

TECEP® Test Description for ACC-102-TE

PRINCIPLES OF MANAGERIAL ACCOUNTING

This exam principally assesses the information that managers need to make decisions and the types of analyses appropriate to each decision. Topics assessed on this exam range from cash flow and financial statement analysis to long-term capital budget decisions. (3 credits)

- **Test format:** 100 multiple choice questions (1 point each)
- **Passing score:** 60%. Your grade will be reported as CR (credit) or NC (no credit).
- **Time limit:** 2 hours

Note: You may use a financial, scientific, or graphing calculator while testing. You may NOT use a calculator that is on your cell phone, PDA, or any similar device.

OUTCOMES ASSESSED ON THE TEST

- Prepare and interpret the statement of cash flows
- Calculate and utilize basic financial ratios to understand financial statements
- Explain the impact of globalization on business and accounting
- Define the relationship among cost, profit and volume of activity and their effects on business decisions
- Prepare and discuss various incremental analysis methods to enhance short-term decision making
- Describe the capital budgeting process, including the time value of money, and the accounting input required
- Calculate the unit cost of a product or service using job order costing and process costing and prepare the related accounting journal entries
- Calculate manufacturing variances and prepare the related accounting journal entries using the standard cost system
- Prepare the master budget and the related operational budgets and supporting schedules and explain the management control process



TOPICS ON THE TEST AND THEIR APPROXIMATE DISTRIBUTION

The table below indicates the main topics covered by this exam and the approximate percentage of the exam devoted to each main topic. Under the main topic heading is a list of related—but more specific—topics. It is important to review these topics to determine how much prior knowledge you have and/or how much additional study is necessary. To assist with refreshing and enhancing your knowledge of the ideas, concepts, and theories for this subject, links to free and openly licensed review materials are included for each topic.

Statement of Cash Flows; Financial Statement Analysis (15%)	
Topic	Resource
Purpose and usefulness of statement cash flows	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 10: Cash Flow Preparation and Use <ul style="list-style-type: none"> ○ 10.1: Purpose of the Statement of Cash Flows <p><i>Finance and Capital Markets</i></p> <ul style="list-style-type: none"> ● Accounting and Financial Statements <ul style="list-style-type: none"> ○ Basic Cash Flow Statement
Computation of cash flows from operating activities using direct and indirect methods	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 10: Cash Flow Preparation and Use <ul style="list-style-type: none"> ○ 10.3: Preparation of Cash Flow Statements
Computation of cash flows from investing and financing activities	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 10: Cash Flow Preparation and Use <ul style="list-style-type: none"> ○ 10.3: Preparation of Cash Flow Statements
Uses of dollar and percentage changes; trend percentages; component percentages; ratios	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 11: Using Managerial Accounting: Trends and Ratios



<p>Computation of ratios widely used in financial statement analysis and significance of each</p>	<p><i>Managerial Accounting</i> (Saylor)</p> <ul style="list-style-type: none"> ● Chapter 13: How Do Managers Use Financial and Nonfinancial Performance Measures? <ul style="list-style-type: none"> ○ Section 13.3: Ratio Analysis of Financial Information <p><i>Managerial Accounting</i> (Lumen)</p> <ul style="list-style-type: none"> ● Chapter 12: Financial Statement Analysis
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Global Business And Accounting; Management Accounting; Accounting Systems For Measuring Costs (30%)

Topic	Resource
<p>Currency conversion</p>	<p>The Effects of Changes in Foreign Exchange Rates</p>
<p>Foreign Corrupt Practices Act: its effect on accounting practice</p>	<p>Foreign Corrupt Practices Act</p>
<p>Basic types of manufacturing costs; manufacturing inventory transactions; schedules</p>	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 1: Cost Measurement and Estimation <ul style="list-style-type: none"> ○ 1.6: Cost Terminology <p><i>Managerial Accounting</i> (Lumen)</p> <ul style="list-style-type: none"> ● Chapter 7: Budgeting
<p>Basic cost accounting methods; computation of overhead application rates for job order costing</p>	<p><i>Managerial Accounting</i> (Lumen)</p> <ul style="list-style-type: none"> ● Chapter 2: Job Order Cost System
<p>Accounting for flow of costs under job order costing and process costing</p>	<p><i>Managerial Accounting</i> (Lumen)</p> <ul style="list-style-type: none"> ● Chapter 2: Job Order Cost System <p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 2: Cost Management
<p>Overhead-related activity cost pools</p>	<p><i>Managerial Accounting</i> (Lumen)</p> <ul style="list-style-type: none"> ● Chapter 4: Activity Based Costing <p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 2: Cost Management <ul style="list-style-type: none"> ○ 2.2: Activity-Based Costing



Calculation of equivalent units of production	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 2: Cost Management <ul style="list-style-type: none"> ○ 2.3: Process Costing
Costing And The Value Chain; Cost-volume-profit Analysis; Incremental Analysis (20%)	
Topic	Resource
Basic components of the value chain	<p><i>Business Fundamentals</i></p> <ul style="list-style-type: none"> ● Chapter 3: Business Models and Marketing: An Overview <ul style="list-style-type: none"> ○ Section 3.5: The Marketing Model
Non-value added and value-added activities	<p><i>Business Fundamentals</i></p> <ul style="list-style-type: none"> ● Chapter 7: Operations Management <ul style="list-style-type: none"> ○ Section 7.6: Total Quality Management
Relationship of activity-based management to activity-based costing	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 2: Cost Management <ul style="list-style-type: none"> ○ 2.2: Activity Based Costing <p><i>Managerial Accounting (Lumen)</i></p> <ul style="list-style-type: none"> ● Chapter 4: Activity Based Costing
Effect of fixed, variable, semi-variable costs response to changes on volume of business activity and sales volume	<p><i>Managerial Accounting (Lumen)</i></p> <ul style="list-style-type: none"> ● Chapter 1: Nature of Managerial Accounting and Costs
Effect of economies of scale on unit costs	<p><i>Managerial Accounting (Saylor)</i></p> <ul style="list-style-type: none"> ● Chapter 6: How is Cost-Volume-Profit Analysis Used for Decision Making? <ul style="list-style-type: none"> ○ 6.3: Using Cost-Volume-Profit Models for sensitivity models
Calculation of contribution margin and contribution margin ratio; effect on changes in sales volume and operating income	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 4: Cost-Volume-Profit Analysis <ul style="list-style-type: none"> ○ 4.1: Cost-Volume-Profit Analysis
The high-low method	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> ● Unit 3: Short-Term Decision Making <ul style="list-style-type: none"> ○ 3.2: Cost Estimation Methods



Opportunity costs; sunk costs; out-of-pocket costs and their effect on business decisions	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> Unit 5: Differential Analysis <ul style="list-style-type: none"> 5.1: Using Differential Analysis to make decisions
Incremental analysis	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> Unit 5: Differential Analysis <ul style="list-style-type: none"> 5.1: Using Differential Analysis to make decisions

Responsibility Accounting And Transfer Pricing; Operational Budgeting (15%)

Topic	Resource
Cost centers, profit centers, and investment centers and their use in business and business environments	<p><i>Managerial Accounting</i> (Lumen)</p> <ul style="list-style-type: none"> Chapter 9: Responsibility Accounting for Cost, Profit, and Investment Centers <p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> Unit 9: Performance Evaluation
Responsibility accounting systems	<p><i>Managerial Accounting</i> (Lumen)</p> <ul style="list-style-type: none"> Chapter 9: Responsibility Accounting for Cost, Profit, and Investment Centers <p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> Unit 9: Performance Evaluation
Income statement showing contribution margins and responsibility margins	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> Unit 3: Short-Term Decision Making <ul style="list-style-type: none"> 3.3L Contribution Margin Income Statement
Elements of a master budget and preparation of supporting schedules	<p><i>Managerial Accounting</i> (Lumen)</p> <ul style="list-style-type: none"> Chapter 7: Budgeting
Flexible budgeting	<p><i>BUS105: Managerial Accounting</i></p> <ul style="list-style-type: none"> Unit 7: Variance Analysis <ul style="list-style-type: none"> Flexible Budgets Content Flexible Budgets Video

Standard Cost Systems; Capital Budgeting (20%)

Topic	Resource
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Standard costing systems	<i>BUS105: Managerial Accounting</i> <ul style="list-style-type: none"> ● Unit 7: Variance Analysis <ul style="list-style-type: none"> ○ 7.2: Standard Costs
Computation of direct materials and direct labor variances; the meaning of each variance and usefulness in cost analysis	<i>BUS105: Managerial Accounting</i> <ul style="list-style-type: none"> ● Unit 7: Variance Analysis <ul style="list-style-type: none"> ○ 7.2: Standard Costs ○ 7.4: Direct Labor Variances ○ 7.3: Direct Materials Variance Analysis ○ 7.3: Direct Materials Variance
Computing overhead variances	<i>Managerial Accounting (Lumen)</i> <ul style="list-style-type: none"> ● Chapter 8: Standard Cost Systems
Capital investment decision-making analysis using payback period, return on investment, discounted cash flows	<i>Managerial Accounting (Lumen)</i> <ul style="list-style-type: none"> ● Chapter 11: Capital Investment Analysis
Relationship between net present value and required rate of return	<i>BUS105: Managerial Accounting</i> <ul style="list-style-type: none"> ● Unit 8: Capital Budgeting

STUDY MATERIALS

This is a comprehensive list of the materials used in this test description. We encourage you to explore these resources to make sure that you are familiar with multiple perspectives on the topics above. All of these resources are openly licensed, which means that they are free to be [revised, remixed, reused, redistributed, and retained](#), so long as their unique terms are followed. You can learn more about open licensing [here](#).

Resource Licensing Guide	
Title	License
Saylor Academy. (2019). BUS-105: Managerial Accounting [Saylor Course]. Washington, D.C.: Saylor Academy.	See License
Schmitz, A. (2012). Managerial Accounting (version 1.0). Washington, D.C.: Saylor Academy.	CC BY-NC-SA 3.0
Lumen Learning. (n.d.) Managerial Accounting [Lumen Course]. Portland, OR: Lumen Learning.	Various



U.S. Department of Justice. (2017, February 03). Foreign Corrupt Practices Act . Washington, D.C.	Public Domain
Global Text Project. (2011, August 16). Business Fundamentals . Houston, TX: Openstax CNX.	CC BY 4.0
Khan, S. (2011, March 30). Basic Cash Flow Statement [video file]. Khan Academy.	CC BY-NC-SA 3.0
DTTL. (2019). Deloitte Touche Tohmatsu Limited's International Accounting Standards .	See License

SAMPLE QUESTIONS

The questions below are designed to help you study for your TECEP. Answering these questions does not guarantee a passing score on your exam.

Please note that the questions below **will not** appear on your exam.

1. A comparative financial statement places
 - a. the balance sheet, the income statement, and the statement of cash flows side-by-side in order to compare results
 - b. two or more years of a financial statement side-by-side in order to compare results
 - c. the financial statements of two or more companies side-by-side in order to compare results
 - d. dollar amounts next to the percentage amounts of a given year for the income statement

2. The measures most often used in evaluating solvency--the current ratio, quick ratio, and amount of working capital--are developed from amounts appearing in the
 - a. balance sheet
 - b. income statement
 - c. statement of retained earnings
 - d. statement of cash flows



3. All of the following are advantages of an increasing cash flow from operations EXCEPT which one?
- a. A company is likely to pay its current bills with cash from operations not earnings.
 - b. A company with cash is in a better position to fund growth.
 - c. Large cash flows eliminate the need for borrowing.
 - d. Earnings are viewed more favorably if cash flows from operations closely match net income.
4. Equivalent units are usually computed for
- a. direct materials only
 - b. direct labor only
 - c. factory overhead costs only
 - d. direct materials, direct labor, and factory overhead costs
5. Process costing is suitable for
- a. automobile repair
 - b. production of television sets
 - c. boat building
 - d. kitchen and bathroom remodeling
6. _____ costs that are traceable to a particular unit and can be inventoried.
- a. Product
 - b. Period
 - c. Overhead
 - d. Jobs
7. The account Work-in-Process Inventory consists of
- a. completed goods that have not yet been sold
 - b. goods being manufactured that are incomplete
 - c. materials to be used in the production process
 - d. the cost of new materials used and labor but not overhead
8. When the exchange rate for a foreign currency (stated in dollars) rises, a dollar will purchase
- a. more of that currency
 - b. the same amount of that currency
 - c. less of that currency
 - d. an undetermined amount of that currency



9. Overhead costs are assigned to production using an overhead application rate, but no such application rate is used to assign the costs of direct materials and direct labor to production. What is the reason for this difference in procedures?
- Overhead is an indirect cost which cannot be traced easily and directly to specific units of product.
 - Overhead is always larger in dollar amount than either direct materials or direct labor.
 - The amounts of direct material and direct labor applicable to each unit of production cannot be determined as easily as the amount of overhead.
 - Overhead is always equal to a constant percentage of direct labor costs.
10. What four categories of costs are associated with product quality?
- External failure, internal failure, prevention, and carrying
 - External failure, internal failure, prevention, and appraisal
 - External failure, internal failure, training, and appraisal
 - Warranty, product liability, prevention, and training
11. A semi-variable cost
- increases and decreases directly and proportionately with changes in volume
 - changes in response to a change in volume, but not proportionately
 - increases if volume increases, but remains constant if volume decreases
 - changes inversely in response to a change in volume
12. If all other things are held constant, how will an increase in selling price affect the break-even point measured in units?
- The break–even point will decrease.
 - The break-even point will increase.
 - The break-even point will remain constant.
 - The effect on the break-even point cannot be predicted with certainty.
13. All of the following are components of the value chain EXCEPT
- research and design activities
 - obtaining raw materials
 - supporting the product after it is sold
 - maintaining large inventories
14. The responsibility margin is equal to revenue less
- contribution margin and traceable fixed costs
 - variable costs
 - variable costs and traceable fixed costs
 - variable fixed costs, traceable fixed costs, and common costs



15. Why do many companies view performance margin as a more useful tool than responsibility margin for evaluating segment managers?
- Because managers have no control over traceable fixed costs.
 - Because performance margin is not affected by the size of the department.
 - Because performance margin indicates the change in operating income that would result from closing the department.
 - Because performance margin includes only those revenue and costs under the manager's direct control.
16. Which element of master budget is normally prepared last?
- A budgeted balance sheet
 - A cash budget
 - A budgeted income statement
 - A production budget
17. The use of inexpensive, low quality materials often results in a(n)
- favorable materials quantity variance
 - favorable labor rate variance
 - unfavorable materials quantity variance
 - unfavorable materials price variance
18. If fewer units are produced than were estimated when standard unit costs were determined, there would normally be a(n)
- favorable labor efficiency (usage) variance
 - unfavorable overhead volume variance
 - favorable materials quantity variance
 - unfavorable overhead spending variance
19. An unfavorable volume variance in a factory is generally
- the responsibility of the production manager
 - treated as part of the controllable factory overhead variance
 - the result of actual volume exceeding normal volume
 - viewed as an idle capacity loss
20. The _____ rate is the minimum rate of return used by investors to bring future cash flows to their present value.
- investment
 - prime
 - discount
 - present



21. Premier Corporation uses the indirect method of computing net cash flow from operating activities. It reported the following for 20XX: Accounts Receivable decreased by \$9,500; Merchandising Inventory increased by \$15,000; Accounts Payable decreased by \$3,700; and Income Taxes Payable increased by \$18,500. For 20XX, Premier reported net income of \$157,500, including \$34,500 of depreciation expense. What was their net cash flow from operating activities for 20XX?

- a. \$181,700
- b. \$200,700
- c. \$201,300
- d. \$236,300

22. Jensen Company reported the following. What are their product costs?

Direct materials used	\$345,000
Direct labor incurred	250,000
Factory overhead incurred	400,000
Operating expenses	175,000

- a. \$770,000
- b. \$825,000
- c. \$920,000
- d. \$995,000

23. Avian Treats, Inc. produces bird seeds. All direct materials used in the production process are added at the beginning of the manufacturing process. Labor and overhead are added evenly thereafter, as each unit is mixed and packaged. Avian uses process costing and had the following unit production information available for June and July. The units remaining in work in process at the end of June were 30% complete. During July, all of the beginning work in process units were completed and the remaining work in process units were 60% complete at the end of the month. How many equivalent units of direct materials were produced in July? Use the FIFO method.

	June	July
Number of units in beginning work in process inventory	0	150
Number of units started during the month	700	900
Total number of units transferred to finished goods	550	800

- a. 600
- b. 700
- c. 800
- d. 900



24. The potential benefit of one alternative that is lost by choosing another alternative is known as a(n)
- a. sunk cost
 - b. differential cost
 - c. opportunity cost
 - d. out-of-pocket cost
25. Which of the following conditions will cause the break-even point to increase?
- a. Total fixed costs increase
 - b. Total fixed costs decrease
 - c. Unit selling price increases
 - d. Unit variable cost decreases
26. How do investment centers differ from profit centers?
- a. Investment centers are only responsible for net income.
 - b. Investment centers can invest in assets.
 - c. Investment centers have fewer responsibilities.
 - d. Investment centers are only responsible for revenues.
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ANSWERS TO SAMPLE QUESTIONS

- | | | |
|--------|---------|---------|
| 1. (b) | 10. (b) | 19. (d) |
| 2. (a) | 11. (b) | 20. (c) |
| 3. (c) | 12. (a) | 21. (c) |
| 4. (d) | 13. (d) | 22. (d) |
| 5. (b) | 14. (c) | 23. (d) |
| 6. (a) | 15. (d) | 24. (c) |
| 7. (b) | 16. (a) | 25. (a) |
| 8. (c) | 17. (c) | 26. (b) |
| 9. (a) | 18. (b) | |

