1.  Which of the following statements is true?
A.  When production exceeds sales, a manufacturing company's variable costing net operating income will usually be greater than its absorption costing net operating income.
B.  The variable costing method is usually not used for external reporting purposes.
C.  The absorption costing method treats fixed production costs as period costs.
D.  All of these.

2.  Which of the following costs at a sofa manufacturing company would be treated as a period cost under the variable costing method?
A.  the cost of glue used to assemble the wood frame of each sofa produced
B.  depreciation on sales vehicles
C.  the salary of a factory manager
D.  both B and C above

3.  A cost that would be included in product costs under both absorption costing and variable costing would be:
A.  supervisory salaries.
B.  equipment depreciation.
C.  variable manufacturing costs.
D.  variable selling expenses.

4.  What is the cause of the difference between absorption costing net operating income and variable costing net operating income?
A.  Absorption costing deducts all manufacturing costs from net operating income; variable costing deducts only prime costs.
B.  Absorption costing allocates fixed manufacturing costs between cost of goods sold and inventories; variable costing considers all fixed manufacturing costs to be period costs.
C.  Absorption costing includes variable manufacturing costs in product costs; variable costing considers variable manufacturing costs to be period costs.
D.  Absorption costing includes fixed administrative costs in product costs; variable costing considers fixed administrative costs to be period costs.

5.  The gross margin for a manufacturing company is the excess of sales over:
A.  cost of goods sold, excluding fixed manufacturing overhead.
B.  all variable costs, including variable selling and administrative expenses.
C.  cost of goods sold, including fixed manufacturing overhead.
D.  variable costs, excluding variable selling and administrative expenses.

6.  Silver Company produces a single product. Last year, the company's variable production costs totaled $7,500 and its fixed manufacturing overhead costs totaled $4,500. The company produced 3,000 units during the year and sold 2,400 units. There were no units in the beginning inventory. Which of the following statements is true?
A.  Under variable costing, the units in the ending inventory will be costed at $4 each.
B.  The net operating income under absorption costing for the year will be $900 lower than the net operating income under variable costing.
C.  The ending inventory under variable costing will be $900 lower than the ending inventory under absorption costing.
D.  Under absorption costing, the units in ending inventory will be costed at $2.50 each.

7. Charrd Corporation manufactures a gas operated barbecue grill. The following information relates to Charrd's operations for last year:

 

What is Charrd's variable costing unit product cost?
A. $29
B. $34
C. $58
D. $63

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

 

What is the variable costing unit product cost for the month?
A. $97
B. $90
C. $68
D. $75

9. Overhead allocation based solely on a measure of volume such as direct labor-hours:
A. is a key aspect of the activity-based costing model.
B. will systematically overcost high-volume products and undercost low-volume products.
C. will systematically overcost low-volume products and undercost high-volume products.
D. must be used for external financial reporting.

10. Testing a prototype of a new product is an example of a:
A. Unit-level activity.
B. Batch-level activity.
C. Product-level activity.
D. Organization-sustaining activity.

11. Daniele Corporation uses an activity-based costing system with the following three activity cost pools:

 

The Other activity cost pool is used to accumulate costs of idle capacity and organization-sustaining costs.
The company has provided the following data concerning its costs:

 

The distribution of resource consumption across activity cost pools is given below:

 

The activity rate for the Fabrication activity cost pool is closest to:
A. $3.72 per machine-hour
B. $4.44 per machine-hour
C. $7.44 per machine-hour
D. $1.24 per machine-hour

12. Vodopich Corporation has provided the following data from its activity-based costing system:

 

According to the activity-based costing system, the average cost of product P58Z is closest to:
A. $113.33 per unit
B. $58.30 per unit
C. $123.40 per unit
D. $118.30 per unit

13. The materials purchase budget:
A. is the beginning point in the budget process.
B. must provide for desired ending inventory as well as for production.
C. is accompanied by a schedule of cash collections.
D. is completed after the cash budget.

14. The master budget process usually begins with the:
A. production budget.
B. operating budget.
C. sales budget.
D. cash budget.

15. The excess or deficiency of cash available over disbursements on the cash budget is calculated as follows:
A. The beginning balance less the expected cash receipts less the expected cash disbursements.
B. The cash available less the expected cash receipts plus the expected cash disbursements.
C. The beginning balance plus the expected cash receipts less the expected cash disbursements.
D. None of these.

16. The PDQ Company makes collections on credit sales according to the following schedule:

25% in month of sale
70% in month following sale
4% in second month following sale
1% uncollectible

The following sales have been budgeted:

 

Cash collections in June would be:
A. $113,400
B. $110,000
C. $111,000
D. $115,500

17. Modesto Company produces and sells Product AlphaB. To guard against stockouts, the company requires that 20% of the next month's sales be on hand at the end of each month. Budgeted sales of Product AlphaB over the next four months are:

 

Budgeted production for August would be:
A. 62,000 units
B. 70,000 units
C. 58,000 units
D. 50,000 units

18. The Waverly Company has budgeted sales for next year as follows:

 

The ending inventory of finished goods for each quarter should equal 25% of the next quarter's budgeted sales in units. The finished goods inventory at the start of the year is 3,000 units. Scheduled production for the third quarter should be:
A. 17,500
B. 18,500
C. 22,000
D. 13,500

19. The Tobler Company has budgeted production for next year as follows:

 

Four pounds of raw materials are required for each unit produced. Raw materials on hand at the start of the year total 4,000 pounds. The raw materials inventory at the end of each quarter should equal 10% of the next quarter's production needs. Budgeted purchases of raw materials in the third quarter would be:
A. 63,200 pounds
B. 62,400 pounds
C. 56,800 pounds
D. 50,400 pounds

  Dilom Farm Supply is located in a small town in the rural west. Data regarding the store's operations follow:

 • Sales are budgeted at $260,000 for November, $230,000 for December, and $210,000 for January.
 • Collections are expected to be 55% in the month of sale, 40% in the month following the sale, and 5% uncollectible.
 • The cost of goods sold is 80% of sales.
 • The company purchases 50% of its merchandise in the month prior to the month of sale and 50% in the month of sale. Payment for merchandise is made in the month following the purchase.
 • Other monthly expenses to be paid in cash are $21,700.
 • Monthly depreciation is $17,000.
 • Ignore taxes.

  

20.  Expected cash collections in December are:
A.  $126,500
B.  $230,500
C.  $104,000
D.  $230,000

21. The cost of December merchandise purchases would be:
A. $176,000
B. $208,000
C. $184,000
D. $84,000

 Roberts Enterprises has budgeted sales in units for the next five months as follows:

 

Past experience has shown that the ending inventory for each month must be equal to 10% of the next month's sales in units. The inventory on May 31 contained 410 units. The company needs to prepare a production budget for the second quarter of the year.

22. The beginning inventory in units for September is:
A. 370 units
B. 6,700 units
C. 530 units
D. 670 units

23. The total number of units to be produced in July is:
A. 7,630 units
B. 7,100 units
C. 6,920 units
D. 7,280 units

24. The desired ending inventory for August is:
A. 530 units
B. 670 units
C. 710 units
D. 370 units

 Hardin, Inc, has budgeted sales in units for the next five months as follows:

 

Past experience has shown that the ending inventory for each month should be equal to 15% of the next month's sales in units. The inventory on May 31 contained 1,020 units. The company needs to prepare a production budget for the next five months.

25. The beginning inventory for September should be:
A. 900 units
B. 1,035 units
C. 1,020 units
D. 1,050 units

26. The total number of units produced in July should be:
A. 6,500 units
B. 5,600 units
C. 5,660 units
D. 5,540 units

27. An unfavorable materials quantity variance indicates that:
A. actual usage of material exceeds the standard material allowed for output.
B. standard material allowed for output exceeds the actual usage of material.
C. actual material price exceeds standard price.
D. standard material price exceeds actual price.

28. A favorable materials price variance coupled with an unfavorable material usage variance would most likely result from:
A. labor efficiency problems.
B. machine efficiency problems.
C. the purchase and use of higher than standard quality material.
D. the purchase and use of lower than standard quality material.

29. Under a standard cost system, the materials price variances are usually the responsibility of the:
A. production manager.
B. sales manager.
C. purchasing manager.
D. engineering manager.

30. Higado Confectionery Corporation has a number of store locations throughout North America. In income statements segmented by store, which of the following would be considered a common fixed cost?
A. store manager salaries
B. store building depreciation expense
C. the cost of corporate advertising aired during the Super Bowl
D. all of these

31. Return on investment (ROI) is equal to the margin multiplied by:
A. sales.
B. turnover.
C. average operating assets.
D. residual income.

32. Which of the following will not result in an increase in return on investment (ROI), assuming other factors remain the same?
A. A reduction in expenses.
B. An increase in net operating income.
C. An increase in operating assets.
D. An increase in sales.

33. Delmar Corporation is considering the use of residual income as a measure of the performance of its divisions. What major disadvantage of this method should the company consider before deciding to institute it?
A. this method does not take into account differences in the size of divisions.
B. investments may be adopted that will decrease the overall return on investment.
C. the minimum required rate of return may eliminate desirable investments.
D. residual income does not measure how effectively the division manager controls costs.

34. Bonniwell Corporation has two divisions: the Delta Division and the Alpha Division. The Delta Division has sales of $620,000, variable expenses of $359,600, and traceable fixed expenses of $229,200. The Alpha Division has sales of $820,000, variable expenses of $541,200, and traceable fixed expenses of $172,900. The total amount of common fixed expenses not traceable to the individual divisions is $122,000. What is the company's net operating income?
A. $539,200
B. $15,100
C. $137,100
D. $417,200

35. Given the following data:

 

Return on investment (ROI) would be:
A. 10%
B. 20%
C. 16.7%
D. 80%

36. Largo Company recorded for the past year sales of $750,000 and average operating assets of $375,000. What is the margin that Largo Company needed to earn in order to achieve an ROI of 15%?
A. 2.00%
B. 15.00%
C. 9.99%
D. 7.50%

37. The Northern Division of the Smith Company had average operating assets totaling $150,000 last year. If the minimum required rate of return is 12%, and if last year's net operating income at Northern was $20,000, then the residual income for Northern last year was:
A. $20,000
B. $l8,000
C. $5,000
D. $2,000

 Niesen Corporation has two major business segments-Consumer and Commercial. Data for the segment and for the company for August appear below:

 

In addition, common fixed expenses totaled $282,000 and were allocated as follows: $127,000 to the Consumer business segment and $155,000 to the Commercial business segment.

38. The contribution margin of the Commercial business segment is:
A. $146,000
B. $169,000
C. $546,000
D. $296,000

 The Consumer Products Division of Garafalo Corporation had average operating assets of $300,000 and net operating income of $46,900 in March. The minimum required rate of return for performance evaluation purposes is 16%.

39. What was the Consumer Products Division's minimum required return in March?
A. $55,504
B. $48,000
C. $7,504
D. $46,900

40. What was the Consumer Products Division's residual income in March?
A. $7,504
B. $1,100
C. -$7,504
D. -$1,100