**Question 1**

The  Underhill plant has two categories of overhead: maintenance and inspection.  Costs expected for these categories for the coming year are as follows:

|  |  |
| --- | --- |
| Maintenance | $180,000 |
| Inspection | 380,000 |

The plant currently applies overhead using direct labor hours and expected capacity of 70,000 direct labor hours.  The following data has been assembled for use in developing a bid for a proposed job:

|  |  |
| --- | --- |
| Prime costs | $8,000 |
| Machine hours | 500 |
| Number of inspections | 4 |
| Direct labor hours | 800 |

Total expected machine hours for all jobs during the year are 25,000, and the total expected number of inspections is 1,900.  Using direct labor hours to assign overhead, the total cost of the potential job would be?

Answer

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | |  | | --- | | $8,000 | |
|  |  | |  | | --- | | $14,400 | |
|  |  | |  | | --- | | $8,000 | |
|  |  | |  | | --- | | $6,400 | |

**Question 2**

Chess Company provided the following information from its 2006 income statement.

|  |  |
| --- | --- |
| Sales revenue | $800,000 |
| Cost of goods sold | 400,000 |
| Selling expenses | 100,000 |
| Administrative expenses | 50,000 |
| Other operating expenses | 50,000 |
| Interest expense | 20,000 |
| Tax expense | 63,000 |

In addition, the company reported the following asset balances for fiscal years ended December 31, 2005 and 2006:

|  |  |  |
| --- | --- | --- |
| **Assets** | **2005** | **2006** |
| Cash | $50,000 | $55,000 |
| Accounts receivable | 170,000 | 185,000 |
| Inventory | 100,000 | 120,000 |
| Investment in Checkers Company | 80,000 | 85,000 |
| Undeveloped land | 170,000 | 170,000 |
| Buildings, net of depreciation | 400,000 | 450,000 |

**Calculate Chess Company?s operating income.**

Answer

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | |  | | --- | | $117,000 | |
|  |  | |  | | --- | | $180,000 | |
|  |  | |  | | --- | | $200,000 | |
|  |  | |  | | --- | | $400,000 | |

**Question 3**

Last year Luchen Company had a net loss of $8,000.  The company sells one product with a selling price of $80 and a variable cost per unit of $60.  This year the company would like to earn a before-tax profit of $40,000.

**How many additional units must the company sell this year than it sold last year?  Assume that the tax rate is 40 percent.**

Answer

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | |  | | --- | | 400 units | |
|  |  | |  | | --- | | 5,400 units | |
|  |  | |  | | --- | | 2,400 units | |
|  |  | |  | | --- | | 2,000 units | |

**Question 4**

The following information was extracted from the accounting records of Bowater Company:

|  |  |
| --- | --- |
| Estimated manufacturing overhead | $260,000 |
| Estimated machine hours | 7,500 |
| Actual machine hours worked | 8,000 |
| Actual overhead costs incurred: |  |
| Indirect materials | $97,500 |
| Indirect labor | $60,000 |
| Utilities | $10,000 |
| Insurance | $25,000 |
| Rent | $70,000 |

If B **If Bowater uses a predetermined overhead rate to apply overhead, manufacturing overhead applied would be (round the rate to two decimal places)**

Answer

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | |  | | --- | | $260,000 | |
|  |  | |  | | --- | | $262,500 | |
|  |  | |  | | --- | | $277,360 | |
|  |  | |  | | --- | | $243,750 | |

**Question 5**

    A company has provided the following information concerning its assets.

|  |  |  |
| --- | --- | --- |
| **Asset Account** | **2005** | **2006** |
| Cash | $4,000 | $6,000 |
| Accounts receivable | 20,000 | 40,000 |
| Undeveloped land | 80,000 | 80,000 |
| Buildings, net of depreciation | 140,000 | 180,000 |

**Calculate the company?s average operating assets for 2006.**

Answer

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | |  | | --- | | $226,000 | |
|  |  | |  | | --- | | $244,000 | |
|  |  | |  | | --- | | $195,000 | |
|  |  | |  | | --- | | $275,000 | |

**Question 6**

      The following information pertains to Artisan Company:

|  |  |
| --- | --- |
| Sales price per unit | $? |
| Variable cost per unit | $130 |
| Total fixed costs | $125,000 |
| Units Sold | 4,000 |
| Before-tax income | $75,000 |

**Contribution margin per unit must have been?**

Answer

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | |  | | --- | | $50 | |
|  |  | |  | | --- | | $130 | |
|  |  | |  | | --- | | $180 | |
|  |  | |  | | --- | | $210 | |

**Question 7**

Max Company has developed the following standards for one of its products:

|  |  |
| --- | --- |
| Direct materials | 15 pounds x $16 per pound |
| Direct labor | 4 hours  x $24 per hour |
| Variable overhead | 4 hours  x $14 per hour |

The following activities occurred during the month of October:

|  |  |
| --- | --- |
| Materials purchased | 10,000 pounds costing $170,000 |
| Materials used | 7,200 pounds |
| Units produced | 500 units |
| Direct labor | 2,300 hours at $23.60 per hour |
| Actual variable overhead | $30,000 |

The company records materials price variances at the time of purchase.

**Max's materials price variance would be?**

Answer

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | |  | | --- | | $50,000 favorable | |
|  |  | |  | | --- | | $50,000 unfavorable | |
|  |  | |  | | --- | | $10,000 unfavorable | |
|  |  | |  | | --- | | $10,000 favorable | |

**Question 8**

Andrews Company sells a product for $10.  Budgeted sales for the first quarter of the current year are as follows:

|  |  |
| --- | --- |
|  | Budgeted Sales |
| January | $160,000 |
| February | 100,000 |
| March | 180,000 |

The company collects 70 percent in the month of sale and 25 percent in the following month.  Five percent of all sales are uncollectible and written off.

**Andrews Company's budgeted cash receipts for March are?**

Answer

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | |  | | --- | | $126,000 | |
|  |  | |  | | --- | | $151,000 | |
|  |  | |  | | --- | | $156,000 | |
|  |  | |  | | --- | | $205,000 | |

**Question 9**

The following information was reported on two projects of Dartmouth, Inc.:

|  |  |  |
| --- | --- | --- |
|  | Prior Year | Current Year |
| Sales | $30,000,000 | $30,000,000 |
| Operating income | 2,160,000 | 2,100,000 |
| Average operating assets | 12,000,000 | 12,000,000 |

**Dartmouth, Inc.'s margin for the current year is?**

Answer

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | |  | | --- | | 7.0% | |
|  |  | |  | | --- | | 7.2% | |
|  |  | |  | | --- | | 4.0% | |
|  |  | |  | | --- | | 2.5% | |

**Question 10**

     Bronco Company sells a product for $10.  Budgeted sales for the first quarter of the current year are as follows:

|  |  |
| --- | --- |
|  | Budgeted Sales |
| January | $600,000 |
| February | 800,000 |
| March | 900,000 |

The company wants to maintain an inventory of finished units equal to 30 percent of the following month's sales, and 10,000 units are on hand at the beginning of the year.

Each unit requires two pounds of raw material costing $1 per pound.  The company maintains a raw materials inventory equal to 20 percent of the following month's production needs.

**Budgeted production in units for February would be?**

Answer

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | |  | | --- | | 131,000 | |
|  |  | |  | | --- | | 107,000 | |
|  |  | |  | | --- | | 83,000 | |
|  |  | |  | | --- | | 80,000 | |