



Michigan

TEST FOR TEACHER CERTIFICATION
STUDY GUIDE

33 Accounting



TABLE OF CONTENTS

PART 1: General Information About the MTTC Program and Test Preparation

OVERVIEW OF THE TESTING PROGRAM	1-1
Contact Information	
Test Development Process	
Characteristics of the Tests	
Test Administration	
Score Reporting	
HOW TO PREPARE FOR THE TESTS	1-4
Plan Your Course of Study	
THE DAY OF THE TEST: HELPFUL HINTS.....	1-5
Preparing for the Test Administration	
Test-Taking Tips	
Test Directions	

PART 2: Test Objectives and Sample Test Questions

INTRODUCTION	2-1
TEST OBJECTIVES	2-3
SAMPLE MULTIPLE-CHOICE TEST QUESTIONS.....	2-9
ANSWER KEY FOR THE SAMPLE MULTIPLE-CHOICE TEST QUESTIONS	2-13

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PART 1: General Information About the MTTC Program and Test Preparation

The first section of the study guide is available in a separate PDF file. Click the link below to view or print this section.

[General Information About the MTTC Program and Test Preparation](#)

PART 2: Test Objectives and Sample Test Questions

INTRODUCTION

This section includes a list of the test objectives, immediately followed by sample test questions and an answer key for the field covered by this study guide.

Test Objectives

As noted, the test objectives are broad, conceptual statements that reflect the knowledge, skills, and understanding an entry-level teacher needs in order to teach effectively in a Michigan classroom. Each field's list of test objectives represents the **only** source of information about what a specific test will cover and, therefore, should be studied carefully.

The test objectives are organized into groups known as "subareas." These subareas define the major content areas of the test. You will find a list of subareas at the beginning of the test objective list. The percentages shown in the list of subareas indicate the approximate weighting of the subareas on the test.

Sample Multiple-Choice Test Questions

The sample multiple-choice test questions included in this section are designed to give the test-taker an introduction to the nature of the test questions included on the MTTC test for each field. The sample test questions represent the various types of test questions you may expect to see on an actual test; however, they are **not** designed to provide diagnostic information to help you identify specific areas of individual strengths and weaknesses or predict your performance on the test as a whole. Use the answer key that follows the sample test questions to check your answers.

To help you identify which test objective is being assessed, the objective statement to which the question corresponds is listed in the answer key. When you are finished with the sample test questions, you may wish to go back and review the entire list of test objectives and descriptive statements once again.

Accounting (33) Field-Specific Information

The last test date for current program participants is July 2011.

TEST OBJECTIVES

Subarea	Approximate Percentage of Questions on Test
Communication and Information Processing	16%
Personal Finance and Business Math	20%
Accounting Principles and Procedures	40%
Economics, Business Management, and Employment	24%

COMMUNICATION AND INFORMATION PROCESSING

Identify proper sentence structure, grammar, and usage.

Includes proper sentence structure, proper agreement (e.g., subject-verb, pronoun-antecedent, consistent tense), and proper word usage.

Identify proper capitalization, punctuation, and spelling.

Includes rules of capitalization, proper terminal and internal punctuation, and the spelling of words.

Analyze the composition of written and oral business communications.

Includes types and characteristics of business communications (e.g., memo, interview, business letter); and the analysis of unity, coherence, clarity, emphasis, and overall effectiveness of business communications.

Apply reading and research skills.

Includes skills related to following directions, interpreting written material, and using dictionaries, thesauruses, almanacs, encyclopedias, and business directories.

Identify types and characteristics of computer hardware.

Includes types and characteristics of computers, input devices, output devices, and storage media.

Identify computer software and its use in accounting.

Includes types of software commonly used in business, their features, and their applications to accounting.

Understand the fundamentals of computer system operation.

Includes terms related to computer system operation; procedures for maintaining security in a computer system; and procedures for operating a computer system.

PERSONAL FINANCE AND BUSINESS MATH

Understand commercial bank services and negotiable instruments.

Includes services offered by commercial banks; types and characteristics of savings and checking accounts; reconciling checking accounts; and types and characteristics of negotiable instruments.

Understand personal investment options.

Includes terms related to investing; types and characteristics of investment options; and calculations related to investments.

Understand consumer credit and borrowing.

Includes terms related to credit and borrowing; types and characteristics of consumer credit options; and calculations related to credit and borrowing.

Understand insurance and insurance policies.

Includes terms related to insurance; types and characteristics of insurance policies; and factors involved in selecting insurance options.

Understand housing options and their characteristics.

Includes costs of various housing options; types and characteristics of financing options; and factors affecting decisions related to buying, selling, and financing.

Understand issues related to retirement and estate distribution.

Includes the need for retirement income and for estate planning; sources of retirement income; and factors involved in estate planning.

Apply knowledge of basic mathematical operations.

Includes calculations and word problems involving addition, multiplication, subtraction, and division.

Apply knowledge of fractions, decimals, and percentages.

Includes calculations and word problems involving fractions, decimals, and percentages.

ACCOUNTING PRINCIPLES AND PROCEDURES

Understand the accounting equation.

Includes the elements and correct form of the equation; and the relationship between accounting transactions and the equation.

Understand the accounting cycle.

Includes steps in the accounting cycle and their characteristics; and variations in the accounting cycle to accommodate business needs (e.g., cash basis system, accrual basis system, service business, merchandising business).

Understand source documents and journals.

Includes types and characteristics of source documents and journals; procedures for entering transactions in general, special, and combination journals; making corrections; proving and ruling journals; and making adjusting and closing entries.

Apply knowledge of ledgers and posting.

Includes the forms and characteristics of ledgers; procedures for posting to ledgers and for posting adjusting and closing entries.

Apply knowledge of post-closing trial balances.

Includes functions of a post-closing trial balance and procedures for preparing a post-closing trial balance.

Understand work sheet and trial balances.

Includes the forms, characteristics, and functions of work sheets; procedures for preparing a work sheet and trial balance; and procedures for finding and correcting errors.

Apply knowledge of financial statements.

Includes the forms, characteristics, and functions of balance sheets, income statements, schedules of cost of goods sold, and statements of owner's equity; and procedures for preparing these statements.

Understand filing systems.

Includes types of filing systems (e.g., tickler, alphabetic, subject); their characteristics and uses; and procedures for using them.

Understand accounts payable and accounts receivable systems.

Includes types and characteristics of files and documents related to accounts payable and accounts receivable systems; generating and interpreting an accounts receivable aging schedule; and generating and interpreting a schedule of accounts payable.

Analyze transactions involving uncollectible accounts and depreciation.

Includes terms related to uncollectible accounts and depreciation; estimating bad debts expense; journalizing and posting adjusting entries related to uncollectible accounts; and determining and recording depreciation expense adjustments.

Apply knowledge of payroll systems.

Includes types and characteristics of payroll records; calculation of earnings and deductions; and recording of payroll information and transactions.

Understand petty cash systems and cash voucher systems.

Includes purpose of a petty cash fund; procedures for establishing and replenishing a petty cash fund; procedures for processing transactions and summarizing a petty cash fund; and forms and procedures for operating a cash voucher system.

Understand procedures related to shipping, receiving, and mail processing.

Includes terms related to shipping, receiving, and mail processing; and available services and their characteristics.

Understand recordkeeping procedures related to office budgets, schedules, and supplies.

Includes procedures for developing and using office budgets and schedules; monitoring work flow; assigning priorities; and monitoring and assigning office supplies.

Analyze transactions involving merchandise accounts (e.g., sales, purchases, discounts).

Includes procedures for journalizing and posting transactions related to merchandise accounts; terms of sales (e.g., FOB; EOM; 2/10, n/30); and computing amount due on invoices.

Understand procedures for recording and controlling merchandise inventory.

Includes terms related to inventory systems; determining quantity and cost of inventory; and advantages and disadvantages of LIFO, FIFO, and weighted-average methods of inventory costing.

Analyze financial information.

Includes reasons for analyzing financial information; appropriate documents and analyses to use for a given purpose; comparative financial statements; and decision making based on financial information.

ECONOMICS, BUSINESS MANAGEMENT, AND EMPLOYMENT

Understand basic principles of economics.

Includes principles related to supply and demand; types and characteristics of market systems; phases and characteristics of the business cycle; and the roles of business, labor, and consumers in free enterprise.

Analyze the federal government's role in the U.S. economy.

Includes the effects of federal fiscal and monetary policy; the powers of the Federal Reserve System; types, characteristics, and effects of federal regulation of business; and effects of taxation on business and consumers.

Understand the principles of international economics and the role of the U.S. economy in the world economy.

Includes measures of national production and economic strength; the effects of trade restrictions, tariffs, and fluctuations in currency exchange rates on the U.S. economy; the role of other countries as trading partners and competitors of the United States; the principles of balance of trade; and comparative and absolute advantage in international economics.

Apply knowledge of consumer economics.

Includes the rights and responsibilities of consumers, laws, regulations, and public and private agencies that protect and serve consumers; factors affecting consumer prices; and strategies for making purchasing decisions.

Understand the use of planning procedures in making operational decisions.

Includes reasons and procedures for setting and revising company policies, short-term goals, and long-term goals.

Apply knowledge of quantity, quality, and cost controls.

Includes procedures for setting quantity, quality, and cost controls; and factors involved in setting quantity, quality, and cost controls.

Understand business structure and organization.

Includes types and characteristics of business ownership; and types and characteristics of business organizational structures.

Identify career opportunities in accounting.

Includes appropriate career choices based on personal values, skills, interests, objectives, education, and experience; and responsibilities associated with accounting careers.

Identify procedures and resources for preparing for careers in accounting.

Includes sources of information about careers in accounting; and procedures for obtaining the necessary requirements for a career.

Identify procedures and resources for seeking employment in accounting.

Includes sources of information concerning employment opportunities; and skills related to job applications, interviews, and résumés.

Apply skills for maintaining a career in accounting.

Includes proper behaviors and attitudes for the workplace; opportunities for continued training; and factors effecting advancement.

SAMPLE MULTIPLE-CHOICE TEST QUESTIONS

1. A purchasing manager has finished reviewing five proposals submitted by prospective vendors. She is preparing an analytical report for upper management based on her review. Which of the following should be included in the *summary* of her report?
 - A. an outline of the available options to be considered with an analysis of the strengths and weaknesses of each
 - B. a copy of the five proposals with attachments describing various pricing methods
 - C. a description of the methods she used to collect and analyze the information about the merits of the individual proposals
 - D. a chart with information on the products available
2. In business, spreadsheet software packages are generally most useful for activities such as:
 - A. managing mailing lists of customer names and addresses.
 - B. projecting financial outcomes under various scenarios.
 - C. creating and storing correspondence sent to clients.
 - D. managing various data files and software applications stored in computer memory.
3. For which of the following reasons might a municipal bond paying an interest rate of 6.75 percent be a better investment vehicle for a two-income professional couple than a corporate bond paying a higher rate of interest?
 - A. The interest rate risk of private debt is considerably higher than that for municipal bonds.
 - B. Since interest income for municipal bonds is exempt from federal income taxes, the actual rate of return can be equal to or higher than private bonds, depending on the individual's tax status.
 - C. Bond rating organizations usually rate municipal bonds higher than private bond issues; therefore municipal bonds are a less risky investment.
 - D. Since private bonds are sold primarily through secondary markets, securities brokers charge higher fees for trading these securities than they do for trading municipal bonds.

4. Jonah has an interest-bearing checking account. His monthly statement shows an account balance of \$743.63. He notes that he has outstanding checks in the amounts of \$25.90, \$147.50, \$16.00, and \$493.73. He also notices that a recent deposit of \$543.60 is not included on his statement. What is his actual balance?
- A. \$258.83
 - B. \$596.60
 - C. \$602.40
 - D. \$604.10
5. Last year the D. P. Martin Real Estate Company purchased and paid for a three-year fire insurance policy to cover their office building. During each subsequent accounting period, an adjusting entry has been made to reflect the portion of the policy used during that particular period. Which of the following represents an adjusting entry that might be made to record the accrual of such a cost?
- A. debit Unexpired Insurance;
credit Insurance Expense Payable
 - B. debit Insurance Expense;
credit Unexpired Insurance
 - C. debit Insurance Expense Payable;
credit Cash
 - D. debit Unexpired Insurance;
credit Cash
6. Although the trial balance is useful in proving that the ledger is in balance, it does not prove that transactions have been correctly analyzed. Which of the following errors would not be discovered by doing a trial balance?
- I. if a receipt of cash was recorded by debiting the accounts receivable account
 - II. if a debit was erroneously entered as a credit
 - III. if there was a transposition error or an incorrect placement of a decimal point
 - IV. if a transaction was omitted entirely from the ledger
- A. I and II only
 - B. I and IV only
 - C. II and III only
 - D. II and IV only

7. The Barnes Corporation has estimated their uncollectible accounts as a percentage of net sales. Which of the following represents the correct adjusting entry required to reflect this estimate?
- A. debit Bad Debts Expense; credit Accounts Receivable
 - B. debit Allowance for Uncollectible Accounts; credit Accounts Receivable
 - C. debit Bad Debts Expense; credit Allowance for Uncollectible Accounts
 - D. debit Accounts Receivable; credit Bad Debts Expense
8. During a period of inflation, which of the following can be a problem with using the first-in, first-out (FIFO) method of inventory valuation?
- A. This method can result in the reporting of overstated profits and payment of excessive income taxes.
 - B. This method can result in an overstatement of the cost of goods sold.
 - C. This method can result in understated gross profits that are unattractive to potential investors.
 - D. This method can result in an inventory figure on the balance sheet that is below current replacement costs.

9. Which of the following is true of a product with a highly inelastic demand?
- A. A modest price change will result in a relatively large change in the quantity purchased.
 - B. A substantial price change will result in a relatively minor change in the amount purchased.
 - C. A decrease in price will result in a surplus of the product.
 - D. An increase in price will result in an overall increase in total revenue to the manufacturer.
10. For which of the following reasons might it be advantageous for the owners of a company to organize their business as a partnership rather than a corporation?
- I. When business operates as a partnership, creditors can only make claims against the assets of the business, not against the personal property of the partners.
 - II. The income earned by a corporation is taxed twice. First, income to the corporation is taxed, then individual stockholders pay taxes on the distributions they receive.
 - III. A partnership is a more stable form of organization than a corporation since it is a separate legal entity that endures despite changes in ownership.
 - IV. Members of a partnership have greater flexibility and freedom from government regulation than owners of a corporation.
- A. I and II only
 - B. I and III only
 - C. II and IV only
 - D. III and IV only

ANSWER KEY FOR THE SAMPLE MULTIPLE-CHOICE TEST QUESTIONS

Item Number	Correct Response	Objective
1.	A	Analyze the composition of written and oral business communications.
2.	B	Identify computer software and its use in accounting.
3.	B	Understand personal investment options.
4.	D	Apply knowledge of basic mathematical operations.
5.	B	Understand source documents and journals.
6.	B	Understand work sheet and trial balances.
7.	C	Analyze transactions involving uncollectible accounts and depreciation.
8.	A	Understand procedures for recording and controlling merchandise inventory.
9.	B	Understand basic principles of economics.
10.	C	Understand business structure and organization.