

# Accountant II Civil Service Exam Study Guide

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- Review a balance sheet and calculate current assets, liabilities, net income wage expense, ending balance (taking into account insurance, depreciation, deferred revenue, prepaid expenses, allowance for doubtful accounts, interest expense, wage expense, wage payable, etc.)
- Correct inaccurate journal entries and/or understand the effect errors will have
- What are the differences between corporations and public universities?
- Calculate the amount of interest expense a company should recognize at a given point in time given the amount borrowed and the interest rate

## SOME TOPICS/TERMINOLOGY TO BE FAMILIAR WITH:

### Accounting Cycle (Review Accounting Basics)

- **Information Processing:** account, credit, debit, general ledger, journal, source document, subsidiary account, T-account, trial balance (purpose of), be able to construct and “operate” a running balance form of account, know what types of transactions would result in a debit/credit, know the consequence of different types of accounting errors, conceptually what does a balance sheet depict?
- **Income Measurement:** accrual, accrual basis vs. cash basis accounting (when should revenue be recognized; be able to calculate end of month assets and expense based on events that occur during that month, what type of entry requires adjustment at end of month under accrual accounting, when is revenue recognized?, adjusting process (understand and be able to prepare adjusting entries; know when they are needed, how are adjusting entry requirements different, what is the main purpose of an adjusting entry?), exchange and nonexchange events, contra asset (be able to give examples), matching principle (what does it require under accrual accounting?), depreciation, fiscal year, periodicity assumption, prepaid expenses, unearned revenue, what are the 3 general rules of expense recognition?, deferred revenue (what is it? how does it affect revenue, cash, liabilities?), collection of accounts receivable
- **The Reporting Cycle:** accounting cycle, capital shock, closing process, full disclosure principle, intangible asset, liquidity, long-term investment, operating cycle, quick ratio, temporary accounts, working capital

### Current Assets

What accounts would be reported in the current assets section of the balance sheet?

- **Special Issues for Merchants:** cash discount, cost of goods sold, credit/debit memorandum, F.O.B. destination (what does F.O.B. stand for?), goods available for sale, gross method, sales account (what is included), invoice price, multiple-step income method, net method, operating expenses, periodic vs. perpetual inventory system, purchase discounts, trade discounts, single-step income statement, be able to calculate profit margin ratios from an income statement

- **Cash and Highly-Liquid Investments:** bank reconciliation (create and solve a complex problem requiring a bank reconciliation), cash (what can be classified as cash), cash budget, cash equivalents, features of typical cash control system, compensating balance, deposits in transit, derivatives, fair value accounting, NSF check, outstanding check, petty cash, proof of cash, trading securities
- **Accounts Receivable:** accounts receivable, aging of accounts receivable, allowance method for uncollectibles, direct write-off method (be able to apply and know when the allowance method is preferred), interest, maturity date, maturity value, net realizable value, nontrade receivables, payee, principal, trade receivables, costs and benefits of credit
- **Inventory:** conservatism, consignment, cost flow assumption, first-in/first-out (FIFO), goods in transit (how are these classified on the balance sheet), gross profit method, last-in/first-out (LIFO), moving-average method, physical vs. retail inventory, specific identification method, weighted-average inventory method, 3 basic categories of inventory and where it is reported on balance sheet, know the general impacts of alternative cost flow assumptions, with special attention to the tax and financial statement results, understand how the accounting records are updated with a perpetual system (versus a periodic system).

#### Long-term Assets

- **Long-term Investments:** amortized cost method, available for sale securities, consolidation, current operating approach, equity method, goodwill, held to maturity investments, par value on bonds vs. premium on bonds, significant influence, straight-line amortization, straight line vs. double declining balance (effect on depreciation expense of changing from one to the other)
- **Property, Plant, and Equipment:** capital budget (what does it include?) capital expenditures, capital lease, change in accounting estimate, declining balance depreciation method, depreciable base, land improvements, lump-sum purchase, materiality, Modified Accelerated Cost Recovery, be able to prepare the property, plant, and equipment section on a balance sheet (what is part of the plant (capital asset) fund?), what key factors affect the determination of service life?, identify the appropriate treatment of interest and training costs on purchased and constructed assets, capitalized equipment purchase (where should you record under accrual accounting?)
- **Advanced PP&E Issues/ Natural Resources/ Intangibles:** betterment, boot, commercial substance, depletion, exchange transaction, impairment, intangible asset, natural resources, replacement, revenue expenditure, be able to record the removal of a depreciable asset from the accounts, know the general principles for asset exchanges that have or lack commercial substance

#### Liabilities/Equities

What accounts would be classified as liabilities on the balance sheet?

- **Current Liabilities and Employer Obligations:** accounts payable, compensated absences, contingent liabilities (criteria that apply in accounting for contingencies), defined benefit plan,

defined contribution plan, FICA, FUTA, gross pay, net pay, notes payable, SUTA, workers compensation insurance, warranty liability, what are some common current liabilities, what would appear as a liability on a balance sheet, understand the nature of notes and the related interest calculations, Long-term Liabilities, In addition to an employee's salary or wages, what other costs must an employer incur related to payroll?, What would typically be recorded as a liability on the balance sheet?

- **Long-term liabilities:** annuities, bonds payable, callable bond, commitments, compound interest (concepts and calculation), convertible bond, coupon bond, debenture bond, effective-interest amortization methods, future value, junk bond, nonredeemable bond, nonrefundable bond, present value, registered bond, secured bond, serial bond, simple interest, sinking fund bond, be able to account for a simple term note payable, accounting for bonds payable - whether issued at par, a premium or discount
- **Corporate Equity Accounting:** callable preferred, common stock, convertible preferred, cumulative preferred, dividends in arrears, ex-dividend, initial public offering, legal capital, paid-in capital in excess of par, preemptive right, preferred stock, prospectus, statement of stockholder's equity, stock, stock dividend, stock split, total paid-in capital, treasury stock

#### Using Information

- **Financial Reporting and Concepts:** accounting changes, Accounting Principles Board, AICPA, basic EPS, book value per share, business component, comparability, complex capital structure, comprehensive income, consistency, diluted EPS, dilutive securities, discontinued operations, dividend payout ratio, dividend rate, earnings, Earnings per share, EBIT, EBITDA, entity assumption, extraordinary item, GAAP, going concern assumption, IASB, intraperiod tax assumption, net income, PCAOB, price earnings ratio, principles-based, prior period adjustment, relevance, reliability, remeasurement, restatement, return on assets ratio, return on equity ratio, rules-based, Sarbanes-Oxley, Securities and Exchange Commission, stable currency assumption, translation, Be able to calculate basic earnings per share, Be able to calculate return on assets and return on equity, Know how to account for and report changes in accounting principle, Know the journal entry and financial statement effect of restatements for errors, What are the sequential steps of government accounting?
- **Financial Analysis and the Statement of Cash Flows:** direct approach, financing activities, indirect approach, investing activities, operating activities, statement of cash flows, Know the liquidity ratios: current ratio and quick ratio, Know the debt service ratios: debt to total assets, debt to total equity, and times interest earned, Know the profitability ratios: net profit on sales, gross profit margin, return on assets, and return on equity, What is the purpose of a statement of cash flows?, Be able to reconcile net income to cash flows from operating activities, fund accounting (according to fund accounting where are estimated revenues and authorized expenditures recorded?), encumbrance

## Managerial/Cost

- **Introduction to Managerial Accounting:** activity based costing, B2B, budget, CFM, CMA, controller, conversion cost, cost accounting, cost of goods manufactured, direct labor, direct material, ERP, finished goods, IMA, inventoriable cost, job costing method, M2M, manufacturing overhead, period cost, prime cost, process costing method, product cost, raw materials, RFID, scorecards (balanced), SG&A, standards, theory of constraints, total quality management, variances, work in progress, What are the elements of a control process?
- **Cost-Volume-Profit and Volume Scalability:** break-even point (when will it increase), committed fixed cost, contribution margin, cost-volume-profit analysis, discretionary fixed cost, economies of scale, fixed cost, high-low method, method of least squares, mixed costs, relevant range, scattergraph, step cost, target income, variable cost, Be able to perform break-even and target income computations
- **Job Costing and Modern Cost Management Systems:** capacity utilization, cost driver, database, direct costs, indirect costs, job cost sheet, just in time inventory, lean manufacturing, materials requisition form, overapplied overhead, overhead application rate, Six Sigma, transfer pricing, underapplied overhead, Be able to prepare journal entries to record direct and indirect materials and labor
- **Process Costing and Activity-Based Costing:** ABC/activity based costing, activity, activity cost pool, activity driver, batch-level activity, cost object, cost of production report, customer-level activity, entity-sustaining activity, equivalent units, FIFO process costing, market-level activity, process costing, product-level-activity, resource, resource driver, unit-level driver, weighted-average process costing

## General Questions

- General Management/supervisory questions
  - Motivation
  - Assignment of work
- Database
  - Import/export
  - Query
    - Fields/types, size, formats
    - Look up tables
- Spreadsheet
  - Formula calculations

*A standard Accounting and/or managerial Accounting textbook can also be used to assist in preparation for the examination*