

***Health Care Finance and the Mechanics of
Insurance and Reimbursement 3rd edition
Harrington Test Bank***

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Chapter: Chapter 02 - Quiz

Multiple Choice

1. Which of the following is a main report that is considered an output of financial accounting?

- A) Balance sheet
- B) Statement of operations
- C) Statement of cash flows
- D) Statement of changes in net assets
- E) All of these are correct.

Ans: E

Complexity: Easy

Ahead: Financial Accounting

Subject: Chapter 2

Title: Financial Management

2. An example of an asset is:

- A) cash.
- B) accounts payable.
- C) accounts receivable.
- D) both cash and accounts receivable.
- E) All of these are correct.

Ans: D

Complexity: Easy

Ahead: Assets

Subject: Chapter 2

Title: Financial Management

3. _____ is where an organization provides a service to a customer, and this customer agrees to pay for the service after it is completed.

- A) Accounts payable
- B) Accounts receivable
- C) Inventory
- D) None of these is correct.

Ans: B

Complexity: Easy
Ahead: Assets
Subject: Chapter 2
Title: Financial Management

4. _____ consists of goods that are purchased by the organization and sold to their customers.

- A) Equipment
- B) Inventory
- C) Accounts receivable
- D) Building

Ans: B

Complexity: Easy
Ahead: Assets
Subject: Chapter 2
Title: Financial Management

5. Beginning accounts receivable plus _____ less collections equals _____.

- A) accounts payable, ending accounts receivable
- B) sales, ending accounts receivable
- C) inventory, ending accounts payable
- D) None of these is correct.

Ans: B

Complexity: Moderate
Ahead: Assets
Subject: Chapter 2
Title: Financial Management

6. Equipment is considered to be a _____, and with some equipment being at a lower price, it is up to the individual organization as to how they record the equipment.

- A) short-term liability
- B) long-term liability
- C) short-term asset
- D) long-term asset

Ans: D

Complexity: Moderate
Ahead: Assets
Subject: Chapter 2
Title: Financial Management

7. _____ is a debt of the company, and this amount represents items purchased, services utilized, or money spent purchasing items that turn into inventory for resale.

- A) Liability
- B) Asset
- C) Owner's equity
- D) None of these is correct.

Ans: A

Complexity: Easy
Ahead: Liabilities
Subject: Chapter 2
Title: Financial Management

8. _____ is an amount due to an outside vendor for the purchase of supplies, equipment, or services.

- A) Asset
- B) Accounts receivable
- C) Notes payable
- D) Accounts payable

Ans: D

Complexity: Easy
Ahead: Liabilities
Subject: Chapter 2
Title: Financial Management

9. _____ is a financial obligation supported by a contract and has a time frame for repayment; it can be associated with a large purchase or a loan when an organization uses some of its assets as collateral.

- A) Accounts payable
- B) Notes payable
- C) Both accounts payable and notes payable
- D) None of these is correct.

Ans: B

Complexity: Moderate
Ahead: Liabilities
Subject: Chapter 2
Title: Financial Management

10. _____ is the income that is produced through the sales function of an organization to sell products and/or services to customers; it is the amount that the customers will pay for these products and/or services.

- A) Revenue
- B) Accounts receivable
- C) Net income
- D) None of these is correct.

Ans: A

Complexity: Easy
Ahead: Revenue
Subject: Chapter 2
Title: Financial Management

11. Tracking and recording expenses will reduce the asset account of cash to relieve the:

- A) notes receivable.
- B) accounts receivable.
- C) inventory.

D) accounts payable.

Ans: D

Complexity: Easy

Ahead: Expenses

Subject: Chapter 2

Title: Financial Management

12. The _____ is part of the accounting system where all the entries are recorded in chronological order and posted to the individual accounts that the transaction is associated with in the company.

A) notes receivable

B) general ledger

C) inventory

D) accounts payable

Ans: B

Complexity: Easy

Ahead: General Ledger

Subject: Chapter 2

Title: Financial Management

13. The ability of an organization to measure _____ throughout the manufacturing and sales cycle is done through the appropriate classification of this data, which will provide a variety of additional data for the management team.

A) revenue

B) profits

C) costs

D) both revenue and costs

Ans: C

Complexity: Moderate

Ahead: Managerial Accounting

Subject: Chapter 2

Title: Financial Management

14. A(n) _____ can be traced back to a specific service provided or a product that was manufactured.

A) direct cost

B) indirect cost

C) journal entry

D) purchase order

Ans: A

Complexity: Easy

Ahead: Managerial Accounting

Subject: Chapter 2

Title: Financial Management

15. The costs in a facility can be:

- A) direct costs.
- B) variable costs.
- C) fixed costs.
- D) indirect costs.
- E) both variable costs and fixed costs.

Ans: E

Complexity: Moderate

Ahead: Managerial Accounting

Subject: Chapter 2

Title: Financial Management

16. Which of the following costs are influenced by volume and can change each month based on those changes in volume?

- A) Direct costs
- B) Variable costs
- C) Fixed costs
- D) Indirect costs

Ans: B

Complexity: Easy

Ahead: Managerial Accounting

Subject: Chapter 2

Title: Financial Management

17. _____ are impacted by volume but are not extremely sensitive to volume changes.

- A) Semi-fixed costs
- B) Variable costs
- C) Fixed costs
- D) Indirect costs
- E) None of these is correct.

Ans: A

Complexity: Easy

Ahead: Managerial Accounting

Subject: Chapter 2

Title: Financial Management

18. The _____ of allocating costs will distribute the costs involved with overhead to the revenue-producing departments. These costs will be distributed to the individual revenue-generating departments based on a percentage of revenue or square footage.

- A) direct method
- B) step-down allocation method
- C) double distribution method
- D) simultaneous equations method

Ans: A

Complexity: Moderate

Ahead: Managerial Accounting

Subject: Chapter 2

Title: Financial Management

19. The _____ is designed to distribute the indirect costs starting with the department that provides the least amount of revenue-generating services.

- A) direct method
- B) step-down allocation method
- C) double distribution method
- D) simultaneous equations method

Ans: C

Complexity: Moderate

Ahead: Managerial Accounting

Subject: Chapter 2

Title: Financial Management

20. The _____ allocates costs associated with overhead costs that will be distributed to some overhead departments that provide services to each other.

- A) direct method
- B) step-down allocation method
- C) double distribution method
- D) simultaneous equations method

Ans: C

Complexity: Moderate

Ahead: Managerial Accounting

Subject: Chapter 2

Title: Financial Management

21. A(n) _____ budget is created based on productivity that is projected according to historical data.

- A) flexible
- B) fixed
- C) activity-based
- D) zero-based

Ans: A

Complexity: Moderate

Ahead: Budgets

Subject: Chapter 2

Title: Financial Management

22. _____ are typically used for projects in construction or for a computer department that will be running over the course of a year or more.

- A) Variable budgets
- B) Fixed budgets
- C) Activity-based budgets
- D) Zero-based budgets

Ans: C

Complexity: Easy

Ahead: Budgets

Subject: Chapter 2

Title: Financial Management

23. The budget cycle is generally related to the _____ of a company.

- A) calendar year
- B) quarterly period
- C) fiscal year
- D) monthly period

Ans: C

Complexity: Easy

Ahead: Budgets

Subject: Chapter 2

Title: Financial Management

24. A typical reason for a budget variance is:

- A) an increase in contract labor.
- B) a lack of funds for a budgeted expense.
- C) a decrease in payroll.
- D) All of these are correct.

Ans: D

Complexity: Easy

Ahead: Budgets

Subject: Chapter 2

Title: Financial Management

25. The _____ shows, at a certain point in time, the impact that all the organization's transactions have had on the company's assets, liabilities, and owner's equity.

- A) balance sheet
- B) statement of cash flows
- C) income statement
- D) general ledger

Ans: A

Complexity: Moderate

Ahead: Financial Statements

Subject: Chapter 2

Title: Financial Management

26. The _____ is intended to demonstrate how much money a company is making or losing. It does so by subtracting all of the costs of production of goods that have been sold during the period and other expenses of running the company from the revenues generated from sales.

- A) cost control
- B) statement of cash flows
- C) balance sheet
- D) income statement

Ans: D

Complexity: Moderate

Ahead: Financial Statements

Subject: Chapter 2

Title: Financial Management

27. There is an important factor in the _____ method for the healthcare administrator to understand: the organization will account for revenue in the period it was realized even though it was not paid for yet.

- A) financial accounting
- B) managerial accounting
- C) accrual accounting
- D) cash basis

Ans: C

Complexity: Easy

Ahead: Accrual Accounting Method

Subject: Chapter 2

Title: Financial Management

True/False

1. True or False? Financial accounting reports are audited by independent Certified Public Accountants (CPAs) and are not based on GAAP.

Ans: False

Complexity: Easy

Ahead: Financial Accounting

Subject: Chapter 2

Title: Financial Management

2. True or False? Assets can be things that are owned and in possession of the company, and other assets can be items that are due to be received.

Ans: True

Complexity: Easy

Ahead: Assets

Subject: Chapter 2

Title: Financial Management

3. True or False? Inventory is considered an asset because it can usually be turned into cash rather easily through selling it to a customer or vendor for cash, who then may sell it to their customer.

Ans: True

Complexity: Easy

Ahead: Assets

Subject: Chapter 2

Title: Financial Management

4. True or False? The amount that is due to the company from which the item was purchased will be considered a debt, and the inventory will be recorded in the books for the company as a liability.

Ans: False

Complexity: Easy

Ahead: Liabilities
Subject: Chapter 2
Title: Financial Management

5. True or False? Revenue categories are broken down into operating and non-operating revenue; an example of operating revenue is patient services revenue.

Ans: True
Complexity: Easy
Ahead: Revenue
Subject: Chapter 2
Title: Financial Management

6. True or False? An example of non-operating revenue is investment income and the money generated from the gift shop that is run by the volunteer organization in the hospital.

Ans: True
Complexity: Easy
Ahead: Revenue
Subject: Chapter 2
Title: Financial Management

7. True or False? General ledger accounts help ensure that all expenses and revenues are allocated to the correct department. Each department in the organization will have its own department codes that will identify the expenses and revenue accrued to its department.

Ans: True
Complexity: Easy
Ahead: General Ledger
Subject: Chapter 2
Title: Financial Management

8. True or False? The current ratio looks at current assets that include cash on hand, the company's short-term investments, accounts receivable generated through sales, and inventory that the organization has to operate.

Ans: True
Complexity: Easy
Ahead: Ratio Analysis
Subject: Chapter 2
Title: Financial Management

9. True or False? The acid-test ratio measures current assets versus current liabilities, but with a different approach. The current assets that are measured are only those that are considered truly liquid, meaning they can be turned into cash very quickly.

Ans: True
Complexity: Easy
Ahead: Ratio Analysis
Subject: Chapter 2

Title: Financial Management

10. True or False? At first glance, the accounting process for healthcare organizations is different than for other industries because they have balance sheets, cash flow statements, accounts payable, accounts receivable, taxes, and payroll.

Ans: False

Complexity: Easy

Ahead: Financial Accounting

Subject: Chapter 2

Title: Financial Management