FINAL REVIEW

1. **Management accounting focuses primarily on providing data for:**

a. External uses by stockholders and creditors.

**b. Internal uses by managers.**

c. External uses by the Securities and Exchange Commission.

d. External uses by the Internal Revenue Service.

1. **Compared to financial accounting, managerial accounting places more emphasis on:**

- Provide information primarily for internal purposes
- reporting information for purpose of management actions
- future oriented (planning, budgeting)

1. **Which of the following is not one of the three basic activities of a manager?**

a. Planning
b. Controlling

c. Directing and motivating
**d. Compiling management accounting reports**

1. **After careful planning, Jammu Manufacturing Corporation has decided to switch to a just-in-time inventory system. At the beginning of this switch, Jammu has 30 units of product in inventory. Jammu has 2,000 labor hours available in the first month of this switch. These hours could produce 500 units of product. Customer demand for this first month is 400 units. If just-in-time principles are correctly followed, how many units should Jammu plan to produce in the first month of the switch?**

a. 400

b.430

c. 470

**d. 370**

1. **A detailed financial plan for the future is known as a:**

**a. budget.**

1. performance report.
2. organization chart.
3. Segment
4. **Indirect labor is a part of:**
	1. Prime cost.
	2. **Conversion cost.**
	3. Period cost.
	4. Nonmanufacturing cost.
5. **Direct labor cost is a part of:**

|  |  |  |
| --- | --- | --- |
|  | Conversion cost | Prime cost |
|  |  **YES** |  **YES** |

1. **John Johnson decided to leave his former job where he earned $12 per hour to go to a new job where he will earn $13 per hour. In the decision process, the former wage of $12 per hour would be classified as a(n):**
	1. sunk cost.
	2. direct cost.
	3. fixed cost.
	4. **opportunity cost.**
2. **The following costs were incurred in January:**

|  |  |  |
| --- | --- | --- |
|  | Direct materials  | $33,000 |
|  | Direct labor  | $28,000 |
|  | Manufacturing overhead  | $69,000 |
|  | Selling expenses  | $16,000 |
|  | Administrative expenses  | $21,000 |

Conversion costs during the month totaled: **$97,000**

1. **Abbey Company's manufacturing overhead is 60% of its total conversion costs. If direct labor is $35,000 and if direct materials are $55,000, the manufacturing overhead is:**

**?**

1. **Wall Company uses a predetermined overhead rate based on direct labor hours to apply manufacturing overhead to jobs. The company's estimated costs for the next year are:**

|  |  |  |
| --- | --- | --- |
|  | Direct materials  | $3,000 |
|  | Direct labor  | $20,000 |
|  | Depreciation on factory equipment  | $6,000 |
|  | Rent on factory  | $12,000 |
|  | Sales salaries  | $29,000 |
|  | Factory utilities  | $15,000 |
|  | Indirect labor  | $6,000 |

**It is estimated that 10,000 direct labor hours will be worked during the year. The predetermined overhead rate will be: $3.90**

1. **Which of the following industries would be most likely to use a process costing system?**
	1. Hospital
	2. Ship builder
	3. Movie studio
	4. **Oil refinery**
2. **Jinker Company uses the weighted-average method in its process costing system. Operating data for the Painting Department for the month of April appear below:**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Units | Percentage complete |
|  | Beginning work in process inventory  | 6,700 | 50% |
|  | Transferred in from the prior department during April  | 57,800  |  |
|  | Ending work in process inventory  | 7,600 | 60% |

**What were the equivalent units for conversion costs in the Painting Department for April?**

**62,360**

1. **The Assembly Department started the month with 59,000 units in its beginning work in process inventory. An additional 367,000 units were transferred in from the prior department during the month to begin processing in the Assembly Department. There were 35,000 units in the ending work in process inventory of the Assembly Department.**

**How many units were transferred to the next processing department during the month?**

**391,000**

1. **. As the level of activity increases, how will a mixed cost in total and per unit behave?**

|  |  |  |
| --- | --- | --- |
|  | In Total | Per Unit |
|  | **Increase** |  **Decrease** |
|  |  |  |

1. **Within the relevant range, variable costs can be expected to:**

**Vary in total in direct proportion to changes in the activity level.**

1. **Which of the following methods of analyzing mixed costs can be used to estimate an equation for the mixed cost?**

|  |  |  |
| --- | --- | --- |
|   | *High-Low* | *Least- Squares* |
| **A)** | **Yes** | **Yes** |
| B) | Yes | No |
| C) | No | Yes |
| D) | No | No |

1. **The high-low method is used with which of the following types of costs?**
	1. Variable
	2. **Mixed**
	3. Fixed
	4. Step-variable
2. **Shipping costs at Columbia Mining Company are a mixture of variable and fixed components The Company shipped 8,000 tons of coal for $400,000 in shipping costs in February and 10,000 tons for $499,000 in March assuming that this activity is within the relevant range, expected shipping costs for 11,000 tons would be:**

**$548,500**

1. **Eddy Corporation has provided the following production and total cost data for two levels of monthly production volume. The company produces a single product.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Production volume  | 6,000 units | 7,000 units |
|  | Direct materials  | $582,600 | $679,700 |
|  | Direct labor  | $136,200 | $158,900 |
|  | Manufacturing overhead  | $691,800 | $714,700 |

**The best estimate of the total variable manufacturing cost per unit is: $ 142.70**

**(Note: Including material, labor and overhead)**

1. **Given the cost formula Y = $12,500 + $5.00X, total cost for an activity level of 4,000 units would be:**

**$32,500**

1. **The following data pertains to activity and maintenance costs for two recent years:**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Year 2 | Year 1 |
|  | Activity level in units  | 11,125 | 6,000 |
|  | Maintenance cost  | $6,250 | $4,200 |

**If the high-low method is used to separate fixed and variable components of the cost, which of the following statements is correct?**

**A)  the variable cost is .70 per unit of activity
B) the fixed costs is $2050
C) the variable cost is 2.50 per unit of activity
D) the fixed cost is 1,800**

1. **The following information pertains to Nova Co.'s cost-volume-profit relationships:**

|  |  |  |
| --- | --- | --- |
|  | Breakeven point in units sold  | 1,000 |
|  | Variable expenses per unit  | $500 |
|  | Total fixed expenses  | $150,000 |

**How much will be contributed to net operating income by the 1,001st unit sold?**

**$150**

1. **Carver Company produces a product which sells for $40. Variable manufacturing costs are $18 per unit. Fixed manufacturing costs are $5 per unit based on the current level of activity, and fixed selling and administrative costs are $4 per unit. A selling commission of 15% of the selling price is paid on each unit sold. The contribution margin per unit is:**

**$16**

1. **Variable expenses for Alpha Company are 40% of sales. What are sales at the break-even point, assuming that fixed expenses total $150,000 per year:**

**250,000**

1. **Hollis Company sells a single product for $20 per unit. The company's fixed expenses total $240,000 per year, and variable expenses are $12 per unit of product. The company's break-even point is:**

**30,000 Units**

1. **Which of the following is true of a company that uses absorption costing?**

**under absorption costing all product costs are assigned to the units produced and are expensed when the units are sold.**

1. **When production exceeds sales, the net operating income reported under absorption costing generally will be:**

**Higher than the net income reported under variable costing**

1. **When sales exceed production, the net operating income reported under variable costing generally will be:**

**Higher than the net operating income under absorption costing**

1. **The type of costing that provides the best information for breakeven analysis is:**

**VARIABLE COSTING**

1. **A company produces a single product. Variable production costs are $12 per unit and variable selling and administrative expenses are $3 per unit. Fixed manufacturing overhead totals $36,000 and fixed selling and administration expenses total $40,000. Assuming a beginning inventory of zero, production of 4,000 units and sales of 3,600 units, the dollar value of the ending inventory under variable costing would be:**

**$4,800**

1. **A manufacturing company that produces a single product has provided the following data concerning its most recent month of operations:**

|  |  |  |
| --- | --- | --- |
|  | Selling price  | $123 |
|  |  |  |
|  | Units in beginning inventory  | 0 |
|  | Units produced  | 5,900 |
|  | Units sold  | 5,700 |
|  | Units in ending inventory  | 200 |
|  |  |  |
|  | Variable costs per unit: |  |
|  | Direct materials  | $40 |
|  | Direct labor  | $32 |
|  | Variable manufacturing overhead  | $3 |
|  | Variable selling and administrative  | $5 |
|  |  |  |
|  | Fixed costs: |  |
|  | Fixed manufacturing overhead  | $135,700 |
|  | Fixed selling and administrative  | $108,300 |

**The total gross margin for the month under the absorption costing approach is:**

**$142,500**

1. **The labor time required to assemble a product is an example of a:**

**UNIT- LEVEL ACTIVITY**

1. **Setting up a machine to change from producing one product to another is an example of a:**

A) Unit-level activity.
B) Batch-level activity.
C) Product-level activity.
**D)  Organization-sustaining activity**

1. **In preparing a master budget, top management is generally best able to:**

A) prepare detailed departmental-level budget figures.
B) provide a perspective on the company as a whole.
C) point out the particular persons who are to blame for inability to meet budget goals.
**D) responses a, b, and c are all correct.**

1. **Thirty percent of Sharp Company's sales are for cash and 70% are on account. Sixty percent of the account sales are collected in the month of sale, 25% in the month following sale, and 12% in the second month following sale. The remainder is uncollectible. The following are budgeted sales data for the company:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | January | February | March | April |
|  | Total sales  | $50,000 | $60,000 | $40,000 | $30,000 |

**Total cash receipts in April are expected to be: $33,640**

1. **On January 1, Colver Company has 6,500 units of Product A on hand. During the year, the company plans to sell 15,000 units of Product A, and plans to have 5,000 units on hand at year end. How many units of Product A must be produced during the year?**

**16,500**

1. **Which of the following would produce a materials price variance?**

a. an excess quantity of materials used
b. an excess number of direct labor-hours worked in completing a job.
**c. shipping materials to the plant by air freight rather than by truck.**d. breakage of materials in production

1. **The following materials standards have been established for a particular raw material used in the company's sole product:**

|  |  |  |
| --- | --- | --- |
|  | Standard quantity per unit of output  | 1.0 pound |
|  | Standard price  | $16.60 per pound |

**The following data pertain to operations concerning the product for the last month:**

|  |  |  |
| --- | --- | --- |
|  | Actual materials purchased  | 2,200 pounds |
|  | Actual cost of materials purchased  | $34,650  |
|  | Actual materials used in production  | 1,900 pounds |
|  | Actual output  | 2,100 units |

**What is the materials quantity variance for the month?**

1. **$3,320 F**
2. $3,150 F
3. $4,980 U
4. $4,725 U
5. **The following materials standards have been established for a particular raw material used in the company's sole product:**

|  |  |  |
| --- | --- | --- |
|  | Standard quantity per unit of output  | 0.1 pound |
|  | Standard price  | $18.20 per pound |

**The following data pertain to operations for the last month:**

|  |  |  |
| --- | --- | --- |
|  | Actual materials purchased  | 5,700 pounds |
|  | Actual cost of materials purchased  | $100,320  |
|  | Actual materials used in production  | 5,600 pounds |
|  | Actual output  | 55,800 units |

**What is the materials price variance for the month?**

1. $1,820 U
2. $1,760 U
3. **$3,420 F**
4. $352 U
5. **The following labor standards have been established for a particular product:**

|  |  |  |
| --- | --- | --- |
|  | Standard labor-hours per unit of output  | 8.0 hours |
|  | Standard labor rate  | $13.10 per hour |

**The following data pertain to operations concerning the product for the last month:**

|  |  |  |
| --- | --- | --- |
|  | Actual hours worked  | 4,000 hours |
|  | Actual total labor cost  | $53,000  |
|  | Actual output  | 400 units |

**What is the labor efficiency variance for the month?**

1. $10,600 U
2. $11,080 U
3. $11,080 F
4. **$10,480 U**
5. **The following labor standards have been established for a particular product:**

|  |  |  |
| --- | --- | --- |
|  | Standard labor-hours per unit of output  | 2.4 hours |
|  | Standard labor rate  | $15.45 per hour |

The following data pertain to operations concerning the product for the last month:

|  |  |  |
| --- | --- | --- |
|  | Actual hours worked  | 5,400 hours |
|  | Actual total labor cost  | $85,860  |
|  | Actual output  | 2,200 units |

**What is the labor rate variance for the month?**

1. $1,908 U
2. **$2,430 U**
3. $4,284 U
4. $4,284 F
5. **The following standards for variable manufacturing overhead have been established for a company that makes only one product:**

|  |  |  |
| --- | --- | --- |
|  | Standard hours per unit of output  | 5.6 hours |
|  | Standard variable overhead rate  | $19.15 per hour |

**The following data pertain to operations for the last month:**

|  |  |  |
| --- | --- | --- |
|  | Actual hours  | 5,100 hours |
|  | Actual total variable overhead cost  | $99,195  |
|  | Actual output  | 1,100 units |

**What is the variable overhead efficiency variance for the month?**

1. **$20,299 F**
2. $18,769 F
3. $1,848 F
4. $20,617 F
5. **The following standards for variable manufacturing overhead have been established for a company that makes only one product:**

|  |  |
| --- | --- |
| Standard hours per unit of output  | 2.8 hours |
| Standard variable overhead rate  | $16.30 per hour |

**The following data pertain to operations for the last month:**

|  |  |  |
| --- | --- | --- |
|  | Actual hours  | 7,600 hours |
|  | Actual total variable overhead cost  | $127,300  |
|  | Actual output  | 2,500 units |

**What is the variable overhead spending variance for the month?**

1. **$3,420 U**
2. $3,150 F
3. $10,050 U
4. $13,200 U
5. **If the price a company paid for overhead items, such as utilities, decreased during the year, the company would probably report a(n):**
	1. favorable efficiency variance.
	2. **favorable spending variance.**
	3. unfavorable efficiency variance.
	4. unfavorable spending variance
6. **Hall Company's standards call for 750 direct labor-hours to produce 500 units. During May 400 units were produced. The company worked 650 direct labor-hours. The standard hours allowed for May production would be: ?**

A) 750 hours

B) 650 hours

C) 600 hours

D) 100 hours

1. **Which of the following would not be included in operating assets in return on investment calculations?**

A) Cash.

**B) Accounts Receivable.**

C) Equipment

D) Factory building rented to (and occupied by) another company.

1. **Gunderman Corporation has two divisions: the Alpha Division and the Charlie Division. The Alpha Division has sales of $230,000, variable expenses of $131,100, and traceable fixed expenses of $63,300. The Charlie Division has sales of $540,000, variable expenses of $307,800, and traceable fixed expenses of $120,700. The total amount of common fixed expenses not traceable to the individual divisions is $119,200. What is the company's net operating income?**

A) $147,100

B) $331,100

**C) $27,900**

D) $211,900

1. **When a multi-product factory operates at full capacity, decisions must be made about what products to emphasize. In making such decisions, products should be ranked based on:**

A) selling price per unit

**B) contribution margin per unit**

C) contribution margin per unit of the constraining resource

D) unit sales volume

1. **Kahn Company produces and sells 8,000 units of Product X each year. Each unit of Product X sells for $10 and has a contribution margin of $6. It is estimated that if Product X is discontinued, $50,000 of the $60,000 in fixed costs charged to Product X could be eliminated. These data indicate that if Product X is discontinued, overall company net operating income should:**
	1. decrease by 38,000 per year
	2. increase by 38,000 per year
	3. decrease by 2,000 per year
	4. **increase by 2,000 per year**