**PLEASE DON’T OMIT ANY OF THE QUESTIONS. THANK YOU**

1. **Write (T) for True and (F) for False on the blank space before the number:**

\_\_\_\_ [1a.] Factory heating and air conditioning should be considered a product cost in a manufacturing operation.

\_\_\_\_ [1b.] In a manufacturing company, cost of goods manufactured consists of direct materials put into production, direct labor and manufacturing overhead incurred plus the

\_\_\_\_ [1c.] As the volume of production increases, fixed costs per unit remain unchanged, while variable costs per unit will decrease.

\_\_\_\_ [1d.] The difference in the amount of fixed overhead cost that is expensed to the income statement under absorption costing and variable costing is solely attributable to the difference between the number of units produced during the period and the number of units sold.

1. **Choose the best answer for the following questions. Write the letter on the blank space before the number:**

Ruben Manufacturing Corporation, Inc. manufactures and sells T-shirts imprinted with college names and slogans. Last year, the shirts sold for $7.50 each, and the variable cost to manufacture them was $2.25 per unit. The company needed to sell 20,000 shirts to break even. The net income last year was $5,040. Ruben’s expectations for the coming year include the following:

* The sales price of the T-shirts will be $9.00 per unit.
* Variable costs to manufacture the T-shirts will increase by one-third.
* Fixed costs will increase by 10%.
* The income tax rate of 40% will be unchanged.

\_\_\_\_ [2a]. The selling price that would maintain the same contribution margin ratio as last year is:

1. $8.25
2. $9.00
3. $9.75
4. $10.00

\_\_\_\_ [2b]. The number of T-shirts Ruben Manufacturing Corporation, Inc. must sell to break-even in the coming year is:

1. 17,500 units.
2. 19,250 units.
3. 20,000 units.
4. 22,000 units.

\_\_\_\_ [2c]. Sales for the coming year are expected to exceed last year’s by 1,000 units. If this occurs, Rubens’s sales volume in the coming year is:

1. 21,000 units.
2. 21,960 units.
3. 22,600 units.
4. 23,400 units.

\_\_\_\_ [ 2d]. If Ruben Manufacturing Corporation, Inc. wishes to earn $22,500 in net income for the coming year, the company sales volume in dollars must be:

1. $213,750
2. $207,000
3. $229,500
4. $257625
5. **Choose the best answer for the following independent questions. Write the letter on the blank space before the number:**

\_\_\_\_[3a]. For 20x9, Marcotte’s Animal Supply Manufacturing uses machine-hours as the only overhead cost-allocation base. The accounting records contain the following information:

**Estimated Actual**

Manufacturing overhead costs $100,000 $120,000

Machine-hours 20,000 25,000

Using job costing, the 20x9 budgeted manufacturing overhead is

1. $4.00 per machine-hour.
2. $4.80 per machine hour.
3. $5.00 per machine hour.
4. $6.00 per machine hour.

\_\_\_\_[3b]. In a job-costing system, a manufacturing firm typically uses an indirect-cost rate to estimate the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ allocated to a job.

1. Direct materials
2. Direct labor
3. Manufacturing overhead costs
4. Total costs
5. **Choose the best answer for the following independent questions. Write the letter on the blank space before the number:**

\_\_\_\_ [4a]. Which of the following statements regarding traditional cost accounting system is **FALSE?**

1. Products are often overcosted or undercosted in traditional cost accounting systems.
2. Most traditional accounting systems do not trace individual costs to products.
3. The advantage of traditional cost accounting system is their simplicity.
4. Traditional cost accounting systems can be sufficient to meet manager’s cost information needs as long as the level of indirect costs is relatively high compared to the level of direct costs.

\_\_\_\_ [4b]. Which of the following statements about Activity-Based Cost (ABC) is **FALSE?**

1. Activity-Based Cost differs from traditional costing systems in that products are not cross-subsidized.
2. In Activity-Based Costing, cost drivers are usually what cause costs to be incurred.
3. Activity-Based Costing is more likely to result in major differences from traditional costing systems if the firm manufactures only one product rather than multiple products.
4. Activity-Based Costing is useful for allocating marketing and distribution costs.
5. **Choose the best answer for the following independent questions. Write the letter on the blank space before the number:**

\_\_\_\_ [5a]. Absorption costing

1. Expenses marketing costs as cost of goods sold.
2. Treats direct manufacturing costs as a period cost.
3. Includes fixed manufacturing overhead as an inventoriable cost.
4. Is required for internal reports to managers.

**Please use the following data to answer questions [5b].**

Marie’s Decorating produces and sells a mental clock for $100 per unit. In 20x1, 100,000 parts were produced and 80,000 units were sold. Other information for the year includes:

Direct Materials $30.00 per unit

Direct manufacturing labor $ 2.00 per unit

Variable manufacturing costs $ 3.00 per unit

Sales commissions $ 5.00 per unit

Fixed manufacturing costs $25.00 per unit

Administrative expenses, all fixed $15.00per unit

\_\_\_\_ [5b]. What is the inventoriable cost per unit using absorption costing?

1. $32
2. $35
3. $60
4. $80
5. **Choose the best answer for the following independent questions. Write the letter on the blank space before the number:**

**USE THE FOLLOWING INFORMATION TO ANSWER QUESTIONS [6A] AND [6B]:**

Mansfield Corporation estimates it manufacturing overhead costs to be $160,000 and its direct labor costs to be $320,000 for 2009. The actual manufacturing labor costs were $80,000 for job No. 1; $120,000 for job No.2; and $160,000 for job No.3 during 2009. Manufacturing overhead is applied to job on the basis of directed labor costs using a predetermined overhead rate. The actual manufacturing overhead cost during the year was $172,000.

\_\_\_\_ [6a]. The amount of overhead assigned to job No.3 during 2009 was:

1. $80,000.
2. $320,000
3. $160,000
4. $85,000.

\_\_\_\_ [6b]. The amount of the manufacturing overhead variance during 2009 was:

1. $8,000 overapplied.
2. $12,000 overapplied.
3. $12,000 underapplied.
4. $8,000 underapplied.

**USE THE FOLLOWING INFORMATION TO ANSWER QUESTIONS [6C] AND [6D]:**

Before prorating overhead, the current period overhead component of Cost of Goods Sold for Wilmington Company was $230,000, while the current overhead component of the ending inventory was $80,000. Manufacturing overhead of $310,000 was applied during the period, whereas $296,000 was actually incurred. Wilmington has no Work-in-Process inventory at the end of the period.

\_\_\_\_ [6c]. If the manufacturing overhead variance is prorated between inventory and cost of goods sold, how much will be allocated to the ending inventory and cost of goods sold, respectively?

1. $10,000; $4,000.
2. $7,000; $7,000.
3. $3,613; $10,387.
4. $5,000; $13,500.

\_\_\_\_ [6d]. By how much will Wilmington Company’s operating income differ if the manufacturing overhead variance is closed to Cost of Goods Sold instead of prorated between inventory and cost of goods sold?

1. $14,000 higher
2. $3,613 lower.
3. $3,613 higher
4. 11,188 lower.

**Use the following information to answer questions [7a] through [7b]:**

Dimmick Corporation produces and sells single product at $40 per unit. During 2009, the company produced 200,000 units, 160,000 of which were sold during the year. All ending inventory was in finished goods inventory; there were no inventory on hand at the beginning of the year. The following data relate to the company’s productions process:

* Direct Materials $550,000
* Direct Labor $400,000
* Variable Manufacturing Overhead $100,000
* Fixed Manufacturing overhead $300,000
* Variable Marketing and Administrative $160,000
* Fixed Marketing and Administrative $110,000

**Calculate the following for items [7a] through [7b].**

\_\_\_\_[7a]. The unit cost of ending inventory on the balance sheet prepared for financial reporting.

\_\_\_\_\_[7b]. The ending inventory using absorption costing.

**Use the following data to answer questions [8a] and [8b]:**

Happy’s Model Cars manufactures a part used in the production of small model cars for children. When 10,000 cars are produced, the costs per part are:

Direct materials $0.60

Direct manufacturing overhead 3.00

Variable manufacturing overhead 1.50

Fixed manufacturing overhead 1.30

Total $6.40

Sam’s Associates has offered to sell Happy’s Model Cars 10,000 parts for $6.00 each. If Happy accepts the offer, $1.00 of the fixed manufacturing overhead costs can be eliminated.

**\_\_\_\_ [8a]. What is the relevant per unit cost to manufacture part?**

1. $6.10
2. $7.40
3. $5.10
4. $6.40

**\_\_\_\_[ 8b]. Which alternative is best for Happy’s Model Cars and by how much?**

1. Make Costs = $51,000, Buy Costs = $60,000
2. Make Costs = $61,000, Buy Costs = $60,000
3. Make Costs = $64,000, Buy Costs = $60,000
4. Make Costs = $74,000, Buy Costs = $60,000

**Use the following data to answer questions [8c] and [8d]:**

Smith Industries is considering replacing a machine that is presently used in its production process. The following information is available:

Old New

Machine Machine

Original Cost $45,000 $35,000

Remaining useful life in years 5 5

Current age in years 5 0

Book Value $25,000

Current disposal value in cash $8,000

Future disposal value in cash (5 year) $0 $0

Annual cash operating costs $7,000 $4,000

**\_\_\_\_[8c]. Which of the information provided in the table is irrelevant to the replacement decision?**

1. The annual operating cost of the old machine
2. The original cost of the old machine
3. The current disposal value of the old machine
4. Both a and c are correct

**\_\_\_\_[8d]. For a machine replacement decision which of he information provided in the table is a sunk cost?**

1. The original cost of the old machine
2. The current disposal vale of the old machine
3. The current annual operating cost of the old machine
4. Both a and b are correct
5. **Choose the best answer for the following questions. Write the letter on the blank space before the number:**

\_\_\_\_[9a]. If the present value for a project is zero or positive, this means that the:

1. Expected rate of return is below the required rate of return
2. Project should not be accepted
3. Project should be accepted
4. Both a and c are correct

\_\_\_\_[9b]. The initial investment for a piece of construction equipment is $1,000,000. Annual cash inflows are expected to increase by $200,000 per year. The equipment has an 8-year useful life. What is the payback period?

1. 8 years
2. 7 years
3. 6 years
4. 5 years

\_\_\_\_[9c]. In capital budgeting, a project is accepting only the internal rate of return equals or:

1. Is less than the required rate of return
2. Exceeds the net present value
3. Exceeds the required rate of return
4. Exceeds the accrual accounting rate of return

\_\_\_\_[9d]. In the analyses of a capital budgeting proposal, for which of the following items are there no after-tax consequences?

1. Reduction of working capital balances at the end of the useful life of the capital asset
2. Gain or loss on the disposal of the asset
3. Cash flow from operations
4. None of these answers is correct

**Use the following data to answer questions [10a] through [10c]**:

The Bandage Medical Supply Company has two divisions that operate independently of one another. The financial data for the year 20X5 reported following results:

North South

Sales $3,000,000 $2,500,000

Operating income 750,000 550,000

Taxable income 650,000 375,000

Investment 6,000,000 5,000,000

The company’s desired rate of return is 10%. Income is defined as operating income.

\_\_\_\_[10a]. What are the respective return-on-investment ratios for the North and South Divisions?

1. 0.108 and 0.075
2. 0.110 and 0.125
3. 0.125 and 0.110
4. 0.050 and 0.150

\_\_\_\_[10b] What are the respective residual incomes for the North and South Divisions?

1. $30,000 and $50,000
2. $150,000 and $50,000
3. $50,000 and ($150,000)
4. $150,000 and $30,000

\_\_\_\_[10c]. Which division has the best return on investment and which division has the best residual income figure, respectively?

1. South, South
2. North, South
3. South, North
4. North, North