

Nonprofit Bookkeeping Test

FINANCE & STRATEGY • BY DENNIS WALSH, CPA • DECEMBER 26, 2010 • [EMAIL](#) [PRINT](#)

If you're not an accountant yourself, it can be hard to hire a qualified bookkeeper. How can you tell if an applicant really knows bookkeeping? CPA Dennis Walsh created this terrific assessment test you can give candidates for bookkeeping and accounting jobs. We especially like the chart at the end that shows what training is called for based on which questions were answered correctly or incorrectly:



This 21-question quiz samples from general bookkeeping knowledge as well as nonprofit bookkeeping and compliance matters. Use this assessment test as part of your hiring toolkit as well as for identifying staff training needs. Take it yourself and see how you do!

The Nonprofit Bookkeeping Assessment Test

We recommend that you give an applicant 20 minutes to complete the assessment test. The ability to make accurate choices under time pressure is an important indicator of suitability for this type of work.

1. Which of the following regarding the Statement of Financial Position is true?
 - a) It is also known as a balance sheet
 - b) It typically covers a one-year period
 - c) It includes expenses by functional category
 - d) Both a and b
2. Under the accrual method of accounting, a donor pledge that is supported by verifiable documentation is recorded in the period the pledge is made.
 - a) True
 - b) False
3. Which of the following are typically included in the bank account reconciliation?
 - a) Bank service charges
 - b) Outstanding checks
 - c) Deposits in transit
 - d) All of the above
4. Which of the following is included in the Statement of Activities?
 - a) Total fundraising expenses
 - b) Cash in bank
 - c) Cash flows from investing activities
 - d) None of the above
5. Which of the following is an example of a source document?
 - a) Volunteer time sheet
 - b) Purchase order
 - c) Donor pledge card
 - d) All of the above
6. Costs of operating a vehicle for both program services and organization management should be included within which functional expense category?
 - a) Program services
 - b) Management & general

- c) Allocate between program services and management & general on a reasonable basis
- d) Fundraising

7. Which of the following is an example of an indirect cost that should be shared among functional expense categories?

- a) Salary and benefits of the executive director who spends time on program, management, and fundraising duties
- b) An information packet to be distributed to program recipients
- c) Costs of producing a brochure advertising the annual fundraising dinner
- d) Costs of lunch for a board meeting

8. In December 2010, organization X, a nonprofit using a calendar fiscal year, received a grant of \$10,000 with donor instructions that it is to be used for general operations in 2011. In which category of support should the grant be classified on X's Statement of Activities for the year ending December 31, 2010?

- a) Unrestricted contributions
- b) Temporarily restricted contributions
- c) Permanently restricted contributions
- d) The grant funds should be reported as deferred revenue liability in the December 2010 financial statements and reclassified as an unrestricted contribution in 2011



9. Which of the following statements regarding a trial balance is true?

- a) A trial balance must be prepared by a CPA
- b) A trial balance is the last item performed in the bookkeeping cycle
- c) A trial balance assures that the general ledger is in balance before creating any adjusting entries needed for financial statement preparation
- d) None of the above

10. Which of the following should be charged to an expense account?

- a) Purchase of a small lot for parking
- b) Purchase of an office computer
- c) Replacement of a paratransit van engine and transmission
- d) None of the above

11. One of the following statements regarding the chart of accounts is true. Which one is it?

- a) Accounts are listed in alphabetical order
- b) A properly designed chart of accounts helps assure appropriate and consistent classification of transactions
- c) Designing the chart of accounts does not require any specialized accounting knowledge
- d) A chart of accounts is not necessary with most software-based bookkeeping systems

12. All of the following statements about a contribution confirmation needed by a donor for tax reporting are correct except:

- a) It may be sent by email
- b) It should include the donor's name, address, and separately list any single contribution of \$250 or more
- c) It must be sent by January 31 of the following year
- d) It must state whether any goods or services were provided in exchange for the donation

13. Within which functional expense category should legal and accounting fees be classified?

- a) Program services
- b) Management & general
- c) Fundraising
- d) Allocate to each of the above categories on a reasonable basis

14. When possible, which of the following duties should NOT be performed by the bookkeeper, but should be done by someone else?

- a) Preparing a purchase order

- b) Approving an invoice for payment
- c) Receiving a delivery of goods
- d) All of the above

15. Which of the following sources of income are classified as a contribution (donation)?

- a) A gift accompanied by restrictions as to its use
- b) Program service revenue
- c) Interest income
- d) None of the above

16. Which of the following is an example of a poor internal control practice?

- a) The bookkeeper stamps checks received with a restrictive endorsement at the time the bank deposit is prepared
- b) The monthly bank account reconciliation is performed by the board treasurer
- c) Checks must be signed by both the bookkeeper and treasurer
- d) Both a and c

17. A donation of non-cash property is recorded at which of the following values?

- a) The amount the donor paid for the property
- b) The current fair market value of the property
- c) Donations of non-cash property are not recorded on the books
- d) Either a or b

18. Which of the following is not an example of an expense account?

- a) Office supplies
- b) Accounts payable
- c) Depreciation
- d) Bad debts

19. The balance of loans and other liabilities are presented on which of the following financial statements?

- a) Statement of cash flows
- b) Statement of activities
- c) Statement of financial position
- d) Statement of functional expenses

20. Which of the following statements about the IRS form 990 series is true?

- a) The Form 990-N e-Postcard may be used by organizations with less than \$50,000 of gross income
- b) If the organization fails to file an appropriate form 990 for 3 consecutive years, it will automatically lose its tax-exempt status
- c) Form 990 must be made available for public inspection
- d) All of the above

21. Hands-on math: Please add the following dollar amounts and provide the correct total (provide a calculator or adding machine):

64.15

10,211.19

5.66

1,344,991.04

176.76

898.98

454.19

71.11

44,231.12

96,454.89

156.11
789.43
700.10
2,001,565.32

See below for how to request an Answer/Explanation Sheet, Scoring Guide, and list of training resources. The scoring guide will look like this:



To obtain a free Answer/Explanation Sheet, along with a Scoring Guide and list of training resources, include the following information in an email to Blue Avocado's editor: Name, Email, Title, Organization, Street Address, Telephone. You can send this information by clicking [here](#) or by emailing editor at blueavocado dot org. (We chose not to publish the answers online to help preserve the integrity of the test.)

Some notes:

- Not all questions have the same importance. Don't just look at the total score, but at which questions were answered correctly.
- Use the Answer/Explanation Sheet to score tests, to strengthen your own understanding, and to suggest areas where an individual needs to learn more.
- Because of differences in state laws, we did not include questions on employment-related issues.
- Thanks to the CPAs and bookkeepers who helped test and refine this quiz.