OLO1 Introduction to Business Accounting Exam Version 2

Section: Business & Finance • **Total Questions:** 10 • **Format:** Verified Q&A

1. Which legislation established the Securities and Exchange Commission (SEC)?

(A) The Securities Act of 1934
(B) The Sarbanes–Oxley Act
(C) The Glass–Steagall Act
(D) The Dodd–Frank Act

2. An organization's board declares and pays dividends to shareholders. Which section of the cash flow statement is this transaction recorded in?

(A) Operating activities section
(B) Financing activities section
(C) Retained earnings section
(D) Investing activities section

3. What is an example of a cost center?

(A) Reservations for an airline
(B) Convention sales team at a resort hotel
(C) Human resources in a hospital
(D) Truck division of a vehicle manufacturer

4. What is an advantage of zero-based budgeting?

(A) It requires less effort than traditional budgeting.
(B) It eliminates the need to track expenses.
(C) It removes the need for emergency savings.
(D) It bases budget requests on specific, measurable outcomes.

5. A company's net income appears significantly lower than its gross profit on a multi-step income statement. What causes the difference between gross profit and net income?

(A) The company is using a cash-based accounting method.
(B) Cost of goods sold is not included in the calculation.
(C) Revenue and net income should always be the same.
(D) The company's operating and other expenses reduce total profit.

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6. Wrote Pine Inc. took out notes payable from the bank which are due four years from today. Where should this be classified on the balance sheet?

(A) Current asset
(B) Non-current liability
(C) Current liability
(D) Non-current asset

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7. Which cost is categorized as manufacturing overhead cost?

(A) OIL
(B) Plant maintenance costs
(C) CEO salary
(D) Plant assembly line worker wages

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8. How would the purchase of a new piece of equipment be reflected in the statement of cash flows?

(A) As a cash outflow under financing activities
(B) As a cash inflow under financing activities
(C) As a cash outflow under investing activities
(D) As a cash inflow under operating activities

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9. A company's financial statements must be reviewed to assess its financial health for investors and creditors. These reports follow standardized accounting principles for external use. Which type of accounting should be used?

(A) Tax accounting
(B) Managerial accounting
(C) Cost accounting
(D) Financial accounting

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10. A company is reconsidering the selling price of its products due to high inflation. How can the breakeven formula assist in setting a new selling price?

(A) It simulates how different prices affect target profit and break-even point.

(B) It highlights cost inefficiencies.

(C) It indicates which fixed costs can be eliminated.

(D) It shows the company’s total cash flow.