|  |  |
| --- | --- |
| 1. | A materials requisition slip showed that total materials requested were $42,500 with $1,500 of this amount consisting of indirect materials. What entry is made to record the transfer of materials from the storeroom? |
| A) |

|  |  |  |
| --- | --- | --- |
| Work in Process Inventory | 41,000 |   |
| Manufacturing Overhead | 1,500 |   |
|   | Raw Materials Inventory |   | 42,500 |
|   |   |   |   |

 |
| B) |

|  |  |  |
| --- | --- | --- |
| Work in Process Inventory | 42,500 |   |
|   | Raw Material Inventory |   | 42,500 |
|   |   |   |   |

 |
| C) |

|  |  |  |
| --- | --- | --- |
| Direct Materials | 41,000 |   |
| Indirect Materials | 1,500 |   |
|   | Work in Process Inventory |   | 42,500 |
|   |   |   |   |

 |
| D) |

|  |  |  |
| --- | --- | --- |
| Manufacturing Overhead | 42,500 |   |
|   | Raw Materials Inventory |   | 42,500 |
|  |  |  |  |
|   |   |   |   |

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| --- | --- |
| 2. | Market Makeup produces face cream. Each bottle of face cream costs $10 to produce and can be sold for $13. The bottles can be sold as is, or processed further into sunscreen at a cost of $14 each. Market Makeup could sell the sunscreen bottles for $23 each. |
| A) | Face cream must be further processed because its profit is $9 each. |
| B) | Face cream must not be further processed because costs increase more than revenue. |
| C) | Face cream must not be further processed because it decreases profit by $1 each. |
| D) | Face cream must be further processed because it increases profit by $3 each. |

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| 3. | Jason Company determined that the budgeted cost of producing a product is $1.20 per unit. On June 1, there were 11,000 units on hand. The sales department budgeted sales of 320,000 units in June. The company desires to have 8,000 units on hand on June 30. How much is the budgeted cost of goods manufactured for June? |
| A) | $380,400 |
| B) | $317,000 |
| C) | $323,000 |
| D) | $387,600 |

Bridgeware Company has a materials price standard of $6.00 per pound. Two thousand pounds of materials were purchased at $6.60 a pound. The actual quantity of materials used was 2,000 pounds, although the standard quantity allowed for the output was 1,800 pounds.

|  |  |
| --- | --- |
| 4. | Bridgeware Company's materials price variance is |
| A) | $120 U. |
| B) | $1,200 U. |
| C) | $1,080 U. |
| D) | $1,200 F. |

|  |  |
| --- | --- |
| 5. | Bridgeware Company's materials quantity variance is |
| A) | $1,200 U. |
| B) | $1,200 F. |
| C) | $1,320 F. |
| D) | $1,320 U. |

|  |  |
| --- | --- |
| 6. | Bridgeware Company's total materials variance is |
| A) | $2,400 U. |
| B) | $2,400 F. |
| C) | $2,520 U. |
| D) | $2,520 F. |

|  |  |
| --- | --- |
| 7. | Tip Top Painting Company has the following production data for January: • Beginning work in process, 0 units• Units transferred out, 35,000• Units in ending work in process, 4,000, which are 30% complete for conversion costs Materials are added only at the beginning of the process. Compute equivalent units of production for both materials and conversion costs using the weighted average method.  |

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| 8. | The following information is available for a product manufactured by Gardenia Corporation:

|  |  |  |
| --- | --- | --- |
|   | Per Unit | Total |
| Direct materials |  $ 62.50  |   |
| Direct labor |  $ 47.50  |   |
| Variable manufacturing OH |  $ 15.00  |   |
| Fixed manufacturing OH |   |  $ 250,000  |
| Variable selling and admin expenses |  $ 10.00  |   |
| Fixed selling and admin expenses |   |  $ 55,000  |

 Gardenia has a desired ROI of 16%. It has invested assets of $8,250,000 and expects to produce 2,000 units per year.**Instructions**Compute each of the following:1. Cost per unit of fixed manufacturing overhead and fixed selling and administrative expenses.2. Desired ROI per unit.3. Markup percentage using the absorption cost approach.4. Markup percentage using the contribution approach. |

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| 9. | The income statement for Raple Stark Company for 2006 appears below.

|  |  |
| --- | --- |
| Raple Stark Company |   |
| Income Statement |   |   |
| For the Year Ended December 31 , 2006 |
|   |   |   |   |
| Sales (25,000 units) |  $ 650,000  |
| Variable expenses |   |  227,500  |
| Contribution margin |   |  422,500  |
| Fixed expenses |   |  439,400  |
| Net income (loss) |   |  $ (16,900) |
|   |   |   |   |

**Instructions**Answer the following independent questions and show computations to support your answers:

|  |  |
| --- | --- |
| 1. | How much additional sales revenue does the company need to break-even in 2006? |
| 2. | If the company is able to reduce variable costs by $1.25 per unit in 2007 and other costs and unit revenues remain unchanged, how many units will the company have to sell in order to earn a net income of $50,650? |

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