Accounting Competency Exam Overview

The exam will consist of four parts and is worth 100 points. You will have 3 hours to complete all four parts of the exam. Below is a description of each part so that you may narrow your focus in preparation for exam day.

Part I: Journal Entries
Part I comes in two subsections. Subsection 1 will present you with a fictitious company and its activities for the last month of their calendar (and fiscal) year. You will be asked to prepare the journal entries appropriate for each type of transaction. For this portion, you should know how to account for:

- Prepaid rent
- Borrowing of funds
- Purchase of assets (equipment, inventory, etc.), both in cash and on account
- Sale of company stock
- Dividends
- Deferred Revenues
- Revenues in cash and on account
- Expenses in cash and on account

Subsection 2 will address the company’s year-end adjusting journal entries (AJE). For this section you will be asked to provide the correct AJE for the situation described with the correct dollar amount. The concepts tested on include:

- Straight-line depreciation
- Accrued interest
- Adjusting deferred assets
- Accrued expenses
- Adjusting deferred revenues
- Correcting simple journal errors

Part II: Financial Statements
For Part II, you will be given a list of accounts. You will be asked to identify which financial statement each account would appear and the correct section of the balance sheet any balance sheet item would appear (i.e. current asset vs. long term asset).

Part III: Managerial Accounting
You will be asked to determine costs of a job under a job costing system (including calculating and applying predetermined overhead), prepare a CVP analysis, and identify product vs. period costs.
Part IV: Multiple Choice Questions
In Part IV, you will be given 15 multiple choice questions. They will cover elements from both financial and managerial accounting. In order to prepare for the multiple choice questions, you should be prepared to answer questions based on the following topics:

- Understand the fundamental \( A = L + SE \) equation
- What are assets/liabilities and how to you record them?
- Understand the concept of contra-accounts
- Know the normal balances of common accounts
- Who uses financial information?
- When do companies have to report financial information? When is their year end?
- Understand the matching principle
- Understand the revenue principle
- Understand cash dividends
- Understand which accounts are affected by an adjusting journal entry
- Understand why adjusting journal entries are made
- What is net income?
- Be able to calculate and record interest
- Be able to calculate and record straight-line depreciation
- Be able to record simple common stock and APIC transactions
- Be able to record cash dividends
- Understand fixed vs. variable costs, both per-unit and in total
- Understand product vs. period costs, both per-unit and in total
- Understand cost-volume-profit analysis
- Know how to estimate future cash flows based on projected revenues