

Introduction

Peregrine Academic Services, the higher education division of Peregrine Global Services, provides assessment services for performing direct assessment of learning outcomes for several academic disciplines. The online exams are used to evaluate retained student knowledge in relation to the academic program's learning outcomes.

This document outlines the **Accounting and Finance** topics for use with master's and doctoral degree programs.

The assessment service is designed for use by U.S.-based schools and programs.

Validity and Reliability

Peregrine Academic Services places a high priority on ensuring the validity and reliability of the assessment services. These practices begin at the design stage and continue through beta-testing, and with ongoing regularly scheduled quality reviews. A summary of these approaches is provided at the end of this document. For additional information regarding the reliability process, please refer to the following peer-reviewed article:

Oedekoven, O. O., Napolitano, M., Lemmon, J., & Zaiontz, C. (2019). Determining test bank reliability. *Transnational Journal of Business*, 4(Summer), 63-74.

Testing Process

The exams include 10 questions for each exam topic. Each exam is unique as questions are selected at random from the test bank of over 200 questions per topic. Institutions select the topics to be included in the exam to align with the learning outcomes and program curriculum.

Available Exam Topics

The specific topics for this assessment service that are available for use with a customized assessment are:

- Accounting
- Business Communications
- Business Ethics in Accounting
- Business Finance
- Business Policies, Integration, and Strategic Management
- Economics
 - Macroeconomics
 - Microeconomics
- Global Dimensions of Business Accounting
- Information Systems
- Leadership in Accounting
- Legal Environment of Business
- Management
 - Human Resource Management
 - Operations Management
 - Organizational Behavior
- Marketing
- Quantitative Techniques, Statistics and Research Analysis

Available Supplemental Topics

- Accounting and the Business Environment
- Activity-Based Costing and Other Cost Management Tools
- Auditing
- Capital Budgeting Cash Flows
- Capital Budgeting Techniques
- Capital Investment Decisions and the Time Value of Money
- Cash Flow and Financial Planning
- Completing the Accounting Cycle

- Corporations: Effects on Retained Earnings and the Income Statement
- Corporations: Paid-in Capital and the Balance Sheet
- Cost Accounting
- Cost-Volume-Profit Analysis
- Current Liabilities and Payroll
- Current Liabilities Management
- Financial Market Environment
- Financial Statement Analysis
- Financial Statements and Ratio Analysis
- Flexible Budgets and Standard Costs
- Governmental and Nonprofit Accounting
- Hybrid and Derivative Securities
- Interest Rates and Bond Valuation
- Internal Control and Cash
- International Managerial Finance
- Job Order and Process Costing
- Leverage and Capital Structure
- Long-Term Liabilities, Bonds Payable, and Classification of Liabilities on the Balance Sheet
- Merchandising Inventory
- Merchandising Operations
- Mergers, LBOs, Divestitures, and Business Failure
- Overview of Management Accounting
- Payout Policy
- Performance Evaluation and the Balanced Scorecard
- Plant Assets and Intangibles
- Receivables
- Recording Business Transactions
- Risk and Refinements in Capital Budgeting
- Risk and Return
- Roles of Managerial Finance

- Short-Term Business Decisions
- Stock Valuation
- Taxation: Corporations
- Taxation: Individuals
- The Adjusting Process
- The Cost of Capital
- The Master Budget and Responsibility Accounting
- The Statement of Cash Flows
- Time Value of Money
- Working Capital and Current Assets Management

Subjects and Example Questions

The following pages include the specific subjects included with the topics along with example questions for the topic. These specific questions have been inactivated within the test bank and are shown in this document only to illustrate the types of questions that are presented to learners.

Test bank questions are written and proofed by terminally degreed, subject matter experts from accredited institutions who have teaching experience with the specific discipline. The criteria for a test bank question include:

- Test questions may be questions or (incomplete) statements.
- All multiple-choice format with 4 possible responses and only one correct response.
- All responses must be plausible and not misleading.
- “All of the Above” (or similar) or “None of the Above” or “A & C” responses are not used.
- All incorrect responses are assigned Response Distractors:

<u>Response Distractor</u>	<u>Student’s response indicates they...</u>
<i>Fact-based error</i>	...do not know the fact(s).
<i>Concept-based error</i>	...misunderstood the concept.
<i>Conclusion-base error</i>	...reached an incorrect conclusion.
<i>Interpretation-based error</i>	...incorrectly interpreted the question.
<i>Calculation-based error</i>	...made an error with a math-related calculation.

Accounting

Subjects

- **Assets and Liabilities** (Questions related to cost-flow assumptions, bad debt, and income tax expenses)
- **Audits, Auditing, and Balance Sheets** (Questions related to a fiscal year, accrual accounting, internal control, GAAP, and profitability)
- **Capital Investments** (Questions related to recover of investment, capital investment proposals, and net present value)
- **Credits and Debits** (Questions related to how debits and credits are posted to accounts)
- **Equity** (Questions related to owners' equity, paid-in capital, and net)
- **Net Present Value** (Questions related to calculating and using NPV)

Example Questions

The ability of a business to earn a reasonable amount of income is referred to as the factor of _____.

- A. leverage
- B. profitability
- C. wealth
- D. solvency

Correct Response: B

Which of the following provisions of the Internal Revenue Code can be used to reduce the amount of the income tax expense arising from capital investment projects?

- A. Interest deduction
- B. Depreciation deduction
- C. Minimum tax provision
- D. Charitable contributions

Correct Response: B

Business Communications

Subjects

- **Cross-Cultural Communications** (Questions related to coordination and international communication)
- **Nonverbal Communications** (Questions related to body language)
- **Oral and Written Communications** (Questions related emotion and forms of communication)
- **Organizational Communications** (Questions related to methods of communicating and information overload)
- **The Communication Process** (Questions related to barriers to communications, feedback, fidelity, and filtering)

Example Questions

International communication problems include all the following sources except_____.

- A. colors
- B. body language
- C. new forms of communication technology
- D. exchange rates
- E. language

Correct Response: D

The real increases in organizational productivity due to information technology come from _____.

- A. the increased speed of message transfer
- B. the increased volume of messages
- C. the heightened awareness of cultural diversity
- D. the ability to communicate in new and different ways
- E. the reduction in paperwork

Correct Response: D

Business Ethics in Accounting

Subjects

- **Business Ethical Principles** (Questions related to moral conduct, unethical behaviors, Kant's categorical imperative, and accounting bias)
- **Ethical Decision-Making and Judgment** (Questions related to cheating, making ethical judgments, communications, an ethics screen, and principal of rights)
- **Ethical Models** (Questions related to teleological theories, population hypothesis, ethical management model, and descriptive ethics)
- **Ethics Management and Leadership** (Questions related to moral management, compromise, ethical scandals, and ethics audits)

Example Questions

An ethical concept or rule that helps the decision maker take an ethical course is called a(n)

_____.

- A. ethical principle
- B. moral challenge
- C. moral dilemma
- D. ethical rubric

Correct Response: A

Which of the following is not an element of making ethical judgments?

- A. observation of the decision or action
- B. comparison of the decision or action to prevailing norms of acceptability
- C. recognition that value judgments are made regarding the decision or action and the prevailing norms of acceptability
- D. awareness of the moral implications of a situation

Correct Response: D

Business Finance

Subjects

- **Balance Sheets and Financial Statements** (Questions related to income statements, use of the balance sheet, analyzing financial statements)
- **Cash Flows and Budgets** (Questions related to cash budgets, asset characterization, noncash charges, and corporate cash)
- **Debt, Equity, and Depreciation** (Questions related to fixed assets, operating costs, the mix of debt and equity, and depreciation)
- **Financial Ratios** (Questions related to debt-to-equity ratios, earnings per share, turnover ratio, return on equity, earnings before interest, net present value, quick ratio, and use of financial ratios)
- **Financing, Forecasting, and Planning** (Questions related to leverage, financing assets, the role of financial planning and forecasting)

Example Questions

Earnings per share (EPS) is calculated by _____.

- A. dividing pretax income by the number of shares of common stock outstanding
- B. dividing the dividends paid by the number of shares of common stock outstanding
- C. dividing earnings available for common stockholders by the number of shares of common stock outstanding
- D. dividing net profits after tax by the total number of preferred and common stock shares outstanding

Correct Response: C

Noncash charges, such as _____, are expenses that appear on the income statement but do not involve an actual outlay of cash.

- A. investment flows, operating flows, financing flows
- B. NOPAT
- C. free cash flows
- D. depreciation, amortization, and depletion allowance
- E. all the above

Correct Response: D

Business Policies, Integration, and Strategic Management

Subjects

- **Business and Corporate-level Strategies** (Questions related to transitional companies, the fit model of strategy formulation and implementation, emergent strategies, and manufacturing)
- **Continuous Improvement** (Questions related to economies of scale, six sigma, research and development, and metrics to measure quality)
- **Corporate Structure and Governance** (Questions related to strategic leadership, emotional intelligence, establishing measures of quality, and executive decision making)
- **Managers and Management Structure** (Questions related to control systems, learning effects, efficiency-based cost advantages, and the skills of managers)
- **Market Strategy and Market Positioning** (Questions related to credible commitments, value creation, international licensing, and entry into foreign markets)
- **Mission and Vision** (Questions related to organizational values and cultures, the use of missions and vision, and the layout of the vision)
- **Shareholder Value and Return** (Questions related to profit growth, cost reductions, stock prices, and the principal drivers of shareholder value)
- **Strategic Analysis Tools** (Questions related to the experience curve, the feedback loop, SWOT analysis, learning effects, and profit growth)
- **Strategic Planning and Decision Making** (Questions related to the strategic management process, scenario-based planning, devil's advocacy, strategic implementation)

Example Questions

Research and development (R&D) can help a company improve quality by _____.

- designing products that are easy to manufacture
- pursuing economies of scale
- developing new products
- integrating R&D and marketing
- integrating R&D and materials management

Correct Response: A

Business Policies, Integration, and Strategic Management

Example Questions

A company's infrastructure includes the company's _____.

- A. organization structure, culture, and style of leadership
- B. organization structure and morale level
- C. culture and productivity levels
- D. overall profitability level
- E. short-run objectives

Correct Response: A

Economics

Sub-Topic: Macroeconomics

Subjects

- **Employment and Unemployment** (*Questions related to legal requirements for companies and practical application of the statutes*)
- **Gross Domestic Product: Calculation, Use, Analysis** (*Questions related to GDP defined, calculating GDP, and using GDP*)
- **Income, Debt, and Investment** (*Questions related to Business Cycle, Calculating Debt, and Types of Investments*)
- **Inflation and Interest Rates** (*Questions related Measuring Inflation, definitions, and impact of interest rates*)
- **International Trade** (*Questions related to imports/exports, rates, and globalization*)
- **Price and Price Indexing** (*Questions related to Consumer Price Index and calculating indices*)
- **Pricing** (*Questions related to indices, inflation, and money supply, and the impact on pricing decisions*)

Example Questions

Suppose you have data on durable goods, nondurable goods, fixed investment, government purchases, exports, and imports. Can you compute GDP?

- A. No, since data on services and prices are missing.
- B. No, since data on inventory investment are missing.
- C. No, since data on inventory investment and services are missing.
- D. No, since data on services are missing.
- E. Yes

Correct Response: C

Economics

Sub-Topic: Macroeconomics

Example Questions

The movie "Return of the Jedi" earned \$264 million in 1983 when it was released. The CPI in 1983 was 97.8 and the CPI in 2007 was 207.342. Approximately how much did the movie earn in 2007 dollars?

- A. \$290 million
- B. \$560 million
- C. \$2.12 million
- D. \$368 million
- E. \$460 million

Correct Response: B

Economics

Sub-Topic: Microeconomics

Subjects

- **Elasticity** (*Questions related to the effects of supply and demand, opportunity costs, and wages on price fluctuations*)
- **Pricing** (*Questions related to Pricing Calculation and impact of prices*)
- **Supply and Demand** (*Questions related to consumer demand, supply/demand curves, and market/supply analysis*)

Example Questions

At a price for which quantity demanded exceeds quantity supplied, a _____ is experienced, which pushes the price _____ toward its equilibrium value.

- A. surplus; downward
- B. surplus; upward
- C. shortage; downward
- D. shortage; upward

Correct Response: D

The fundamental reason why most supply curves are upward-sloping is that _____.

- A. consumers substitute lower-priced goods for higher-priced goods
- B. the quantity supplied increases as more firms enter the market
- C. a higher price never reduces quantity supplied by enough to lower total revenue and so higher production is motivated
- D. higher production raises the opportunity costs of production and so price must rise to induce more output

Correct Response: D

Global Dimensions of Business Accounting

Subjects

- **Foreign Investment** (*Questions related to inflation rates and spot exchange rates*)
- **International Financial Management** (*Questions related to purchasing power parity, depreciation, and net present value*)
- **International Financial Markets** (*Questions related to foreign exchange currency risk, annualized returns, and multinational financial management*)
- **Monetary Policy and Exchange Rates** (*Questions related to depreciation, cross exchange rates, and annualized rate of return*)

Example Questions

If the inflation rate in the United States is greater than the inflation rate in Sweden, other things held constant, the Swedish currency will _____.

- A. appreciate against the U.S. dollar
- B. depreciate against the U.S. dollar
- C. remain unchanged against the U.S. dollar
- D. appreciate against other major currencies
- E. appreciate against the dollar and other major currencies

Correct Response: A

In 1985, a particular Japanese imported automobile sold for 1,476,000 yen or \$8,200. If the car still sells for the same amount of yen today but the current exchange rate is 144 yen per dollar, what is the car selling for today in U.S. dollars?

- A. 10250
- B. 12628
- C. 8200
- D. 5964
- E. 13525

Correct Response: A

Information Systems

Subjects

- **Artificial Intelligence** (*Questions related to cybernetic systems, defining AI, and AI systems*)
- **Data and Information** (*Questions related to expert systems, supply chain management, input/output, and information databases*)
- **Decision-Support Systems** (*Questions related to the design and use of decision-support systems*)
- **Geographic Information Systems** (*Questions related to the design and use of GIS systems*)
- **Information Security** (*Questions related to establishing and maintaining information security*)
- **Information Technology** (*Questions related to hardware/software, extranet, intranet, and e-business*)

Example Questions

Just as raw materials are processed in manufacturing to create useful end-products, so raw data is processed in information systems to create useful _____.

- A. data
- B. information
- C. input
- D. programs

Correct Response: B

Simply put, a _____ is an array of components that work together to achieve a common goal, or multiple goals, by accepting input, processing it, and producing output in an organized manner.

- A. plan
- B. process
- C. project
- D. system

Correct Response: D

Leadership in Accounting

Subjects

- **Coaching and Mentoring** (*Questions related to mentoring, executive coaching, and mentoring techniques*)
- **Leader Traits and Effectiveness** (*Questions related to leadership values, emotional intelligence, enthusiastic leader, and self-awareness in leaders*)
- **Leadership Development** (*Questions related to education, succession planning, and feedback*)
- **Leadership Styles and Approaches** (*Questions related to positional leadership, executive leaders, leadership competencies, and authority*)
- **Power and Legitimacy** (*Questions related to sources of power, socialized power, and contingent reward and punishment behavior*)

Example Questions

Shay works for PricewaterhouseCoopers where she participates in action learning for leadership development. Shay is, therefore, _____.

- A. invited to shadow a member of the executive team
- B. demoted to a position of lesser responsibility for a short term
- C. placed on two client teams at once
- D. sent abroad to work on a volunteer project

Correct Response: A

Executive coaching can be part of leadership development because _____.

- A. management is really a team sport
- B. most managers have severe emotional problems
- C. most coaches are former CEOs
- D. managers receive advice and encouragement about leadership skills

Correct Response: D

Legal Environment of Business

Subjects

- **Business Entities and Structure** (*Questions related to corporations, partnerships, joint ventures, S- corporations, and general partnerships*)
- **Common Law** (*Questions related to role of common law, double jeopardy, U.S. and English Common Law systems, and civil law systems*)
- **Legal Agreements and Documents** (*Questions related to fiduciary duty, prosecution, civil proceedings, and the responsible corporate officer*)
- **Regulation and Control** (*Questions related to FTC Act, sources of international law, state laws, and the Cyber Security Enhancement Act*)
- **Tariffs and Taxes** (*Questions related to who imposes tariffs and taxes*)
- **Tort and Liability** (*Questions related to tort law and corporate and product liability*)
- **Trade Laws and Regulations** (*Questions related to regulating business ownership and international trade*)

Example Questions

The process by which property ownership is transferred from a nation to a private entity is called _____ privatization.

- A. nationalization
- B. appropriation
- C. a transfer

Correct Response: A

In a series of laws, known collectively as the _____ laws, Congress has authorized the President to raise U.S. tariffs on specified products and to provide other forms of import protection to U.S. businesses.

- A. export-relief
- B. domestic-relief
- C. import-relief
- D. international-relief

Correct Response: C

Management

Sub-Topic: Human Resource Management

Subjects

- **Affirmative Action** (*Questions related to Affirmative Action Programs and requirements*)
- **Employee Turnover** (*Questions related to causes and effects of turnover*)
- **Equal Opportunity Employment** (*Questions related to legal requirements on hiring and retaining employees*)
- **Human Resource Planning, Assessing, and Inventories** (*Questions related to theories, models, and applications in HR management*)
- **Recruiting and Retention** (*Questions related to core knowledge, succession planning, and organizational structure*)

Example Questions

Which of the following statements about employment agencies is true?

- A. State employment agencies are supported by a special tax on wholesale products.
- B. Private employment agencies only serve professional and managerial labor.
- C. Employment agencies are a form of internal recruitment.
- D. State employment agencies tend to be small organizations with very limited lists of potential employees.
- E. The Social Security Act provides that most workers who have been laid off must register with the state employment agency to be eligible for unemployment benefits.

Correct Response: E

Affirmative action programs (AAPs) _____.

- A. have been in effect since the beginning of the twentieth century
- B. correct underutilization of qualified members of protected groups in an organization's relevant labor market
- C. are governed by state agencies
- D. require that all private-sector companies that have more than five employees hire members from protected groups
- E. specify the employee hiring and firing practices for all private-sector companies

Correct Response: B

Management

Sub-Topic: Operations/Production Management

Subjects

- **Management Decision-Making** (*Questions related to operational decision-making and cost implications*)
- **Operations and Production Management Strategies** (*Questions related to manufacturing and service organizational processes*)
- **Quality Control and Improvement** (*Questions related to quality management principles and applications*)
- **Sampling and Data Analysis** (*Questions related to utilizing statistical analysis in business decision-making*)

Example Questions

Which of the following is not an advantage of radio frequency identification (RFID)?

- A. Eliminates inspection
- B. Product can be scanned indirectly
- C. Multiple items can be scanned
- D. More information can be transmitted than by bar code
- E. Capability to read and write to a tag

Correct Response: A

Which of the following is not a rule for determining if a process is out of control?

- A. A single point is outside the control limits
- B. Nine data points in a row are on the same side of the center line
- C. Six points in a row are increasing
- D. An obvious pattern persists
- E. Three points are on the center line

Correct Response: E

Management

Sub-Topic: Organizational Behavior

Subjects

- **Career Planning and Employee Development** (*Questions related to improving employee knowledge and skills and career planning processes*)
- **Division of Labor and Organization** (*Questions related to work design and organizational design*)
- **Employee Values, Motivations, and Characteristics** (*Questions related to employee motivation, and the impact of values on work behavior*)
- **International and Multicultural Organizations** (*Questions related to terminology and impact on organizations*)
- **Organizational Culture, Ethics, and Values** (*Questions related to the interrelationship between these aspects and how they impact an organization*)
- **Organizational Design and Structure** (*Questions related to design considerations and options*)
- **Organizational Strategies** (*Questions related to the models and application of corporate strategy*)

Example Questions

Which of the following is not one of the key KSAs of the ethics competency?

- A. Demonstrate dignity and respect for others in working relationships.
- B. Demonstrate honesty and openness in communication, limited only by legal, privacy, and competitive considerations.
- C. Apply governmental laws and regulations, as well as employer's rules of conduct, in making decisions and taking action within a person's level of responsibilities and authority.
- D. All of these are among the key KSAs of the ethics competency.

Correct Response: D

Management

Sub-Topic: Organizational Behavior

Example Questions

The _____ organizational design may be used to address cultural and legal differences, as well as the lack of uniformity of customers in different geographical areas.

- A. place
- B. functional
- C. network
- D. product

Correct Response: A

Marketing

Subjects

- **Market Segment** (Questions related to types of segmentation and approaches to segmentation)
- **Marketing Defined** (Questions related to how to define the target market, marketing strategies, and marketing decision-making)
- **Marketing Research** (Questions related to focus groups, customer satisfaction surveys, marketing studies)
- **Marketing Strategy** (Questions related to marketing management, planning for marketing, and how companies determine their marketing strategy)
- **Marketplace and Market Share** (Questions related to generic vs. specific market, economics of scale, and product-market decision-making)
- **Types of Marketing** (Questions related to positioning, marketing partners, marketing collaboration, and service marketing)

Example Questions

_____ is a type of segmentation in which the company strategically focuses on targeting a smaller market with particular needs that the company can serve well.

- A. Mass marketing
- B. Demographic marketing
- C. Niche marketing
- D. One-to-one marketing

Correct Response: C

Alice recently accepted a new position as Vice President of Business Development & Strategy in a fast growth industry. What question should Alice keep in mind as she steers the company's fast growth strategy?

- A. Do we expand our current business(es) or segments we serve?
- B. What are we looking for?
- C. What do we expect to see in the short term/long term?
- D. Where do we go when we grow past our expectations?

Correct Response: A

Quantitative Techniques, Statistics and Research Analysis

Subjects

- **Data Analysis Techniques** (Questions related to relationships between variables, sampling, measuring variation, estimating, and standard errors)
- **Descriptive Statistics** (Questions related to percentiles, mean, median, mode, and variance)
- **Hypothesis Testing** (Questions related to when to reject or not reject the null hypothesis)
- **Inferential Statistics** (Questions related to estimating and inferring from data)
- **Power Analysis** (Questions related to assessing the power of a test)
- **Probability** (Questions related to p-value, one-tailed tests, and two-tailed tests)
- **Sampling Errors** (Questions related to sampling and non-sampling errors)
- **Sampling Methods and Research Design** (Questions related to populations and samples, cluster sampling, and random sampling)
- **Significance Levels** (Questions related to determining p-values)
- **Simulation Models** (Questions related to using graphical models)
- **Type I and Type II Errors** (Questions related to defining and understanding Type I and Type II errors)

Example Questions

Measurement error occurs when _____.

- A. a portion of the sample does not respond to the survey
- B. the sample responses are not clear
- C. the responses to question do not reflect what the investigator had intended
- D. the investigator does not correctly tally all responses

Correct Response: C

Non-truthful response is a particular problem when _____.

- A. sensitive questions are asked
- B. surveys are anonymous
- C. interviewers are not trained
- D. the sample is from an unusual population

Correct Response: A

Supplemental Accounting and Finance Topics Used to Customize an Exam:

Accounting and the Business Environment

Subjects

- Accounting Concepts and Principles
- Accounting Equation to Analyze Transactions
- Accounting Equation, and Assets, Liabilities, and Equity
- Accounting Vocabulary
- Different Types of Business Organizations
- Financial Statements
- Financial Statements to Evaluate Business Performance
- The Accounting Professional and Organizations that Govern It
- The Distinguishing Characteristics and Organization of a Corporation
- Users of Financial Information

Activity-Based Costing and Other Cost Management Tools

Subjects

- Activity-Based Costs (ABC)
- Activity-Based Management (ABM) for Target Costs
- Just-in-Time (JIT) Production System
- The Four Types of Quality Costs to Make Decisions

Auditing

Subjects

- Audit Evidence
- Audit Planning and Analytical Procedures
- Audit Reports
- Audit Strategy and the Audit Program
- Completing the Audit
- Fraud Auditing
- Internal and Government Financial Auditing and Operations Auditing
- Legal Liability

Capital Budgeting Cash Flows

Subjects

- Cash Flow, Expansion and Replacement Decisions, Sunk and Opportunity Costs, and International Capital Budgeting
- Initial Investment Associated with Proposed Capital Expenditure
- Operating Cash Inflow Associated with Proposed Capital Expenditure
- Sale of an Old Asset
- Terminal Cash Flow Associated with Proposed Capital Expenditure
- Three Major Cash Flow Components

Capital Budgeting Techniques

Subjects

- Capital Budgeting Process
- Internal Rate of Return (IRR)
- Net Present Value Profiles
- NPV and IRR Conflicting Rankings and Theoretical and Practical Strengths
- Payback Period
- Present Value (NPV) and Economic Value Added (EVA)

Capital Investment Decisions and the Time Value of Money

Subjects

- Discounted Cash Flow Models to make Capital Investment Decisions
- The Importance of Capital Investments and the Capital Budgeting Process
- The Payback Period and Rate of Return Methods for Capital Investment Decisions
- Time Value of Money to Compute Present and Future Values of Single Lump Sums and Annuities

Cash Flow and Financial Planning

Subjects

- Cash-Planning Process and Cash Budget
- Financial Planning Process
- Firm's Cash Flow, Operating Cash Flow, and Free Cash Flow
- Pro Forma Income Statement and Balance Sheet
- Pro Forma Preparation and Common Uses
- Tax Depreciation Procedures

Completing the Accounting Cycle

Subjects

- Accounting Worksheet
- Assets and Liabilities as Current or Long-term
- Closing of Revenue, Expense, and Dividend Accounts
- Post-Closing Trial Balance
- Reversing Entries
- The Effect of Various Transactions on the Current Ratio and the Debt Ratio

Corporations: Effects on Retained Earnings and the Income Statement

Subjects

- Corporate Income Statement Including Earnings per Share
- Restrictions on Retained Earnings
- Stock Dividends
- Stock Splits
- Treasury Stock

Corporations: Paid-in Capital and the Balance Sheet

Subjects

- Cash Dividends
- Different Stock Values in Decision Making
- Income Tax of a Corporation
- Issuance of Stock and Stockholders' Equity Section of a Corporation Balance Sheet
- Issuing Bonds Compared to Issuing Stocks
- Retained Earnings Transactions
- Return on Assets and Return on Stockholders' Equity
- The Characteristics of a Corporation
- The Two Sources of Stockholders' Equity and the Classes of Stock

Cost Accounting

Subjects

- Activity-based Costing and Activity-based Management
- Cost Terms and Purposes
- Cost-Volume-Profit Analysis
- Job Costing
- Master Budget and Responsibility Accounting

Cost-Volume-Profit Analysis

Subjects

- Breakeven Point for Multiple Products or Services
- Changes in Volume Affect Costs
- CVP Analysis for Breakeven Points
- CVP Analysis for Profit Planning and CVP Relations
- CVP Methods to Perform Sensitivity Analyses
- Variable Costing and Absorption Costing

Current Liabilities and Payroll

Subjects

- Current Liabilities of Known Amount
- Current Liabilities that must be Estimated
- Payroll and Payroll Tax Amounts
- Payroll Transactions

Current Liabilities Management

Subjects

- Accounts Payable and Credit Terms
- Commercial Paper Features and International Short-Term Loans
- Interest Rates and Basic Types of Unsecured Bank Sources of Short-Term Loans
- Inventory Use as Short-Term-Loan Collateral
- Secured Short-Term Loans Characteristics and Accounts Receivable as Short-Term-Loan Collateral
- Stretching Accounts Payable on Cost and Use of Accruals

Financial Market Environment

Subjects

- 2008 Financial Crisis and Recession
- Business Taxes and Financial Decisions
- Capital Markets and Money Markets
- Functions of Financial Institutions and Financial Markets
- Regulations and Regulatory Bodies Affecting Financial Institutions and Markets
- Role of Financial Institutions in Managerial Finance

Financial Statement Analysis

Subjects

- Common-Size Financial Statements
- Horizontal Analysis of Financial Statements
- Standard Financial Ratios
- Vertical Analysis of Financial Statements

Financial Statements and Ratio Analysis

Subjects

- Debt and Financial Leverage
- Financial Ratio and DuPont System of Analysis
- Financial Ratios
- Firm's Profitability and Market Value
- Ratios to Analyze Firm's Liquidity and Activity
- Stockholders' Report and Consolidation of International Financial Statements

Flexible Budgets and Standard Costs

Subjects

- Benefits of Standard Costs and How Set Standards
- Flexible Budget for Income Statement
- Income Statement Performance Report
- Manufacturing Overhead in a Standard Cost System
- Standard Cost Variances for Direct Materials and Direct Labor
- Transactions at Standard Cost and a Standard Cost Income Statement

Governmental and Nonprofit Accounting

Subjects

- Accounting for Colleges and Universities
- Accounting for Health Care Organizations
- Auditing Governments and Nonprofit Organizations
- Federal Government Accounting
- Governmental and Nonprofit Accounting - Environment and Characteristics
- State and Local Government Accounting and Financial Reporting

Hybrid and Derivative Securities

Subjects

- Convertible Securities
- Hybrid and Derivative Securities
- Lease Types, Leasing Arrangements, Leasing Effects on Future Financing, and Advantages and Disadvantages
- Options, Calls and Puts, Options Markets and Options Trading, Role of Call and Put
- Options in Fund Raising, and Hedging Foreign-Currency Exposures
- Stock Purchase Warrants, Implied Price of Attached Warrant, and Values of Warrants
- Straight Bond Value Procedures, Conversion Value, and Market Value of Convertible Bond

Interest Rates and Bond Valuation

Subjects

- Bond Financing and Bond Cost
- Bond Valuation Process
- Corporate Bonds
- Interest Rate Fundamentals
- Valuation Model of Bonds and Maturity of Bond Values
- Yield to Maturity (YTM)

Internal Control and Cash

Subjects

- Bank Reconciliation and Journals for Related Entries
- Components of Internal Control and Control Procedures
- Control Procedures Unique to E-Commerce
- Ethical Dilemmas in an Internal Control Situation
- Internal Control
- Internal Controls to Cash Payments
- Internal Controls to Cash Receipts
- Petty Cash Transactions
- Sarbanes-Oxley Act
- Use of a Bank Account as a Control Device

International Managerial Finance

Subjects

- Domestic and International Financial Statements—Consolidation, Translation of Individual Accounts, and International Profits
- Eurocurrency Market in Short-Term Borrowing and Investing and International Cash, Credit, and Inventory Management
- Exchange Rate Risk and Political Risk
- Financial Operations of Multinational Companies (MNCs)
- Foreign Direct Investment, Investment Cash Flows and Decisions, MNCs' Capital Structure, and International Debt and Equity Instruments Available to MNCs
- Trends in International Mergers and Joint Ventures

Job Order and Process Costing

Subjects

- Completion and Sales of Finished Goods and Adjustment Under- or Over-allocated Overhead
- Job Order Costing and Process Costing
- Materials and Labor in a Job Order Costing System
- Overhead in a Job Order Costing System
- Process Costing System — Weighted-Average Method
- Unit Costs for a Service Company

Leverage and Capital Structure

Subjects

- Capital Structure
- Capital Structure with Cost-of-Capital Function and Zero-Growth Valuation Model
- EBIT—EPS Approach to Capital Structure
- Leverage, Capital Structure, Breakeven Analysis, Operating Breakeven Point, and Changing Costs
- Operating, Financial, and Total Leverage
- Return and Risk of Alternative Capital Structures

Long-Term Liabilities, Bonds Payable, and Classification of Liabilities on the Balance Sheet

Subjects

- Bonds Payable
- Interest Expense on Bonds with the Straight-Line Amortization Method
- Liabilities on the Balance Sheet
- Long-Term Notes Payable and Mortgages Payable
- Retire Bonds Payable
- Time Value of Money: Present Value of a Bond and Effective-Interest Amortization

Merchandising Inventory

Subjects

- Accounting Principles Related to Inventory
- Effects of Inventory Errors
- Effects of the Three Most Common Inventory Costing Methods
- Ending Inventory by Gross Profit Method
- Inventory Costing Methods
- Lower-of-Cost-or-Market Rule to Inventory
- Periodic Inventory Using the Three Most Common Costing Methods

Merchandising Operations

Subjects

- Accounts of a Merchandising Business
- Gross Profit Percentage, Inventory Turnover, and Days in Inventory to Evaluate a Business
- Merchandiser's Financial Statements
- Merchandising Operations and the Two Types of Inventory Systems
- Purchase of Inventory Using a Perpetual System
- Sale of Inventory Using a Perpetual System
- The Sale of Inventory Using a Periodic System

Mergers, LBOs, Divestitures, and Business Failure

Subjects

- Bankruptcy Legislation and Reorganizing or Liquidating a Bankrupt Firm
- Fundamentals of Mergers
- Leveraged Buyouts (LBOs) and Divestitures
- Merger Negotiation Process, Holding Companies, and International Mergers
- Types and Major Causes of Business Failure and Voluntary Settlements to Sustain or Liquidate Failed Firm
- Value the Target Company Procedures and Stock Swap Transactions

Overview of Management Accounting

Subjects

- Costs and Income Statement and Statement of Cost of Goods Manufactured for a Manufacturing Company
- Costs and Income Statement for a Merchandising Company
- Costs and Income Statement for a Service Company
- Ethical Standards in Decision Making
- Management Accounting from Financial Accounting
- Trends in the Business Environment and Role of Management Accountability

Payout Policy

Subjects

- Cash Payout Procedure and Dividend Reinvestment Plan
- Establishment of Dividend Policy
- Residual Theory of Dividends
- Stock Dividends
- Stock Splits
- Three Basic Types of Dividend Policies

Performance Evaluation and the Balanced Scorecard

Subjects

- Balanced Scorecard and Key Performance Indicators for Each Perspective
- Performance Reports to Evaluate Cost, Revenue, and Profit Centers
- ROI, RI, and EVA to Evaluate Investment Centers
- Why and How Companies Decentralize
- Why Companies Use Performance Evaluation Systems

Plant Assets and Intangibles

Subjects

- Cost of a Plant Asset
- Depreciation
- Disposal of an Asset by Sale or Trade
- Ethical Issues Related to Plant Assets
- Intangible Assets
- Natural Resources

Receivables

Subjects

- Allowance Method to Account for Uncollectibles
- Common Types of Receivables and Internal Controls for Receivables
- Direct Write-Off Method for Uncollectibles
- Discounting a Note Receivable
- Journal Credit-Card and Debit-Card Sales
- Notes Receivable
- Receivables on a Balance Sheet, Acid-Test Ratio, Days' Sales in Receivables, Accounts
- Receivable Turnover Ratio for Credit-Card, Debit-Card, and Credit-/Debit-Card

Recording Business Transactions

Subjects

- Accounts, Journals, and Ledgers related to Recording Transactions and Common Accounts
- Debits, Credits, and Normal Account Balances, and Double-Entry Accounting and T-Accounts
- Journalize and Posting Transactions to Ledger
- Steps of Transaction Recording Process
- Trial Balance from T-Accounts

Risk and Refinements in Capital Budgeting

Subjects

- Annualized Net Present Values (ANPVs).
- Capital Budgeting Project Risk Analysis
- Cash Inflows, Scenario Analysis, and Simulation Risk
- Real Options and Capital Rationing
- Risk-Adjusted Discount Rates (RADRs)
- Unique Risks of Multinational Companies

Risk and Return

Subjects

- Capital Asset Pricing Model (CAPM) and Security Market Line (SML)
- Portfolio Measurement of Return and Standard Deviation, and Correlation
- Portfolio Risk and Return Characteristics
- Risk Assessment and Measurement of a Single Asset
- Risk Types and Beta Measurement Risks in Security and Portfolio
- Risk, Return, and Risk Preferences

Roles of Managerial Finance

Subjects

- Goal of Firm and Maximizing Value of Firm as a Goal for a Business
- Managerial Finance Function Related to Economics and Accounting
- Primary Activities of the Financial Manager
- Principle-Agent Relationships Between Owners and Managers of a Corporation and Various Corporate Governance Mechanisms to Manage Agency Problems
- The Finance and the Managerial Finance Function
- The Legal Forms of Business Organization

Short-Term Business Decisions

Subjects

- Dropping a Product and Product-Mix Decisions
- Information Relevant to Business Decisions
- Outsourcing and Sell as is or Process Further Decisions
- Special Order and Pricing Decisions

Stock Valuation

Subjects

- Common and Preferred Stock
- Debt and Equity
- Financial Decisions, Return, Risk, and Firm Value
- Free Cash Flow Valuation Model, Book Value, Liquidation Value, and Price/Earnings
- Approaches
- Issue Common Stock
- Market Efficiency and Basic Stock Valuation

Taxation: Corporations

Subjects

- Administrative Procedures
- Consolidated Tax Returns
- Corporate Acquisitions and Reorganizations
- Corporate Liquidating Distributions
- Corporate Non-liquidating Distributions
- The Corporate Income Tax
- The Estate Tax
- The Gift Tax

Taxation: Individuals

Subjects

- Deductions and Losses
- Determination of Tax
- Gross Income: Exclusions
- Gross Income: Inclusions
- Introduction to Taxation
- Itemized Deductions
- Losses and Bad Debts
- Property Transactions: Capital Gains and Losses

The Adjusting Process

Subjects

- Accounting Period Concept, Revenue Recognition and Matching Principles, and Time Period Concept
- Accrual and Cash-Basis Accounting
- Adjusted Trial Balance
- Financial Statements from Adjusted Trial Balance
- Journalize and Post Adjusting Entries

The Cost of Capital

Subjects

- Concept and Sources of Capital
- Cost of Common Stock Equity
- Cost of Preferred Stock
- Long-Term Debt
- Weighted Average Cost of Capital (WACC) and Alternative Weighting Schemes

The Master Budget and Responsibility Accounting

Subjects

- Components of the Master Budget
- Financial Budget
- Operating Budget
- Performance Reports for Responsibility Centers and Traceable and Common Shared Fixed Costs
- Sensitivity Analysis in Budgeting
- Why Managers Use Budgets

The Statement of Cash Flows

Subjects

- Cash Flows
- Noncash Investing and Financing Activities
- Operating, Investing, and Financing Cash Flows
- Purposes of Statement of Cash Flows
- Statement of Cash Flows by the Direct Method
- Statement of Cash Flows by the Indirect Method

Time Value of Money

Subjects

- Annuity and Perpetuity
- Compounding Interest on Future Value and Rate of Interest
- Deposits, Loan Amortization, Growth Rate Interests, and Unknown Number of Periods
- Future and Present Value of Mixed Stream of Cash Flows
- Future Value and Present Value
- Time Value, Computational Tools, and Cash Flow Patterns

Working Capital and Current Assets Management

Subjects

- Cash Conversion Cycle
- Cash Discount Changes, Credit Terms, and Credit Monitoring
- Credit Selection Process and Quantitative Procedure for Credit Standard Changes
- Inventory Management
- Management of Receipts and Disbursements
- Working Capital Management and Net Working Capital

Assessment Service Validity and Reliability

The programmatic assessment services provided by Peregrine Academic Services, the higher education division of Peregrine Global Services, are used to assess retained knowledge of students at various academic degree levels. Schools deploy these services to evaluate the effectiveness of their academic programs, identify areas for improvement, and demonstrate program outcomes to external stakeholders.

Peregrine places a high priority on ensuring the validity and reliability of the assessment services. These practices begin at the design stage and continue through beta-testing, and with ongoing regularly scheduled quality reviews. The following outlines the approaches used to ensure ongoing validity and reliability.

Validity refers to the extent to which the test banks and the services measure the phenomena under consideration.

Reliability refers to the extent to which the exam results are repeatable and therefore data sets can be compared over time.

Design Features that Impact Validity and Reliability

The following features apply to all assessment services.

- Exam scoring is 100% objective using automated marking.
- Each exam viewed by a student is unique using a random selection of questions from the test bank in random topic order.
- Each exam has timed response periods for questions. When the user navigates away from the exam screen, the screen fades, a message appears informing the user that he/she has left the exam window and the questions are timed.
- Students are unable to copy/paste from the exam window.
- Abandoned exams are excluded from summary reports.

Ensuring Ongoing Validity and Reliability

Validity

To ensure test bank validity, the following measures were adopted when the initial test banks were created. The same principles are used with subsequent changes to the test banks.

- The specific accreditation or certification requirements related to learning outcomes evaluation were used to determine the topics and subjects for the test banks.

- Current teachings for each topic were considered regarding the foundational level of each test bank.
- Exam questions were written and reviewed by academic professionals within each discipline. Similar subject matter experts are used with subsequent editing and for new questions.
- Each topic has questions designated for 4-8 subjects per topic to help ensure appropriate breadth of coverage and allow for specific learning outcomes measurement.
- Exam responses are either correct or incorrect, with only one possible right choice. Scores are determined by summarizing the percent correct: per subject, per topic, and by total score.

Reliability

Peregrine contracted with external experts to design a comprehensive and statistically sound approach to measuring assessment service reliability. A *Reliability Report* is generated for each assessment service for its scheduled periodic review. The report generates data for several reliability metrics and the data for each are compared with acceptability criteria to determine which test questions should be modified or replaced.

Subject matter experts in the field are then contracted to modify/replace the targeted questions. Hence, the assessment service is regularly reviewed and improved to ensure ongoing reliability.

Reliability is determined by measuring *Item Difficulty*, *Item Discrimination*, and *Question Interchangeability*.

Item Difficulty refers to the percentage of students who answer questions correctly. Data are generated by topic and for each question. The target Item Difficulty is 60 percent correct with an acceptable range of 35–80 percent.

Item Discrimination refers to how well a question distinguishes between those students with more knowledge (higher overall exam scores) from those with less knowledge. Two measures are used: *Discrimination Index* and *Point-Biserial Correlation*.

For a given question, the Discrimination Index compares the scores of students with high overall test scores with students with low overall test scores. The scale is -1 to +1, with higher values indicating that a given question better distinguishes between high

and low performing students. A value of ≥ 0.20 is considered acceptable. Point-Biserial Correlation is equal to Pearson's Correlation Coefficient between the scores on the entire exam and the scores on a specific question. A score of ≥ 0.10 is considered acceptable. When assessing the quality of questions, both the Discrimination Index and the Point-Biserial Correlation Coefficient are reviewed.

Question Interchangeability refers to the ability to substitute a question in the test bank with another without significantly affecting the total score that an individual would receive on the exam. This is determined using Cohen's Effect Size d calculated based on a two-tailed t -test comparing the total score for all students who had that question in their exam versus the total score of the students who did not have that question in their exam. The scale is 0 - 1.0, and a score of < 0.20 is considered acceptable.