STUDENT GUIDELINES FOR PREPARING FOR THE FINAL EXAM
PRINCIPLES OF ACCOUNTING II

Points On The Exam:

There will be 415 points on the exam. Your grade on the final exam will be based on a total of 400 points. Remember, your overall grade in the course is based on a total of 1000 points for the three exams.

Description Of The Final Exam:

The final exam will consist of five multi-part problems. There will be no multiple-choice questions on the exam. The five problems will be worth between 70 and 120 points each. The final exam will concentrate on Chapters 8, 12 and 15, although you are still responsible for all the major concepts and problem areas included in the course. There will be only one problem from the materials covered on the first two exams, and that problem will be a cost-volume-profit analysis.

Note: Transfer pricing will not be included anywhere on this exam.

Types of Problems Which Might Be Covered On The Exam

The exam will include five “whole” problems, each of which has several parts. These will require that the student solve each part of the problem by performing calculations and presenting them in the designated spaces for answers on the exam. It is strongly recommended that you show your work, since partial credit will be given in some (but not all) cases. The instructor can only determine if a student deserves some partial credit if their calculations can be reviewed. If you provide an incorrect answer and no calculations are provided, then you have greatly reduced the possibility of receiving any partial credit.

Types of Problems on The Final Exam

The problem areas on which you should concentrate for the exam are the following:

1. Cost-Volume-Profit Problems

   You must understand the concepts of variable costs, fixed costs, and contribution margin. You should be able to calculate the breakeven point in both units and sales dollars and the degree of operating leverage. You should also be able to determine the level of sales (in units and sales dollars) required to achieve a specified level of profit before or after taxes. You should be able to determine a company’s current tax rate from a review of the income statement.

   You should also be able to calculate breakeven points and expected profit levels under a variety of sets of assumptions. Thus, you should be able to calculate expected profit levels under a particular set of assumptions, including those related to changes in selling price, variable costs, fixed costs, and the level of sales. In short, you may be asked to perform some “what if analyses”, which are often called sensitivity analyses. You will not be responsible for
any calculations regarding multiple product situations, where the product sales mix must be explicitly considered. All the assigned problems should be reviewed. The two handout problems provided during the course would also be very useful to review. You will not have any responsibility for graphing solutions.

2. **Budgeting For Sales, Direct Material, Direct Labor, Cash Receipts, Cash Collections, Cash Payments**

   You should be able to determine the budgeted figure for any particular month, quarter or period for any of the items listed above. Related assigned problems include: E8-3, E8-4, E8-5, E8-6, and P8-14.

3. **Preparation of Performance Reports Using Static & Flexible Budget Comparisons**

   The problem on the exam will be very similar to the four handout problems provided on this subject. None of the problems from the text book cover this subject adequately. Study those four problems and you should do fine on the exam on this issue.

4. **Determination of an Organizational Unit’s ROI and Residual Income**

   You should be able to calculate the ROI and the residual income of a division or other organizational unit. You should also be able to determine whether the manager of a unit would approve a project given the basis used for evaluating the performance of such units. Related assigned problems include: E12-2, E12-3, E12-4, and E12-6.

5. **Determination of an Organizational Unit’s Margin and Turnover and Their Relationship to its ROI**

   You should be able to calculate a unit’s profit margin (income/sales), its asset turnover (sales/average assets), and be able to demonstrate how they relate to ROI (margin x turnover = ROI). Read particularly carefully from page 498 to the top of page 501. Related assigned problems include: E12-2, E12-4 and E12-5.

6. **Tactical Decision Making**

   Two of the four decision areas listed here will be included on the exam. The decision areas which you should be able to handle are (1) Make-or-Buy, (2) Special-Order, (3) Keep-or-Drop, and (4) Product Mix, with one constrained resource. Related assigned problems include: E15-1, E15-4, E15-5, E15-6, P15-10, P15-13, P15-20.

**Note:** Data may be presented in a format that is somewhat different from that presented in the text or the problems covered in class. Carefully read the table and utilize the provided information appropriately.