**Competency Test for Accountant – Entering Company**

1. Name the 5 types of accounts in accounting that make up the income statement and balance sheet?
2. What is the difference between FIFO and LIFO?
3. Describe the action plan for establishing full departmentalization of a company that is currently a total company income statement?
4. Describe how you would go about insuring separation of duties to avoid fraud or theft for a company using accounting processes?
5. What is the formula for Return on Investment?
6. What is the Accounting equation?
7. What are the financial statements and how are they used by management?
8. Describe the various methods to allocate overhead within an income statement for managerial accounting purposes?
9. What are the names of the types of financial ratios – the categories in of ratios utilized for financial analysis?
10. If a company has a future liability and doesn’t have to pay but wants to hold the cash for the future expense how would treat the transaction?
11. What is the difference between a journal and a ledger and how are they both utilized in the accounting system of a company?
12. What are three of the accepted methods of depreciation today and name 1 strength each may offer as a choice?
13. How is working capital ratio calculated – define the formula?
14. What is a minimum recommended working capital ratio for a growth oriented company?
15. Please describe how you would treat the “Fringe Benefits” of a company that had a cost of sales and a salaried workforce – in short where would you place the benefits costs in the income statement?
16. What is the difference between cash and accrual accounting methods?
17. A company on accrual accounting purchased $50,000 worth of equipment inventory and paid for it please list the transactions to the accounting system?
18. If you have employees in multiple states how would you approach the tax with-holding of the various employees?
19. If a company is an “S” corporation, how would you treat a distribution to an owner as it relates to the ledgers – define the entries and the resultant financial statement effects?
20. How would you institute a purchase order system in a company that did not utilize one at present – define the steps and the potential challenges you may face?
21. How would you create a cash flow forecast with managers – name 4 questions you would ask them to help create the forecast?
22. Describe how you as the accountant for a firm would insure proper cash flow of a company?
23. Which of the following statements about capital budgeting is a false statement?
    1. NPV does not take the profit of investment into account since it concentrates on the project’s effect to the value of the firm?
    2. The IRR and NPV will never disagree about whether or not the project is acceptable to the firm?
    3. The IRR and NPV both incorporate the firms WACC?
    4. The IRR can be defined as the discount rate that results in a project having a NPV equal to zero?
24. What is the single biggest driver of overhead in a company?