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Question 1

Question Type: MultipleChoice

Ways in which a company can increase its return on investment (ROI) include:

Reducing expenses to increase operating income

Increasing controllable investment

Options:

A- Both 1 and 2

B- 1 only

C- 2 only

D- Neither 1 nor 2

Answer:

B

Question 2

Question Type: **MultipleChoice**

Variance analysis is the study of the difference between expected results and actual results. Variances can be positive or negative. A positive variance is typically considered:

Options:

A- favorable for both expenses and revenues

B- favorable for expenses, but unfavorable for revenues

C- favorable for revenues, but unfavorable for expenses

D- unfavorable for both expenses and revenues

Answer:

C

Question 3

Question Type: **MultipleChoice**

The goal of the investment department at the Wayfarer Health Plan is to maximize investment return. The investment department executes investments on time and at a low cost. However, these transactions often result in low returns or risks that are deemed too high for Wayfarer. With regard to effectiveness and efficiency, it is correct to say that Wayfarer's investment department is:

Options:

A- both effective and efficient

B- efficient, but not effective

C- effective, but not efficient

D- neither effective nor efficient

Answer:

B

Question 4

Question Type: **MultipleChoice**

The following information was presented on one of the financial statements prepared by the Rouge health plan as of December 31, 1998: When calculating its cash-to-claims payable ratio, Rouge would correctly divide its:

Options:

A- Cash by its reported claims only

B- Cash by its reported claims and its incurred but not reported claims (IBNR)

C- Reported claims by its cash

D- Reported claims and its incurred but not reported claims (IBNR) by its cash

Answer:

B

Question 5

Question Type: MultipleChoice

The following information was presented on one of the financial statements prepared by the Rouge Health Plan as of December 31, 1998:

Rouge's current ratio at the end of 1998 was approximately equal to:

Options:

A- 0.84

B- 1.06

C- 1.19

D- 1.31

Answer:

C

Question 6

Question Type: MultipleChoice

The following information was presented on one of the financial statements prepared by the Rouge Health Plan as of December 31, 1998:

This type of financial statement is called:

Options:

A- A balance sheet

B- An income statement

C- A statement of owners' equity

D- A cash flow statement

Answer:

C

Question 7

Question Type: **MultipleChoice**

The Proform Health Plan uses agents to market its small group business. Proform capitalizes the commission expense relating to this line of business by spreading the commissions over the premium-paying period of the healthcare coverage. This approach to expense recognition is known as:

Options:

A- Systematic and rational allocation

B- Matching principle

C- Immediate recognition

D- Associating cause and effect

Answer:

D