WGU Accounting-for-Decision-Makers C213 Practice Questions

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Question 1

Question Type: MultipleChoice

Which overhead cost is associated with batch-level activities?

Options:

A- Property taxes
B- Machine setups
C- Factory insurance
D- Product engineering wages

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Answer:

B

Explanation:

The correct answer is B. Machine setups. In activity-based costing, batch-level activities are performed each time a batch of goods is processed, regardless of how many units are in that batch. A classic example is the machine setup required before production of a batch can begin. ABC materials commonly identify setup costs as batch-level because the activity occurs per batch rather than per individual unit.

Option A, property taxes, and Option C, factory insurance, are usually considered facility-level or organization-sustaining overhead because they support the factory as a whole rather than a specific batch. Option D, product engineering wages, is more closely related to product-level activities, since engineering work often supports a particular product line rather than each batch run. Batch-level costs increase with the number of production batches, not necessarily with the number of units produced. Since machine setups are incurred each time a batch is started, they are the standard example of a batch-level overhead cost. Therefore, Option B is the correct answer.

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Question 2

Question Type: MultipleChoice

A company has projected the following sales for the spring quarter of a year:

April = $300,000

May = $325,000

June = $375,000

Cash is used to pay for 65% of all sales. The remainder is on credit.

The pattern for credit receivables collections is as follows:

Month of sale = 60%

Month after sale = 30%

Second month after sale = 10%

What are the projected cash sales for all three months of the spring quarter?

Options:

A- $105,000
B- $195,000
C- $350,000
D- $650,000

Answer:

D

Explanation:

The correct answer is D. $650,000. The question asks for projected cash sales for all three months of the spring quarter, not total cash collections including receivables from credit sales. Since 65% of all sales are cash sales, simply multiply total spring-quarter sales by 65%.

First, calculate total sales for April through June:

$300,000 + $325,000 + $375,000 = $1,000,000

Now calculate the cash-sales portion:

65% $1,000,000 = $650,000

Therefore, the projected cash sales for the quarter are $650,000.

The credit collection percentages are not needed for this specific question because it asks only about cash sales, not total cash receipts. Those credit collection percentages would matter if the question asked for cash collections by month or by quarter from both current and prior credit sales.

Because 65% of the quarter's $1,000,000 total sales are made in cash, the projected cash sales

amount is $650,000, which makes Option D correct.

Question 3

Question Type: MultipleChoice

Who does Sarbanes-Oxley apply to?

Options:

A- Publicly traded, wholly-owned subsidiaries of foreign companies doing business in the United States
B- Nonpublic companies in the United States
C- Nonpublic wholly-owned subsidiaries of foreign companies doing business in the United States
D- Publicly traded companies in the United States

Answer:

D

Explanation:

The correct answer is D. Publicly traded companies in the United States. Sarbanes-Oxley was enacted to strengthen corporate accountability, internal controls, and audit oversight for companies that access the public securities markets. Standard summaries of SOX explain that it applies to publicly traded companies doing business in the United States, along with the audit firms that audit those public companies.

Option B is incorrect because SOX does not generally apply in full to private, nonpublic companies in the same way it applies to public issuers. Option C is also incorrect for the same reason. Option A may describe a narrower scenario that can involve public-company reporting structures, but for an exam question asking broadly ''Who does Sarbanes-Oxley apply to?'', the clearest and best answer is publicly traded companies in the United States. SOX is fundamentally a public-company law designed to protect investors by improving the reliability of corporate disclosures and the independence of external audits. Therefore, among the listed choices, Option D is the most accurate and standard answer.

Question 4

Question Type: MultipleChoice

Which current asset on a balance sheet appears first in the traditional category order for U.S.-based companies?

Options:

A- Cash
B- Inventory
C- Accounts receivable
D- Prepaid expenses

Answer:

A

Explanation:

The correct answer is A. Cash. In the traditional ordering of current assets on a U.S. balance sheet, accounts are typically listed in order of liquidity, meaning how quickly they can be converted into cash or used. Cash is already the most liquid asset, so it normally appears first. After cash, companies usually list items such as marketable securities, accounts receivable, inventory, and prepaid expenses. OpenStax identifies cash among the standard examples of assets and discusses current assets such as accounts receivable, inventory, and prepaid items.

Option B, inventory, is incorrect because inventory is less liquid than cash and receivables. Option C, accounts receivable, is also incorrect because receivables are expected to become cash, but they are not cash itself. Option D, prepaid expenses, typically appear later because they do not convert into cash; instead, they provide future benefits through services or coverage already paid for. In U.S. practice, the standard presentation begins with the most liquid current asset, which is cash. Therefore, among the choices provided, Cash is the correct answer.

Question 5

Question Type: MultipleChoice

What are two examples of product costs?

Select 2 answers.

Options:

A- Selling and administrative expenses
B- Direct labor
C- Period expenses
D- Raw materials

Answer:

B, D

Explanation:

The correct answers are B. Direct labor and D. Raw materials. Product costs are the costs incurred to manufacture or acquire a product that will be sold. In a manufacturing setting, product costs normally include direct materials (raw materials), direct labor, and manufacturing overhead. Corporate Finance Institute summarizes product costs as including direct material, direct labor, and manufacturing overhead.

Option A. Selling and administrative expenses is incorrect because those are period costs, not product costs. Option C. Period expenses is also incorrect for the same reason. Period costs are expensed in the period incurred and are not attached to inventory production. Lumen Learning similarly distinguishes product costs from period costs by explaining that product costs include direct materials, direct labor, and overhead, while selling and administrative expenses are period costs.

Because the question asks for two examples of costs directly associated with making a product, the best answers are Direct labor and Raw materials. These are core manufacturing inputs and become part of inventory until the goods are sold.

Question 6

Question Type: MultipleChoice

A company plans to purchase inventory for the second half of a year as follows:

July = $100,000

August = $75,000

September = $225,000

October = $125,000

November = $250,000

December = $30,000

The company usually pays 50% of inventory purchases in the month of purchase, 35% in the following month, and 15% in the second month.

What are the forecasted October cash payments based on this information?

Options:

A- $18,750
B- $62,500
C- $78,750
D- $152,500

Answer:

D

Explanation:

The correct answer is D. $152,500. To find October cash payments, include the portions of purchases paid in October from three different months:

15% of August purchases

35% of September purchases

50% of October purchases

Now calculate each amount:

15% of August ($75,000) = $11,250

35% of September ($225,000) = $78,750

50% of October ($125,000) = $62,500

Now add them:

$11,250 + $78,750 + $62,500 = $152,500

This is the total forecasted cash payment for October under the company's payment pattern. Budgeted cash disbursement questions often require tracking the timing of payments across multiple months, not just the current month's purchases.

Option B includes only 50% of October purchases. Option C includes only 35% of September purchases. Option A includes only part of the earlier-month carryover. Since October cash

payments must include all three applicable portions, the correct total is $152,500, making Option D the right answer.

Question 7

Question Type: MultipleChoice

What is a significant role of the U.S. Securities and Exchange Commission (SEC) in financial reporting?

Options:

A- The SEC provides representation and training to controllers of public companies
B- The SEC ensures that auditors have the resources and information necessary to provide valuable professional services
C- The SEC ensures that financial statement users are provided with reliable information to use in decision-making
D- The SEC supports company management and boards of directors in the effective discharge of their responsibilities

Answer:

C

Explanation:

The correct answer is C. A central role of the U.S. Securities and Exchange Commission (SEC) is to protect investors and promote fair, orderly, and efficient markets by requiring public companies to provide reliable, useful disclosure. The SEC's stated mission is to protect investors, maintain fair and orderly markets, and facilitate capital formation. In financial reporting terms, this means helping ensure that users of financial statements receive credible information for decision-making.

Option A is incorrect because the SEC is not primarily a training body for controllers. Option B is also incorrect because ensuring auditors have resources is not the SEC's core financial reporting role. Option D is too broad and management-focused; the SEC's primary public-facing purpose is investor protection through disclosure oversight and enforcement. Public company filings such as Forms 10-K and 10-Q exist so investors and other users can evaluate financial condition, performance, and risk using standardized information. Therefore, the best answer is that the SEC helps ensure financial statement users are provided with reliable information for decision-making.

Question 8

Question Type: MultipleChoice

Where should a company report cash payments to acquire or construct long-term fixed assets on a statement of cash flows?

Options:

A- Cash flows from business activities
B- Cash flows from operating activities
C- Cash flows from investing activities
D- Cash flows from financing activities

Answer:

C

Explanation:

The correct answer is C. Cash flows from investing activities. Cash paid to acquire, build, or improve long-term fixed assets such as land, buildings, machinery, and equipment is classified as an investing cash outflow on the statement of cash flows. OpenStax explains that the investing section of the statement of cash flows relates to changes in long-term assets, which includes capital expenditures for property, plant, and equipment. FASB cash flow guidance also requires classifying cash receipts and payments as operating, investing, or financing based on the nature of the activity.

Option B is incorrect because operating activities relate to the core day-to-day revenue-producing operations of the company. Option D is incorrect because financing activities involve obtaining or repaying capital, such as borrowing, issuing stock, or paying dividends. Option A is not a standard reporting category under the statement of cash flows. Since buying or constructing long-term fixed assets represents investment in productive resources for future use, the correct classification is Cash flows from investing activities.

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