ACHE of Georgia 2025 Tutorial

Accounting & Finance Quiz Questions & Answers

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Question 1

Financial statements are important in order to:

A. Identify, measure, record and communicate, in dollar terms, the economic events and status of an organization
B. Serve as a control mechanism for budgeting
C. Provide detailed financial information for control at the department level
D. Provide staffing guidelines to human resource managers.

Question 1: Answer

Answer is A: Identify, measure, record and communicate, in dollar terms, the economic events and status of an organization

Some of the other options may apply, but A is most comprehensive.

Question 2

Which one of the following classifications or groups of financial ratios would be most useful as a guide to long-range financial viability of an organization in undertaking facility replacement?

A. Leverage ratios

B. Profitability ratios

C. Liquidity ratios

D. Composition ratios

Question 2: Answer

Answer is A.

Key words are **long-range financial viability** related to facility replacement.

Leverage ratios give an indication of the facility's long-range financial viability as it undertakes facility replacement project

Question 3

For information on net cash flows from providing health services for a specific time frame, the decision maker should use the:

A. Statement of cash flows

B. Income statement

C. Balance sheet

D. Statement of retained earnings

Question 3: Answer

Answer is A.

- The statement of cash flows provides information on cash flow from operations, investments and financing resulting in net cash flow.
- The income statement reports on the accounting income.
- The balance sheet shows cash position of the organization.
- The statement of changes in retained earnings provides information on the changes in the fund balance or equity.

Question 4

The asset turnover ratio is useful in measuring managerial performance because it indicates the:

A. Amount of resources required to generate a dollar of revenue
B. Profitability per dollar of revenue
C. Effectiveness of capital structure decisions
D. Effective use of current assets

Question 4: Answer

Answer is A.

- The asset turnover ratio is calculated by dividing total revenue by total assets. The result is a ratio that measures the dollar value of revenue generated by each dollar of assets. Generally, a higher turnover ratio reflects a better use of assets by management.

Question 5

Which of the following ratios would be used to estimate cash flow for a specific time period:

A. $\dfrac{\text{Receivable balance}}{\text{Average daily revenues for period}}$

B. $\dfrac{\text{Net accounts receivable}}{\text{Gross accounts receivable}}$

C. $\dfrac{\text{Cash collected during period}}{\text{Revenues for period}}$

D. $\dfrac{\text{Deduction from revenue}}{\text{Gross revenue for period}}$

Question 5: Answer

Answer is C.

- Cash collected as a percentage of revenue for the period provides management with the rate of cash inflows.
- Response A is the formula for average days outstanding in AR
- Response B is a measure of the amount of net revenues as a percentage of gross revenue but this is not a measure of cash flow
- Response D is the formula for deduction from revenue

Question 6

Under generally accepted accounting standards, bad debts are reported as a/an:

A. Deduction from net revenue

B. Operating expense

C. Contractual allowance

D. Deduction from gross revenue

Question 6: Answer

Answer is B.

- A change to GAAP requires that only net revenues be shown on the income statement with net revenues being defined as amounts billed to payors. Bad debts were required to be classified as operating expenses and no longer as a deduction from revenues. In the past, they were included as deductions from gross revenues.
- Response A is technically correct as all operating expenses are deductions from net revenues to obtain the net income amount. However, they are not in an accounting sense listed as a deduction from revenues.
- Source: Suver, Neuman, and Boles, Chapter 12.

Question 7

A technique used to shorten the in-house processing time of the accounts receivable cycle is a:

A. “lock-box” agreement

B. Line of credit arrangement

C. Minimum balance arrangement

D. Shortened write-off date

Question 7: Answer

Answer is A.

- A lock-box agreement with a bank results in the payment being made directly to the bank and bypassing the in-house processing before the cash is deposited.
- Response B: Does not affect AR
- Response C & D: do not influence cash **<u>flow</u>**.

Question 8

One of the techniques most frequently used in industry to aid management in interpreting a firm's balance sheet is computation of the "acid-test ratio," which is the ratio of:

A. Current assets to current liabilities

B. Total assets to total liabilities

C. Cash to short-term debt

D. Cash, marketable securities and accounts receivable to current liabilities

Question 8: Answer

Answer is D.

- This is formula for Acid Test Ratio a.k.a. Quick Ratio

Question 9

The purpose of debt-service coverage is to:

A. Determine the payout period
B. Determine the ratings of the bonds
C. Protect the investor
D. Establish the rate structure for patient services

Question 9: Answer

Answer is C.

- Protect the investor – this is the most all encompassing answer.

Question 10

Controlling the costs of accounts receivable is heavily affected by:

A. The time or length of the payment cycle

B. The dollar amount of credit granted to individuals

C. The total dollar amount of receivables carried on the books

D. Working capital management

Question 10: Answer

Answer is A.

- The time and length of the payment cycle
- The cost to manage the accounts increases with length of the payment cycle.

Question 11

To evaluate changes in levels of revenue and expenses as a result of changes occurring during the year, management can:

A. Use a “step-down” method

B. Use the contributing margin approach to budgeting

C. Use the capital approach to budgeting

D. Project existing trends forward for one year

Question 11: Answer

Answer is B: Contribution margin will allow for changes in revenue & expenses

Question 12

When third-party policies and programs impede the healthcare facility's fiscal capacity to renovate and model its plant as routinely scheduled, the healthcare facility – to protect itself – should first:

A. Issue long term capital bonds instead of short term debt
B. Delay capital improvements until funds are available
C. Reduce the level of operating services
D. Limit the number of admissions from selected third-party payment sources

Question 12: Answer

Answer is B: Delay capital improvements until funds are available.

Don’t be tempted to take on debt (increases risk)

Question 13

Which of the following rule applies to the purchase of major diagnostic or treatment equipment?

A. Physician input is required by the accrediting body

B. Competitive bidding is required by government programs

C. The decision should be based on equipment depreciation schedules

D. Funds should be allocated annually in accordance with the organization's capital schedule

Question 13: Answer

Answer is D: Funds should be allocated annually in accordance with the organization's capital schedule, which usually involves a multi-year budget and prioritization based on the organization's strategic plan

Other options may be correct. But D is most comprehensive

Question 14

Temporary working capital needs should be financed through:

A. Leasing of equipment
B. Short-term debt
C. Equity financing
D. Accounts receivable

Question 14: Answer

Answer is B:

Short-term debt = Temporary financing

Question 15

As an internal control method, a budget is most commonly used to:

A. Allow managers to control expenditures in the current year and to justify increases in future budgets

B. Provide feedback concerning operational expenditures to the governing authority and to allow management to satisfy the governing authority’s requirements of accountability

C. Serve as the numerical specification of plans and to function as a standard of control against which results can be compared

D. Allow management to monitor operational expenditures and to justify future requests for decreased or increased expenditures to rate-setting agencies

Question 15: Answer

Answer is C:

- Budgets serve as a numerical specification of the annual operating plan.
- Budgets also serve as the standard of control against which results are measured.