The type of budget that remains the same without respect to any operational or financial changes is called


|  |  |
| --- | --- |
| a. | a balanced budget.    |
| b. | a static budget.    |
| c. | a flexible budget.    |
| d. | a cost budget.    |

During the month of July, McElroy Company’s direct labor cost totaled $36,000, and direct labor cost was 60% of prime cost. If total manufacturing costs during July were $85,000, the manufacturing overhead was:

|  |  |
| --- | --- |
| a. | $24,000    |
| b. | $25,000    |
| c. | $49,000    |
| d. | $60,000    |
| e. | None of the choices is correct    |

Which of the following is not a pricing decision faced by managers:

|  |  |
| --- | --- |
| a. | Pricing bids in both sealed and open bidding situation    |
| b. | Setting the price of products sold under private labels    |
| c. | Responding to a new rpcie of a competitor    |
| d. | Determining whether to accept a price proposed by a company requesting a special order    |

Bangkok Custom Shirt Company uses a special fabric in the production of dress shirts. During August, Bangkok Custom Shirt purchased and used 7,900 square yards in the production of 3,800 shirts at a total cost of B5,490,500. (B stands for the Thai baht.) The standard allows two yards at B700 per yard for the shirt. You calculate the material price variance and find it to be:

|  |  |
| --- | --- |
| a. | B170,500 favorable    |
| b. | B210,000 unfavorable    |
| c. | B39,500 favorable    |
| d. | B210,000 favorable    |

Which of the following factors would be considered irrelevant when evaluating equipment-replacement decisions?

|  |  |
| --- | --- |
| a. | manufacturing costs    |
| b. | the book value of the old machine    |
| c. | product production costs    |
| d. | overhead costs    |

Which of the following is NOT a benefit derived from the preparation fo an annual budget

|  |  |
| --- | --- |
| a. | Communication is enhanced throughout the organization    |
| b. | Provides a means for the allocation of scarce resources    |
| c. | Managers are more able to control activities throughout an organization    |
| d. | Each of the above are important aspects of budgeting    |

e. Only choices 1 and 2 are important aspects of budgeting

When using a graph to investigate cost-volume-profit relationships, the breakeven point is identified as the point where?

|  |  |
| --- | --- |
| a. | Marginal Revenue equals Marginal Costs    |
| b. | Total Sales equals Total Expenses    |
| c. | Marginal Revenue equals Fixed Costs    |
| d. | Sales equals Fixed Costs minus Variable Costs    |

Management is considering purchasing a Model B300 machine to use in addition to the company's present Model B100 machine. This will increase the company's production and sales. The increase in volume will be large enough to require increases in variable manufacturing overhead, fixed and selling expenses and in general administrative overhead, but not in the fixed manufacturing overhead. Which of the following items would be considered NOT relevant to the decision?


|  |  |
| --- | --- |
| a. | None of the selections are correct    |
| b. | Both of the options are relevant    |
| c. | Depreciation - Model B100 Machine    |
| d. | Variable Manufacturing Overhead    |

Thames Company is considering replacing a machine that is presently used in the production of its product. The following data are available: Old Replacement Machine Machine Original cost $180,000 $140,000 Useful life in years 10 5 Current age in years 5 0 Book value $100,000 - Disposal value now $32,000 - Disposal value in 5 years 0 0 Annual cash operating costs $28,000 $16,000 Which of the data provided in the table is (are) a relevant costs?

|  |  |
| --- | --- |
| a. | the disposal value of the old machine    |
| b. | the original cost of the old machine    |
| c. | the annual cash operating costs of the replacement machine    |
| d. | both responses a (1) and c (3) are relevant costs    |