

CLFP Practice Test Questions and Answers

1. What are Revenues?

- A) Regarding elements of a balance sheet, equity consisting of the total accumulated net income minus the total accumulated dividends since the company's founding.
- B) Regarding elements of an income statement, this figure represents the sum of all revenues minus the sum of all expenses. Commonly referred to as the "bottom line"
- C) Regarding elements of a balance sheet, a current liability consisting of amounts estimated by an accountant to have been incurred during the accounting period.
- D) Regarding elements of an income statement, all sources of trade revenues flowing into the business for services rendered or goods sold. Typically reported net of sales returns.

2. What is PreTax income?

- A) Regarding elements of an income statement, this represents Operating Income plus/less Other Revenue/Expense.
- B) Regarding elements of a balance sheet, a current liability consisting of amounts owed to suppliers for goods and services purchased in connection with business operations.
- C) Regarding elements of a balance sheet, assets consisting of resources not listed with any of the other categories. Examples may include intangible assets, patent, trademarks etc.
- D) Regarding elements of a balance sheet, equity consisting of the total accumulated net income minus the total accumulated dividends since the company's founding.

3. What are fixed assets?

- A) Regarding elements of a balance sheet, assets similar to buildings, land, machinery, equipment, office machines, furniture etc. Typically capitalized and amortized or depreciated over the useful life. Typically called plant and equipment.
- B) Regarding elements of a balance sheet, a current asset representing the amount due from customers for payment of services or merchandise
- C) Regarding elements of an income statement, these are the expenses related to conducting the business. They generally fall into two main categories: selling or general/administrative.
- D) Regarding elements of an income statement, this is key to developing an understanding of the accounting methods and policies applied by a business. Also report significant items to the reader. Also includes other details and schedules of long term debt.

4. Why is sales tax complicated?

- A) The price at which the property could be sold at an arm's length transaction by unrelated parties.
1.) normal selling price, net volume discounts, for a lessor who manufacturer/dealer 2.) Cost, net volume discounts for a lessor that is not a manufacturer or dealer.
- B) Regarding elements of an income statement, this represents income and expenses that are not generated by the usual course of business and are not considered extraordinary. An example would be interest expense.
- C) 1.) require monthly, quarterly, semi annual or annual 3.) payment may be due upfront or over the stream 4.) certain equipment is exempt for sales tax 5.) sales tax vary per jurisdiction and update periodically

D) 1.) Revenue and expense are recognized in the period in which service is performed or goods are delivered, regardless of when payment is made. 2.) Matching of revenues and expenses

Answers: 1-D 2-A 3-A 4-C

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