Favata Company has the following information:

**Month Budgeted Sales**

June $60,000

July 51,000

August 40,000

September 70,000

October 72,000

In addition, the cost of goods sold rate is 70% and the desired inventory level is 30% of next month's cost of sales.

Prepare a purchases budget for July through September.

Trustme Vehical Rental Corporation has two departments, Car Rental and Truck Rental. Central costs may be allocated to the two departments in various ways.

**Car Rental Truck Rental**

Number of Vehicles in fleet 700 300

Number of employees 150 50

Sales $1,500,000 $750,000

1. If administrative expense of $125,000 is allocated on the basis of number of employees, the amount allocated to the Truck Rental Department would be:

2. If administrative expense of $125,000 is allocated on the basis of number of employees, the amount allocated to the Car Rental Department would be:

3. If advertising expense of $150,000 is allocated on the basis of sales, the amount allocated to the Car Rental Department would be:

4. If advertising expense of $225,000 is allocated on the basis of sales, the amount allocated to the Truck Rental Department would be:

5. If the facility lease expense of $350,000 is allocated on the basis of vehicles in the fleet, the amount allocated to the Truck Rental Department would be:

Konrade's Engine Company manufactures part TE456 used in several of its engine models. Monthly production costs for 1,000 units are as follows:

Direct materials $40,000

Direct labor 10,000

Variable overhead costs 30,000

Fixed overhead costs 20,000

Total costs $100,000

It is estimated that 10% of the fixed overhead costs assigned to TE456 will no longer be incurred if the company purchases TE456 from the outside supplier. Konrade's Engine Company has the option of purchasing the part from an outside supplier at $85 per unit.

If Konrade's Engine Company accepts the offer from the outside supplier, the monthly avoidable costs (costs that will no longer be incurred) total  
$ 82,000   
$ 98,000   
$ 50,000   
$100,000

The cost components of an air conditioner include $35 for the compressor, $11.50 for the sheet molded compound frame, and $80 per unit for assembly. The factory machines and tools cost is $55,000. The company expects to produce 1,500 air conditioners in the coming year. What cost function best represents these costs?   


*y* = 1500 + 126.5X

y = 1,500 +55,000X   
*y* = 55,000 +126.50X   
*y* = 55,000 + 1,500X

Merriamn Company provides the following ABC costing information:

|  |  |  |
| --- | --- | --- |
| **Activities** | **Total Costs** | **Activity-cost drivers** |
| Account inquiry hours | $400,000 | 10,000 hours |
| Account billing lines | $280,000 | 4,000,000 lines |
| Account verification accounts | $150,000 | 40,000 accounts |
| Correspondence letters | $ 50,000 | 4,000 letters |
| Total costs | $880,000 |  |

The above activities are used by Department A and B as follows:

|  |  |  |
| --- | --- | --- |
|  | **Department A** | **Department B** |
| Account inquiry hours | 2,000 hours | 4,000 hours |
| Account billing lines | 400,000 lines | 200,000 lines |
| Account verification accounts | 10,000 accounts | 8,000 accounts |
| Correspondence letters | 1,000 letters | 1,600 letters |

How much of the account billing cost will be assigned to Department B?   
$80,000   
$14,000   
$28,000   
$280,000