

1. _____ is a cost that requires a cash disbursement.
 - a. Sunk cost
 - b. Opportunity cost
 - c. Outlay cost
 - d. Common cost

2. The salary forgone by a person who quits a job to start a business is an example of a(n)
 - a. sunk cost.
 - b. opportunity cost.
 - c. depreciable cost.
 - d. outlay cost.

3. Bull Company manufactures a part for its production cycle. The costs per unit for 5,000 units of this part are as follows:

Direct materials	\$3
Direct labor	5
Variable factory overhead	4
Fixed factory overhead	2
Total costs	<u>\$14</u>

The fixed factory overhead costs are unavoidable.

Heat Corporation has offered to sell 5,000 units of the same part to Bull Company for \$13 a unit. Assuming no other use for the facilities, Bull Company should:

- a. buy from Heat as this would save \$1 per unit.
 - b. make the part as this would save \$1 per unit.
 - c. buy from Heat as this would save \$5 per unit.
 - d. make the part as this would save \$5 per unit
4. Bull Company manufactures a part for its production cycle. The costs per unit for 5,000 units of this part are as follows:

Direct materials	\$3
Direct labor	5
Variable factory overhead	4
Fixed factory overhead	2
Total costs	<u>\$14</u>

The fixed factory overhead costs are unavoidable.

Assume that Bull Company has been offered 5,000 units of the part from another producer for \$15 each. The facilities currently used to make the part could be rented out to another manufacturer for \$20,000 a year. Bull Company should

- a. make the part as that would save \$1 per unit.
- b. buy the part as that would save \$3 per unit.
- c. buy the part as that would save \$1 per unit.
- d. make the part as that would save \$3 per unit.

5. A key factor in a make or buy decision is
 - a. whether or not there are idle facilities.
 - b. the amount of the sunk costs.
 - c. gain or loss on the disposal of equipment.
 - d. the total joint costs.
6. Fixed costs that may be avoided in the future are
 - a. unavoidable costs.
 - b. sunk costs.
 - c. relevant costs.
 - d. replacement costs.
7. Beyer Corporation has a joint process which produces three products, M, L and B. Each product may be sold at split off or processed further and then sold. Joint processing costs for a year amount to \$25,000. Other relevant data are as follows:

<u>Product</u>	<u>Sales Value at Split-off</u>	<u>Separable Processing Costs after Split-off at</u>	<u>Sales Value Completion</u>
M	\$32,000	\$5,000	\$40,000
L	12,500	6,500	19,000
B	6,400	5,000	10,000

- Once product M is produced, processing it further will cause profits to
- a. increase by \$8,000.
 - b. decrease by \$5,000.
 - c. decrease by \$8,000.
 - d. increase by \$3,000.

8. Beyer Corporation has a joint process which produces three products, M, L and B. Each product may be sold at split off or processed further and then sold. Joint processing costs for a year amount to \$25,000. Other relevant data are as follows:

<u>Product</u>	<u>Sales Value at Split-off</u>	<u>Separable Processing Costs after Split-off</u>	<u>Sales Value at Completion</u>
M	\$32,000	\$5,000	\$40,000
L	12,500	6,500	19,000
B	6,400	5,000	10,000

Product L

- a. should be processed further to increase profits by \$6,500.
- b. should be sold at split-off since processing further would only reduce profits by \$6,500.
- c. should be processed further to increase profits by \$19,000.
- d. can be processed further or sold at split-off. There is no difference in profit.

9. Beyer Corporation has a joint process which produces three products, M, L and B. Each product may be sold at split off or processed further and then sold. Joint processing costs for a year amount to \$25,000. Other relevant data are as follows:

<u>Product</u>	<u>Sales Value at Split-off</u>	<u>Separable Processing Costs after Split-off</u>	<u>Sales Value at Completion</u>
M	\$32,000	\$5,000	\$40,000
L	12,500	6,500	19,000
B	6,400	5,000	10,000

In processing Product B further

- a. profits will decrease by \$1,400.
 - b. incremental profits will exceed incremental costs.
 - c. profits will increase by \$5,000.
 - d. the additional revenue produced will exceed the additional costs.
10. Two or more manufactured products that have relatively significant sales values and are not separately identifiable as individual products until their split-off point are called
- a. separable products.
 - b. by-products.
 - c. distinct products.
 - d. joint products.
11. Which of the following is NOT an example of a joint product?
- a. Automobiles
 - b. Chemicals
 - c. Lumber
 - d. Meat packing
12. _____ are the costs of manufacturing joint products after the split-off point.
- a. Joint costs
 - b. Outlay costs
 - c. Opportunity costs
 - d. Separable costs
13. _____ is the juncture in manufacturing where the joint products become individually identifiable.
- a. Joint processing juncture
 - b. Split-off point
 - c. Common point
 - d. Significant juncture

14. The financial budget includes
 - a. only the capital budget and the cash budget.
 - b. only the capital budget and the budgeted balance sheet.
 - c. the capital budget, the cash budget, and the budgeted balance sheet.
 - d. the cash budget, the budgeted statement of cash flows, and the retained earnings budget.

15. Managers need budgets for all of the following reasons EXCEPT
 - a. to guide them in allocating resources.
 - b. to maintain control.
 - c. to enable them to measure and reward progress.
 - d. to determine which individual to hire.

16. The master budget includes forecasts for all of the following EXCEPT
 - a. sales.
 - b. number of employees.
 - c. balance sheets.
 - d. cash disbursements.

17. Budgets that detail the planned expenditures for facilities, equipment, new products, and other long-term investments is (are)
 - a. a strategic plan.
 - b. capital budgets.
 - c. pro forma statements.
 - d. continuous budgets.

18. Which of the following is sometimes called rolling budgets?
 - a. strategic plans
 - b. capital budgets
 - c. pro forma statements
 - d. continuous budgets

19. Unit sales of Product X are currently 10,000, while unit sales of Product Y are double those of Product X. What will the company's sales forecast be, assuming sales of Product X increase by 10 percent and those of Product Y go up by 4,000 units?
 - a. 10,000 and 20,000 units, respectively
 - b. 11,000 and 22,000 units, respectively
 - c. 11,000 and 24,000 units, respectively
 - d. 35,000 units

20. For next year, Miller Company has budgeted sales of 20,000 units, target ending finished goods inventory of 1,000 units, and a beginning finished goods inventory of 600 units. All other inventories are zero. How many units should be produced?
 - a. 19,600 units
 - b. 20,000 units
 - c. 20,400 units
 - d. 21,400 units

21. Which of the following is generally the first step in preparing the operating budgets?
- sales budget
 - operating expense budget
 - purchases budget
 - budgeted income statement
22. Grinnell Manufacturing Company has the following information:

<u>Month</u>	<u>Budgeted Sales</u>
January	\$76,000
February	85,000
March	92,000
April	79,000

<u>Budgeted Expenses per Month</u>	
Wages	\$15,000
Advertising	12,000
Depreciation	3,000
Other	4 percent of sales

Note: All cash expenses are paid as incurred.

What is the expected total expenses budgeted for the month of March?

- \$30,000
 - \$30,680
 - \$31,200
 - \$33,680
23. The following sales budget has been prepared:

<u>Month</u>	<u>Cash Sales</u>	<u>Credit Sales</u>
May	\$4,000	\$8,000
June	8,000	12,000
July	12,000	16,000
August	16,000	20,000

Collections are 50 percent in the month of sale, 40 percent in the month following the sale, and 5 percent two months following the sale. The remaining 5 percent is expected to be uncollectible.

What is the expected cash collections in August?

- \$36,000.
- \$20,000.
- \$33,000.
- \$17,000.

24. Bear Company has the following information:

<u>Month</u>	<u>Budgeted Purchases</u>
January	\$26,800
February	29,000
March	30,520
April	29,480
May	27,680

Purchases are paid for in the following manner:

- 10 percent in the month of purchase
- 50 percent in the month after purchase
- 40 percent two months after purchase

What is the total estimated cash disbursements in March for the purchase of merchandise?

- a. \$30,520
- b. \$29,000
- c. \$28,272
- d. \$29,540

25. Which of the following is an important factor considered by sales forecasters?

- a. past patterns of sales
- b. estimates made by the sales force
- c. general economic conditions
- d. all of the above