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| Question 1 text**Question 1**  | **5 points**    | Save    |
|   | Fixed costs expressed on a PER UNIT BASIS vary inversely with changes in activity.  |  |  |  |  |
| Question 1 answers

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|  | True |
|  | False |

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| Question 2 text**Question 2**  | **5 points**    | Save    |
|   | *Committed* fixed costs cannot be reduced to zero without seriously impairing the company's long term goals.  |  |  |  |  |
| Question 2 answers

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|  | True |
|  | False |

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| Question 3 text**Question 3**  | **5 points**    | Save    |
|   | A *traditional* functional income statement organizes costs on the basis of *behavior.*  |  |  |  |  |
| Question 3 answers

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| --- | --- |
|  | True |
|  | False |

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| Question 4 text**Question 4**  | **5 points**    | Save    |
|   | The *contribution margin* represents the amount available to contribute toward covering fixed expenses and toward profits for the period.  |  |  |  |  |
| Question 4 answers

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|  | True |
|  | False |

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| Question 5 text**Question 5**  | **5 points**    | Save    |
|   | Most companies use the *contribution approach* in preparing financial statements for external reporting purposes.  |  |  |  |  |
| Question 5 answers

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| --- | --- |
|  | True |
|  | False |

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| Question 6 text**Question 6**  | **5 points**    | Save    |
|   | Since Anytime Pizza is open 24 hours a day, its pizza oven is constantly on and is, therefore, always using natural gas. However, when there is no pizza in the oven, the oven automatically lowers its flame and reduces its natural gas usage by 70%. The cost of natural gas would best be described as a:  |  |  |  |  |
| Question 6 answers

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|  |  | fixed cost. |
|  |  | mixed cost.  |
|  |  | step-variable cost.  |
|  |  | true variable cost.  |

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| Question 7 text**Question 7**  | **5 points**    | Save    |
|   | Within the relevant range, VARIABLE costs can be expected to:  |  |  |  |  |
| Question 7 answers

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|  |  | vary in total in direct proportion to changes in the activity level.  |
|  |  | remain constant in total as the activity level changes.  |
|  |  | increase on a per unit basis as the activity level increases.  |
|  |  | increase on a per unit basis as the activity level decreases.  |

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| Question 8 text**Question 8**  | **5 points**    | Save    |
|   | An example of a *committed* fixed cost is:  |  |  |  |  |
| Question 8 answers

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|  |  | management training seminars.  |
|  |  | a long-term equipment lease.  |
|  |  | research and development.  |
|  |  | advertising.  |

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| Question 9 text**Question 9**  | **5 points**    | Save    |
|   | The following data have been collected for four different cost items.

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| --- | --- | --- | --- |
|   | *Cost Item* | *Cost at 100 units* | *Cost at 140 units* |
|   | W | $8,000 | $10,560 |
|   | X | $5,000 | $5,000 |
|   | Y | $6,500 | $9,100 |
|   | Z | $6,700 | $8,580 |

 Which of the following classifications of these cost items by cost behavior is *correct*?  |  |  |  |  |
| Question 9 answers

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| --- | --- | --- | --- |
| *Cost W* | *Cost X* | *Cost Y* | *Cost Z* |
| variable | fixed | mixed | variable |

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|  |  |  |  |
| --- | --- | --- | --- |
| *Cost W* | *Cost X* | *Cost Y* | *Cost Z* |

|  |  |  |  |
| --- | --- | --- | --- |
|   mixed |      fixed |   variable | mixed |

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| --- | --- | --- | --- |
| *Cost W* | *Cost X* | *Cost Y* | *Cost Z* |

|  |  |  |  |
| --- | --- | --- | --- |
| variable |    fixed |   variable | variable |

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| --- | --- | --- | --- |
| *Cost W* | *Cost X* | *Cost Y* | *Cost Z* |

|  |  |  |  |
| --- | --- | --- | --- |
|   mixed |     fixed |     mixed |    mixed |

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| Question 10 text**Question 10**  | **5 points**    | Save    |
|   | The **high-low method** is used with which of the following types of costs?  |  |  |  |  |
| Question 10 answers

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| --- | --- | --- |
|  |  | Variable. |
|  |  | Mixed.  |
|  |  | Fixed.  |
|  |  | Step-variable.  |

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| Question 11 text**Question 11**  | **5 points**    | Save    |
|   |             Iaci Corporation is a wholesaler that sells a single product. Management has provided the following cost data for two levels of monthly sales volume. The company sells the product for $133.60 per unit.

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| --- | --- | --- | --- |
|   | Sales volume (units)  | 4,000 | 5,000 |
|   | Cost of sales  | $383,600 | $479,500 |
|   | Selling, general, and administrative costs  | $124,400 | $136,000 |

The best estimate of the **total contribution margin** when 4,300 units are sold is:   |  |  |  |  |
| Question 11 answers

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|  |  | $112,230  |
|  |  | $162,110  |
|  |  | $28,380  |
|  |  | $45,150  |

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| Question 12 text**Question 12**  | **5 points**    | Save    |
|   |             Davis 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  | 1,000 units | 2,000 units |
|   | Direct materials  | $44,200 | $88,400 |
|   | Direct labor  | $37,300 | $74,600 |
|   | Manufacturing overhead  | $48,500 | $62,200 |

  The best estimate of the total monthly **FIXED** manufacturing cost is:(\*Hint:  Add up your total manufacturing costs (DM + DL + OH) at each production volume level.  Then use the high-low method.) |  |  |  |  |
| Question 12 answers

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|  |  | $130,000  |
|  |  | $177,600  |
|  |  | $34,800  |
|  |  | $225,200  |

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| Question 13 text**Question 13**  | **5 points**    | Save    |
|   |             Eddy Corporation has provided the following production and total cost data for two levels of monthly production volume. The company produces a single product.

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| --- | --- | --- | --- |
|   | 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:  |  |  |  |  |
| Question 13 answers

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|  |  | $22.90  |
|  |  | $119.80  |
|  |  | $142.70  |
|  |  | $97.10  |

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| Question 14 text**Question 14**  | **5 points**    | Save    |
|   |             Farmington Corporation has provided the following production and total cost data for two levels of monthly production volume. The company produces a single product.

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| --- | --- | --- | --- |
|   | Production volume  | 6,000 units | 7,000 units |
|   | Direct materials  | $195,000 | $227,500 |
|   | Direct labor  | $113,400 | $132,300 |
|   | Manufacturing overhead  | $913,200 | $931,700 |

  The best estimate of the **TOTAL cost to manufacture 6,300 units** is closest to:  |  |  |  |  |
| Question 14 answers

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| --- | --- | --- |
|  |  | $1,162,350  |
|  |  | $1,242,570  |
|  |  | $1,222,515  |
|  |  | $1,282,680  |

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| Question 15 text**Question 15**  | **5 points**    | Save    |
|   |             Gambino Corporation is a wholesaler that sells a single product. Management has provided the following cost data for two levels of monthly sales volume. The company sells the product for $138.80 per unit.

|  |  |  |  |
| --- | --- | --- | --- |
|   | Sales volume (units)  | 6,000 | 7,000 |
|   | Cost of sales  | $369,000 | $430,500 |
|   | Selling, general, and administrative costs  | $407,400 | $418,600 |

  The best estimate of the total monthly **FIXED** cost is: \*Another hint:  Add up total costs (Cost of sales + Selling, general, and administrative costs) for each sales volume level.  Then use the high-low method. |  |  |  |  |
| Question 15 answers

|  |  |  |
| --- | --- | --- |
|  |  | $776,400  |
|  |  | $340,200  |
|  |  | $812,750  |
|  |  | $849,100  |

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| Question 16 text**Question 16**  | **5 points**    | Save    |
|   |             Harris Corporation is a wholesaler that sells a single product. Management has provided the following cost data for two levels of monthly sales volume. The company sells the product for $84.40 per unit.

|  |  |  |  |
| --- | --- | --- | --- |
|   | Sales volume (units)  | 5,000 | 6,000 |
|   | Cost of sales  | $285,000 | $342,000 |
|   | Selling, general, and administrative costs  | $107,500 | $120,000 |

  The best estimate of the total **VARIABLE** cost per unit is:  |  |  |  |  |
| Question 16 answers

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| --- | --- | --- |
|  |  | $77.00  |
|  |  | $57.00  |
|  |  | $69.50  |
|  |  | $78.50  |

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| Question 17 text**Question 17**  | **5 points**    | Save    |
|   |            Given the cost formula Y = $12,500 + $5.00X, total cost for an activity level of 4,000 units would be:  |  |  |  |  |
| Question 17 answers

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|  |  | $20,000  |
|  |  | $12,500  |
|  |  | $16,000  |
|  |  | $32,500  |

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| Question 18 text**Question 18**  | **5 points**    | Save    |
|   | Use the following to answer questions 18 - 20: Babson 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  | 5,000 units | 6,000 units |
|   | Direct materials  | $103,500 | $124,200 |
|   | Direct labor  | $282,500 | $339,000 |
|   | Manufacturing overhead  | $667,000 | $679,800 |

The best estimate of the total monthly **FIXED** manufacturing cost is:  |  |  |  |  |
| Question 18 answers

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| --- | --- | --- |
|  |  | $1,098,000  |
|  |  | $1,053,000  |
|  |  | $1,143,000  |
|  |  | $603,000  |

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| Question 19 text**Question 19**  | **5 points**    | Save    |
|   | Use the data in Question 18 to answer this question.The best estimate of the total **VARIABLE** manufacturing cost per unit is:  |  |  |  |  |
| Question 19 answers

|  |  |  |
| --- | --- | --- |
|  |  | $90.00  |
|  |  | $77.20  |
|  |  | $12.80  |
|  |  | $20.70  |

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| Question 20 text**Question 20**  | **5 points**    | Save    |
|   | Use the data in Question 18 to answer this question.The best estimate of the **TOTAL cost to manufacture 5,300 units** is closest to:  |  |  |  |  |
| Question 20 answers

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| --- | --- | --- |
|  |  | $1,116,180  |
|  |  | $1,062,915  |
|  |  | $1,080,000  |
|  |  | $1,009,650  |

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