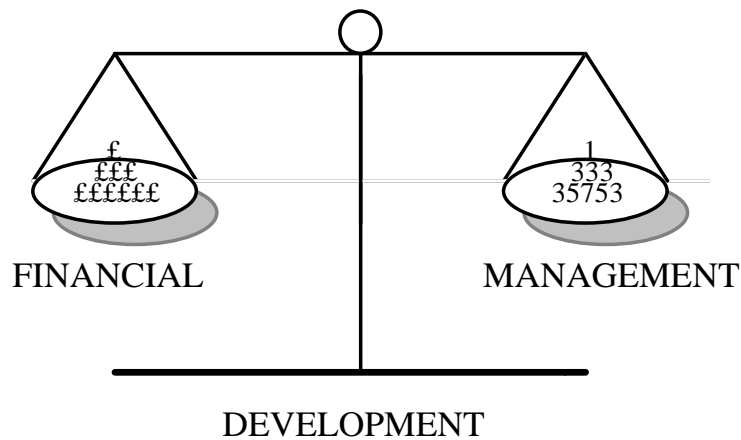


FINANCIAL MANAGEMENT DEVELOPMENT

Test Your Knowledge

NO 511

DIAGNOSTIC QUESTIONS



ONE OF A SERIES OF GUIDES FOR
FINANCIAL MANAGEMENT DEVELOPMENT
FROM

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This is one of a series of documents produced by David A Palmer as a guide for managers on specific financial topics to assist informed discussion. Readers should take appropriate advice before acting upon any of the issues raised.

DIAGNOSTIC QUESTIONS

These questions have been designed to help you to consider your training needs with regard to finance. They should take less than one hour of your time to complete. Some possible answers are on 512.

Please note that in some cases more than one answer is correct.

1. When is a sale recognised in the accounts of a company?
 - (a) When the order is received
 - (b) When the goods are made
 - (c) When the goods are delivered
 - (d) When the invoice is raised
 - (e) When the cash is received

2. If £10,000 is spent on advertising, what is shown in the accounts?
 - (a) An asset of £10,000
 - (b) A liability of £10,000
 - (c) A cost of £10,000
 - (d) Income of £10,000

3. If £10,000 is spent on new word processors, what is shown in the accounts?
 - (a) An asset of £10,000
 - (b) A liability of £10,000
 - (c) A cost of £10,000
 - (d) Income of £10,000

4. A client pays in advance for work. Is this
 - (a) An asset
 - (b) A liability
 - (c) A good thing
 - (d) A sale

5. A bill is received for electricity so you put it in a drawer and forget it. Is this
- (a) An expense
 - (b) A liability
 - (c) A good idea
 - (d) Helpful to cashflow
6. Do any of the following describe a Balance Sheet, or a Profit and Loss Account?
- (a) A statement of sales less costs for a given period
 - (b) A statement of cash receipts and cash payments for a given period
 - (c) A statement of assets and liabilities
 - (d) A list of items owned and items owed by a business
7. What is the difference between capital and revenue expenditure?
- (a) Capital expenditure relates to fixed assets, revenue expenditure relates to sales
 - (b) Capital expenditure relates to shares, revenue expenditure relates to income
 - (c) Capital expenditure relates to fixed assets, revenue expenditure relates to costs
 - (d) Capital expenditure is bigger
8. What is depreciation?
- (a) A tax allowance related to fixed assets
 - (b) An accounting trick to hide costs
 - (c) A cash payment for the use of assets
 - (d) A charge to spread large capital costs over the life of the asset
9. Where in a set of Published Financial Accounts will you find?
- (a) The value of the employees
 - (b) The value of the order book
 - (c) The value of work completed but not yet invoiced
 - (d) The value of the organisation

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David is an experienced financial professional who has devoted his skills to management training in practical understanding and utilisation of financial information. A Graduate, Chartered Accountant, and Associate of the Institute of Taxation, he is also a Member of the Chartered Institute of Personnel and Development.

He has worked as a Financial Controller and Company Secretary in the Finance Industry and as a Director of Finance and Administration in the Computer Services industry. Since 1990 he has conducted management development programmes for over thirty major organisations including Blue Circle, BP, CSC Computer Sciences, Conoco, Ernst & Young, Lloyds Bowmaker, The Post Office, Rothmans and Zeneca. International training experience includes work in Denmark, Kenya and the Czech Republic for Unilever, in Dubai for Al Atheer, in Holland and the U.S. for Avecia and Zeneca and in Bahrain and Saudi Arabia for Cable & Wireless.

He specialises in programmes in financial management for both tactical and strategic decision making. A key output from the training is demonstrable use of the knowledge and skills acquired to enhance corporate profitability. In addition he has run courses in acquisition evaluation (The Economist, Blue Circle and Hays Chemicals) and in post-acquisition management (Unilever). He has also developed material for delivery by in house personnel (Royal Mail, Lloyds Bowmaker and Conoco) and computer based training packages (The Post Office, Unilever and BP).

He is a prolific writer of case studies, role plays and course material, he has also published articles on the financial justification of training, financial evaluation of IT investment proposals, the use of Activity Based Costing and Customer Profitability statements, commercial considerations for consultants and the need for taxation awareness training for general managers.

He is married with one grown up daughter and his outside interests include being The Treasurer of the Hospice of St. Francis (Berkhamsted), and a member of the Catholic Alpha Training Team (Promoting the Alpha course on Basic Christianity). He was a Governor of Luton University for nine years and a school Governor for four years.

This series of papers is designed to help managers by providing a basic understanding of key financial concepts to assist them in their work. It is provided at no cost since this knowledge is a Gift from God and thus to be shared (Matthew 10:8).