**1.** Wages paid to a timekeeper in a factory are a:
       Prime Cost YES.....Conversion Cost NO
       Prime Cost YES.....Conversion Cost YES
       Prime Cost NO....Conversion Cost NO
       Prime Cost NO.....Conversion Cost YES

**2.** Fixed costs expressed on a per unit basis:
       will increase with increases in activity.
       will decrease with increases in activity.
       are not affected by activity.
       should be ignored in making decisions since they cannot change.

**3.** Inventoriable costs are also known as:
       variable costs
       conversion costs
       product costs
       fixed costs

**4.** When the activity level is expected to decline within the relevant range, what effects would be anticipated with respect to each of the following?
       Fixed Costs per Unit Increase and Variable Costs per Unit Increase
       Fixed Costs per Unit Increase and Variable Costs per Unit do not change
       Fixed Costs per Unit do not change and Variable Costs per Unit do not change
       Fixed Costs per Unit do not change and Variable Costs per Unit Increase

**5.** Emco Company uses direct labor cost as a basis for computing its predetermined overhead rate. In computing the predetermined overhead rate for last year, the company misclassified a portion of direct labor cost as indirect labor. The effect of this misclassification will be to:
       understate the predetermined overhead rate
       overstate the predetermined overhead rate
       have no effect on the predetermined overhead rate
       cannot be determined from the information given

**6.** A process cost system is employed in those situations in which:
       many different products, jobs, or batches of production are being produced each period
       where manufacturing involves a single, homogeneous product that flows evenly through the production process on a continuous basis
       a service is performed such as in a law firm or an accounting firm
       full or absorption cost approach is not employed

**7.** Equivalent units for a process costing system using the FIFO method would be equal to:
       units completed during the period, plus equivalent units in the ending work in process inventory
       units started and completed during the period, plus equivalent units in the ending work in process inventory
       units completed during the period and transferred out
       units started and completed during the period, plus equivalent units in the ending work in process inventory, plus work needed to complete units in the beginning work in process inventory

**8.** The contribution margin ratio always decreases when the:
       break-even point increases
       break-even point decreases
       variable expenses as a percentage of net sales increase
       variable expenses as a percentage of net sales decrease

**9.** The break-even point in unit sales is found by dividing total fixed expenses by:
       the contribution margin ratio
       the variable expenses per unit
       the sales price per unit
       the contribution margin per unit

**10.**  Under variable costing:
       net operating income will tend to move up and down in response to changes in levels of production
       inventory costs will be lower than under absorption costing
       net operating income will tend to vary inversely with production changes
       net operating income will always be higher than under absorption costing

**11.** The following data (in thousands of dollars) have been taken from the accounting records of **Larklin Corporation** for the just completed year.

|  |  |  |
| --- | --- | --- |
|   |  Sales  |  $820  |
|   |  Purchases of raw materials  |  $180  |
|   |  Direct labor  |  $130  |
|   |  Manufacturing overhead  |  $200  |
|   |  Administrative expenses  |  $180  |
|   |  Selling expenses  |  $140  |
|   |  Raw materials inventory, beginning  |  $60  |
|   |  Raw materials inventory, ending  |  $20  |
|   |  Work in process inventory, beginning  |  $50  |
|   |  Work in process inventory, ending  |  $20  |
|   |  Finished goods inventory, beginning  |  $110  |
|   |  Finished goods inventory, ending  |  $150  |

 **Required:** Prepare a Schedule of Cost of Goods Manufactured  statement in the text box below.

**12.** The Michigan Company manufactures a product that goes through three processing departments.  Information relating to activity in the first department during June is given below:

                                                                             Percent completed
                                                 Units              Materials            Conversion
Work in process, June 1              40,000               65%                  45%
Work in process, Jun 30              35,000               75%                  65%

The department started 175,000 units into production during the month and transferred 180,000 completed units to the next department.

REQUIRED:  Compute the equivalent units of production for the first department for June, assuming that the company uses the weighted-average method of accounting for units and costs.

**13.**  A cement manufacturer has supplied the following data:

Tons of cement produced and sold                                  220,000

Sales revenue                                                               $924,000

Variable manufacturing expense                                    $297,000

Fixed manufacturing expense                                         $280,000

Variable selling and admin expense                                $165,000

Fixed selling and admin expense                                    $82,000

Net operating income                                                    $100,000

**Required:**

a. Calculate the company's unit contribution margin

b. Calculate the company's unit contribution ratio

c. If the company increases its unit sales volume by 5% without increasing its fixed expenses, what would the company's net operating income be?

**14.**  Maffei Company, which has only one product, has provided the following data concerning its most recent month of operations:

|  |  |  |
| --- | --- | --- |
| Selling Price |   |  $         138  |
|   |   |   |
| Units in beginning Inventory |   | 0 |
| Units Produced |   | 7200 |
| Units sold |   | 7000 |
| Units in ending Inventory |   | 200 |
|   |   |   |
| Variable Costs per unit: |   |   |
| Direct materials |   |  $           42  |
| Direct labor |   |  $           32  |
| Variable manufacturing overhead |   |  $             1  |
| Variable selling and admin |   |  $             8  |
|   |   |   |
| Fixed Costs: |   |   |
| Fixed manufacturing overhead |   |  $   280,800  |
| Fixed selling and admin |   |  $     98,000  |

**Required:**

a. What is the unit product cost for the month under variable costing?
b. What is the unit product cost for the month under absorption costing?
c. Prepare an income statement for the month using the variable costing method.
d. Prepare an income statement for the month using the absorption costing method.