Test Type: The Financial and Managerial Accounting assessment was developed jointly by NOCTI and the Minnesota State Colleges and Universities system, and is offered for use by all NOCTI customers. This assessment assesses technical skills at the occupational level and includes items that gauge factual and theoretical knowledge. This assessment is administered through QuadNet™, NOCTI's online testing system.

Revision Team: The assessment content is based on input from secondary, post-secondary, and business/industry representatives from the state of Minnesota.
Written assessments consist of questions to measure an individual’s factual theoretical knowledge.

**Administration Time:** 3 hours  
**Number of Questions:** 128  
**Number of Sessions:** This assessment may be administered in one, two, or three sessions.

### Areas Covered

- **Journalizing**: 14%  
- **Cash and Banking Procedures**: 8%  
- **Merchandise Inventory**: 12%  
- **Financial Statements**: 15%  
- **Competence in Technology**: 6%  
- **Internal Control**: 6%  
- **Basic Accounting Knowledge**: 12%  
- **Advanced Accounting Practices**: 27%
Specific Standards and Competencies Included in this Assessment

**Journalizing**
- Understand the theory of double entry accounting
- Journalize accounting transactions
- Journalize adjusting entries
- Journalize closing entries

**Cash and Banking Procedures**
- Reconcile a bank statement
- Reconcile and replenish petty cash funds

**Merchandise Inventory**
- Demonstrate knowledge of merchandise inventory systems
- Prepare and analyze transactions using the perpetual method
- Prepare cost of goods sold and income statement for a merchandising company
- Prepare adjusting entries based on physical inventory
- Demonstrate knowledge of LIFO, FIFO, and weighted average methods

**Financial Statements**
- Identify the components of the four basic financial statements from an adjusted trial balance
- Prepare and analyze an income statement
- Prepare and analyze a balance sheet
- Prepare and analyze a cash flow statement
- Prepare and analyze a statement of equity
- Calculate and analyze financial ratios

(Continued on the following page)
Specific Standards and Competencies (continued)

**Competence in Technology**
- Generate and interpret spreadsheets, charts, and graphs
- Demonstrate knowledge of accounting software

**Internal Control**
- Demonstrate knowledge of internal control measures for the protection of company assets and financial records
- Understand the importance of business ethics

**Basic Accounting Knowledge**
- Exhibit understanding of terminology related to accounting
- Exhibit understanding of careers in accounting
- Exhibit understanding of cash and accrual accounting
- Exhibit understanding of regulatory bodies, such as the SEC, IRS, FASB, and IASB

(Continued on the following page)
Specific Standards and Competencies (continued)

Advanced Accounting Practices
• Differentiate between methods of business formation, such as sole proprietorship, partnership, and corporation
• Calculate the amount of uncollectable accounts through aging of accounts receivable
• Exhibit understanding of stock transaction, such as issuance, treasury stock, and various forms of dividends
• Calculate and record depreciation using straight line and accelerated methods
• Exhibit understanding of bond transactions, such as issuance, interest payments, amortization of premium or discount (using effective interest method) and redemption entries
• Understand the time value of money and application of those principles
• Prepare budget reports to make business decisions
• Determine relevant cost and revenue data for decision-making purposes
• Demonstrate knowledge of cost volume profit analysis
• Demonstrate knowledge of cost accounting systems, such as job order costing, activity based costing, and variable costing
• Demonstrate knowledge of standard costs and calculate variances
• Calculate predetermined overhead rates and over/under applied overhead
• Demonstrate knowledge of capital budgeting methods such as NPV, IRR, and payback
• Demonstrate knowledge of basic cost concepts, such as fixed, variable, and mixed costs

(Continued on the following page)
Sample Questions

When money is received on account from a customer, the appropriate entry increases
A. revenue
B. sales
C. accounts payable
D. cash

A deposit in transit on a bank statement is
A. added to the checkbook balance
B. added to the bank balance
C. subtracted from the bank balance
D. subtracted from the cash account

A purchase of merchandise on account
A. decreases an asset
B. decreases a liability
C. increases a liability
D. increases an expense

In a multi-step income statement, interest expense would be included in
A. revenue
B. cost of goods sold
C. selling and administrative expense
D. other income and expense

Double ruling below a total indicates the
A. subtotal
B. net income
C. net loss
D. final total

(Continued on the following page)
An actual count of merchandise is called a _____ inventory.
A. physical
B. perpetual
C. merchandise control
D. supply

A cash discount entry is based on
A. invoice terms
B. vendor relationships
C. purchase volume
D. a trade reduction

A corporation pays _____ to its stockholders.
A. earnings
B. dividends
C. contributed capital
D. paid-in capital

The interest on $200 at 6 percent for 60 days would be
A. $1.20
B. $2.00
C. $12.00
D. $120.00

The debt to equity ratio compares the
A. amount of liabilities to stockholders' equity
B. amount of assets to liabilities
C. residual value of the assets to the equity
D. equity to the assets