1. Return on investment (ROI) can be increased by:

a. increasing sales

b. decreasing operating assets

c. decreasing operating income

d. decreasing asset turnover

2. Randall Company makes and distributes outdoor play equipment. Last year sales were $2,400,000, operating income was $600,000, and the assets used were $3,000,000.The return on investment (ROI) is:

a. 20%

b. 80%

c. 25%

d. 125%

**3. When making screening decisions using the net present value method, a project is acceptable if**  
 a. the NPV is greater than the hurdle rate.  
 b. the NPV is greater than the IRR.  
 c. the NPV is positive.  
 d. the NPV is negative.

**4. Minne Corp is considering the purchase of a new piece of equipment. When discounted at a hurdle rate of 8%, the project has a net present value of $24,580. When discounted at a hurdle rate of 10%, the project has a net present value of ($28,940). The internal rate of return of the project is**  
 a. zero.  
 b. between zero and 8%.  
 c. between 8% and 10%.  
 d. greater than 10%.

**5. An analysis that reveals whether changing the underlying assumptions would affect the decision is a**  
 a. net present value analysis.  
 b. internal rate of return analysis.  
 c. payback period analysis.  
 d. sensitivity analysis

**6. Jonas Inc. is considering whether to lease or purchase a piece of equipment. The total cost to lease the equipment will be $120,000 over its estimated life, while the total cost to buy the equipment will be $75,000 over its estimated life. At Jonas's required rate of return, the net present value of the cost of leasing the equipment is $73,700 and the net present value of the cost of buying the equipment is $68,000. Based on financial factors, Jonas should**  
 a. lease the equipment, saving $45,000 over buying.  
 b. buy the equipment, saving $45,000 over leasing.  
 c. lease the equipment, saving $5,700 over buying.  
 d. buy the equipment, saving $5,700 over leasing.

**Information for the next three questions**

Community Manufacturing Inc., developed the following standard costs for direct material and direct labor for one of their major products, the 30-gallon heavy-duty plastic container.

**Standard quantity** **Standard price**

Direct materials 0.20 pounds $25 per pound

Direct labor 0.10 hours $15 per hour

During May, Community produced and sold 10,000 containers using 2,200 pounds of direct materials at an average cost per pound of $24 and 1,050 direct labor hours at an average wage of $14.75 per hour.

**7. May’s direct material price variance was:**

a. $2,800 favorable

b. $2,200 favorable

c. $5,000 unfavorable

d. None of the above is correct.

**8. May’s direct material quantity variance was:**

a. $2,800 unfavorable

b. $2,200 favorable

c. $5,000 unfavorable

d. None of the above is correct.

**9 May’s direct labor rate variance was:**

a. $750.00 unfavorable

b. $262.50 favorable

c. $487.50 favorable

d. indeterminable using the above information

**THE FOLLOWING INFORMATION APPLIES TO next three questions**

The following information for the second quarter of 2006 pertains to Huffman Company:

Month Sales Purchases

April $45,000 $24,000

May $60,000 $30,000

June $75,000 $42,000

• Cash is collected from customers in the following manner:

Month of sale 30%

Month following the sale 70%

• 40% of purchases are paid for in cash in the month of purchase, and the balance is paid the following month.

• Labor costs are 20% of sales. Other operating costs are $22,500 per month (including $6,000 of depreciation). Both of these are paid in the month incurred.

• The cash balance on June 1 is $6,000. A minimum cash balance of $4,500 is required at the end of the month. Money can be borrowed in multiples of $1,500.

\* No loans outstanding on June 1.

**10. How much cash will be collected from customers in June?**

a. $64,500

b. $70,500

c. $75,000

d. None of the above is correct.

**11. How much cash will be paid to suppliers in June?**

a. $34,800

b. $28,000

c. $44,000

d. None of the above is correct.

**12. How much cash will be disbursed for labor and operating costs in June?**

a. $31,500

b. $35,000

c. $44,200

1. $48,200

**14. Jackel Company produces hand tools. A sales budget for the next four months is as follows: March 10,000 units, April 13,000, May 16,000 and June 21,000. Jackel Company's ending finished goods inventory policy is 10% of the following month's sales. What is budgeted finished goods inventory for May?**  
 a. 1,000  
 b. 1,300  
 c. 1,600  
 d. 2,100

**13. In which order are the following developed?**

**A = Production plan B = Materials purchasing plan**

**C = Demand forecast D = Sales plan**

a. first to last: A, B, C, D

b. first to last: C, D, A, B

c. first to last: D, C, B, A

d. first to last: C, A, D, B