

# Financial Literacy Pre-test



*This pre-test is designed to test your current financial literacy. Please circle your answers.*

**1. Which of the following is a basic accounting equation?**

- A. Net Worth = Assets + Profits
- B. Gross Profit – Sales = Gross Profit Margin
- C. Assets = Liabilities + Owner’s Equity
- D. EBITDA = COGS – Depreciation

**2. Which would you find on a Profit & Loss Statement?**

- A. Depreciation
- B. Fixed Asset
- C. Accounts Payable
- D. Repayment of Debt

**3. A prepaid expense is:**

- A. an Asset
- B. Owner’s Equity
- C. a Liability
- D. a Payable

**4. Which of the following is most important to the daily operations of a business?**

- A. Assets
- B. Profits
- C. Cash
- D. Sales

**5. An account receivable is:**

- A. an Asset
- B. Owner’s Equity
- C. a Liability
- D. a Prepaid Expense

**6. Which of the following items is not found on a balance sheet?**

- A. Cash
- B. Sales
- C. Assets
- D. Equity

**7. Which accounting system most accurately reflects profitability?**

- A. Cash Accounting
- B. Flow of Funds Accounting
- C. Accrual Accounting
- D. General Ledger Accounting

**8. An increase in receivables is good or bad for cash.**

- A. Good
- B. Bad
- C. Depends on the movement of your liabilities
- D. None of the above

**9. Is LIFO/FIFO a method of**

- A. Inventory Evaluation
- B. Calculating Profits
- C. Financing
- D. Depreciation

**10. Which of the following does not affect your cash position in running a business?**

- A. Lease Expense
- B. Advertising Expense
- C. Depreciation Expense
- D. Interest Expense