14. Actual results might differ from the static budget because \_\_\_\_\_.

a.                  sales and other cost-driver activities were not the same as originally forecasted

b.                  revenues or variable costs per unit of activity were not as expected

c.                  fixed costs per period were not as expected

d.                  all of these answers are correct

15. Effectiveness is indicated by \_\_\_\_\_.

 a. sales-activity variances

 b. static-budget variances

 c. flexible-budget variances

d. all of these answers are correct

16. Samuel Company has two production departments, Mixing and Finishing, served by one maintenance department. Budgeted fixed costs for the maintenance department were $40,000, and the variable cost per labor hour was $4.00. Other relevant data are as follows:

 Mixing Finishing

 Long-run capacity available\* 18,000 12,000

 Budgeted\* 12,000 10,500

 Actual\* 15,000 9,000

\*in labor hours

 Actual maintenance department costs were $36,000 fixed and $100,000 variable. The amount of fixed maintenance costs allocated to the Mixing Department should be \_\_\_\_\_.

 a. $20,000

 b. $12,000

 c. $24,000

d.     $14,000

17. The \_\_\_\_\_ method recognizes that some service departments support the activities in the service departments as well as those in production departments.

 a. direct

 b. indirect

 c. step-down

 d. step-up

18. Murphy Company has two service departments, Maintenance and Personnel, as well as two production departments, Mixing and Finishing. Maintenance costs are allocated based on square footage while personnel costs are allocated based on number of employees. The following information has been gathered for the current year:

 Maintenance Personnel Mixing Finishing

Direct dept. costs $126,000 $84,000 $105,000 $175,000

Square footage 800 400 1,600 1,200

Number of employees 8 12 24 32

 If the step-down method of allocating costs is used and the Personnel Department is allocated first, then the amount of overhead that would be allocated from Personnel to Mixing is \_\_\_\_\_.

 a. $31,500

b.                  $58,500

c.                  $63,000

d.                  $78,000

19. Identify which of the following statements is *not* a problem with decentralization.

a. Managers may make decisions that are not in the organization's best interests.

b. Managers tend to duplicate services that might be less expensive if centralize

c. Costs of accumulating and processing information are frequently reduced.

d. Managers may waste time bargaining with other segment managers about transfer prices.

20. Speedo Company’s revenues are $300 on invested capital of $240. Expenses are currently 70% of sales. If Angelo Company can reduce its invested capital by 20%, return on investment will be \_\_\_\_\_.

a.                  75%

b.                  93.75%

c.                  18.75%

d.                  46.88%

21. The following information is available for the Bumbling Company:

 Sales $250,000

 Invested capital 156,250

 ROI 20%

 The net income is \_\_\_\_\_.

 a. $93,750

 b. $156,250

 c. $31,250

 d. $50,000

22. Economic profit is defined as \_\_\_\_\_.

 a. net income less "imputed" interest

 b. sales less expenses

 c. income divided by revenue

 d. the same as ROI

23. Identify which of the following definitions of invested capital is *not* recommended for measuring the performance of division managers.

 a. total assets

 b. total assets less total liabilities

 c. total assets employed

 d. total assets less current liabilities

24. A transfer price exists when two segments of the same organization sell \_\_\_\_\_.

 a. a product to the same customer

 b. a service to each other

 c. a product in a foreign country

 d. the same service to competitors

25. The Table and Chair Divisions are part of the same company. Currently the Chair Division buys a part from Table for $384. The Table Division wants to increase the price of the part it sells to Chair by $96 to $480. The manager of Chair has stated that it cannot afford to go that high, as it will decrease the division's profit to near zero. Chair can buy the part from an outside supplier for $448. The cost data for the Table Division is as follows:

 Direct materials $136.00

 Direct labor 200.00

 Variable overhead 40.00

 Fixed overhead 38.40

 If Table ceases to produce the parts for Chair, it will be able to avoid oneâ€‘third of the fixed manufacturing overhead. The Table Division has excess capacity but no alternative uses for its facilities. \_\_\_\_\_ is the maximum transfer price that should be charged.

 a. $480.00

 b. $448.00

 c. $388.80

 d. $414.40

26. The variable cost of Part X is $50 and the full cost of the part is $80. The part is produced in Country Z and transferred to a plant in Country B. Country Z has a 30% income tax rate. Country B has a 50% income tax rate and an import duty equal to 10% of the price of the item. Part X can be transferred at full cost or variable cost. Assume that Part X is priced at full cost. The income tax effect per unit in country Z is\_\_\_\_\_.

 a. an increase in tax by $9 per unit

b.                  a decrease in tax by $9 per unit

c.                  an increase in tax by $24 per unit

d.                  a decrease in tax by $24 per unit

27. Type 3 allocations are cost that flow from \_\_\_\_\_.

a. one organizational unit to another

 b. the accounting system to an organizational unit

 c. one organizational unit to the product

d. the product to the customer