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QUESTION 1

In a period of rising prices, the inventory method that gives the lowest possible value for ending inventory is:

- A. weighted average
- B. LIFO
- C. FIFO
- D. gross profit

Correct Answer: B

The ending inventory under LIFO is priced at the earliest, and thus the lowest prices (in a period of rising prices) than any of the other methods.

QUESTION 2

What is the critical z-value for a one tailed lower test at the 1% level of risk?

- A. + 2.58
- B. +2.33
- C. -2.58
- D. None of these answers
- E. -2.33

Correct Answer: E

This is found by subtracting the 0.01 from 0.5 and then finding the z-value for 0.49.

QUESTION 3

If you deposit \$150 a month, beginning next month, for 20 years into an account paying 6% per year, compounded monthly, how much is in your account after the last deposit?

- A. \$70,343.82
- B. \$48,833.09
- C. \$49,904.67
- D. \$143,582.01
- E. \$69,306.13

Correct Answer: E



On the BAII Plus, press 240 N, 6 divide 12 = I/Y, 0 PV, 150 PMT, CPT FV. On the HP12C, press 240 n, 6 ENTER 12 divide i, 0 PV, 150 PMT, FV. On the BAII Plus, make sure the value of P/Y is set to 1. Note that the answer is displayed as a negative number.

QUESTION 4

A stock had the following percentage increases in its value over the last 5 years: 7%, 4%, 12%, 10%, 15%. The geometric rate of return on the stock equals _____.

- A. 8.72%
- B. 9.22%
- C. 9.60%
- D. 9.53%

Correct Answer: D

The geometric rate of change equals $(1.04*1.07*1.1*1.15*1.12)^{(1/5)} - 1 = 9.53\%$. Note this is different from the straight geometric mean, which in this case would be $(0.04*0.07*0.1*0.15*0.12)^{(1/5)} = 8.72\%$. You should be very careful about this point since the Mason and Lind textbook is quite ambiguous on this point.

QUESTION 5

At the end of a fiscal period, any revenue that has been earned but not received should be credited to an appropriate:

- A. expense account
- B. revenue account
- C. liability account
- D. asset account

Correct Answer: B

Revenue should be recognized in the period in which it is earned and is credited to the appropriate revenue account.

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