),
The College of Saint Rose

Sample Grade Report

Excelsior College
GRADE REPORT FOR EXAMINATIONS

Contact ID:

Test Date: 11/21/2020

Letter Grade: C

Examination Code and Title: 210 Statistics

Recommended Credit:
3 Lower Level

Your examination results are expressed as a Letter Grade of A, B, C, or F. Your results are automatically verified when they are received at Excelsior College. If an error is detected, you will be notified immediately.

Recommended Credit is the number of semester hours credit that Excelsior College awards and recommends for your grade. Excelsior College awards and recommends credit for letter grades of C or better.

If you plan to take another examination, you may download free content guides and the User's Guide by visiting our website at www.excelsior.edu/exams/content-guides/.

If you need an Excelsior College Official Examinations Transcript to document the credit you have earned for this examination for another institution, the request can be made online by accessing the Excelsior College website (www.excelsior.edu), logging into your MyExcelsior account, and scrolling down to the For Exams Takers box and clicking on the Request transcripts link. If you do not already have a MyExcelsior username and password, you can obtain one at no cost by accessing the Excelsior College website, clicking the Log In to MyExcelsior button, and then clicking the link "Create a MyExcelsior User Account."



7 Columbia Circle, Albany, New York 12203-5159

Phone | toll free 888-647-2388 or 518-464-8500

TDD | 518-464-8501

Fax | 518-464-8777

excelsior.edu/exams