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**Quiz #7 - Chapter 5**

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| Started: August 18, 2011 12:32 AM |
| Questions: 25 |
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| **1.**(Points: 1)   |
|   | Which of the following is not considered to be a unit-level cost? a. Cost of the condenser put in the air conditioner. b. Cost of assembling the air conditioner. c. Cost of moving the box of condensers to be assembled in the air conditioner. d. Cost of inspecting the air conditioner. |
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| **2.**(Points: 1)   |
|   | Which of the following is not considered to be a facility-level cost? a. Cost of Property Insurance. b. Cost of personnel administration. c. Cost of Liability Insurance for only one of the product lines. d. Cost of building security. |
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| **3.**(Points: 1)   |
|   | Which of the following is the best way to consider a product-level cost? a. A product-level cost can be avoided when a product line is discontinued. b. A product-level cost can be avoided when there is a change in the production schedule so the product is not produced this week. c. A product level cost can be avoided when a business segment is discontinued. d. A product level cost can be avoided when the corporation is dissolved. |
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| **4.**(Points: 1)   |
|   | In evaluating the differences between two printers, which of the following would be a qualitative aspect of making the decision? a. The number of copies produced per minute is different. b. The dimensions of one of the printers require purchasing a new table. c. The printers will collate output at different rates. d. The color of one of the printers matches the color of the computer it will be attached to. |
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| **5.**(Points: 2)   |
|   | Apex's Budgeted Cost for Production of 5,000 Air ConditionersApex received an offer from another company to manufacture the same quality air conditioners for them at $165. Apex realized they could rent their manufacturing space for $50,000. Should Apex outsource the manufacture of the air conditioners? a. No, Apex should control the manufacturing process. b. No, Apex can expect profitability to decline if they outsource production. c. Yes, Apex can expect profitability to increase $34,000 if they outsource production. d. Yes, Apex can expect profitability to increase $50,000 if they outsource production. |
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| **6.**(Points: 1)   |
|   | Two primary characteristics of Relevant information are: a. Sunk cost : Primary cost b. Alternatives differ : Future oriented c. Estimated cost : Actual cost d. Differential cost : Sunk cost |
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| **7.**(Points: 1)   |
|   | The factor limiting a firm's ability to sell its products is called a. unit level cost. b. restraints. c. constraint. d. limiting factor. |
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| **8.**(Points: 2)   |
|   | The Clear Music Company produces and sells a desktop speaker for $100. The company has the capacity to produce 50,000 speakers each period. At capacity, the costs assigned to each unit are as follows:  Picture The company has received a special order for 1,000 speakers. If this order is accepted, the company will have to spend $10,000 on additional costs. Assuming that no sales to regular customers will be lost if the order is accepted, at what selling price will the company be indifferent between accepting and rejecting the special order?1. a. $100
2. b. $55
3. c. $45
4. d. $65
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| **9.**(Points: 2)   |
|   | Great Products Company currently outsources an electrical switch that is a component in one of its products. The switches cost $20 each. The company is considering making the switches internally at the following projected annual production costs:  Picture The company expects an annual need for 5,000 switches. If the company makes the product, it will have to utilize factory space currently being leased to another company for $1,500 a month. If the company decides to make the parts, total costs will be1. a. $30,500 more than if the switches are purchased.
2. b. $27,000 less than if the switches are purchased.
3. c. $20,000 less than if the switches are purchased.
4. d. $10,500 more than if the switches are purchased.
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| **10.**(Points: 2)   |
|   | Serious Safety Products currently outsources an electrical switch that is a component in its sprinkler systems. The switches are purchased for $20 each. The company is considering making the switches internally and has conducted a study to determine the costs involved. The costs below are projected annual production costs:  Picture Assume that the company needs 10,000 of the switches, which would be produced in two batches. Assume also that the company will still be operating within the relevant range. If Serious Safety decides to make the parts under these conditions, the total relevant costs will be1. a. $127,500
2. b. $102,500
3. c. $107,500
4. d. $122,500
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| **11.**(Points: 2)   |
|   | Gleam Clean cleans and waxes floors for commercial customers. The company is presently operating at less than capacity with equipment and employees at times idle. The company recently received an order from a potential customer outside the company's normal geographic service region for a price of $9,000. The size of the proposed job is 22,000 square feet. The company's normal service costs are as follows:  Picture If the company accepts the special offer,1. a. the company will lose $4,420 on the job.
2. b. the company will lose $2,220 on the job.
3. c. the company will lose $460 on the job.
4. d. the company will earn $5,040 on the job.
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| **12.**(Points: 1)   |
|   | The benefits sacrificed when one alternative is chosen over another are referred to as1. a. avoidable costs
2. b. sacrificial costs
3. c. opportunity costs
4. d. phantom costs
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| **13.**(Points: 1)   |
|   | For purposes of decision making, avoidable costs are costs that1. a. were incurred in the past.
2. b. will be incurred in the future.
3. c. do not differ between alternatives.
4. d. none of these.
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| **14.**(Points: 1)   |
|   | Select the correct statement regarding quantitative and qualitative information.1. a. To be relevant, qualitative data must be quantified.
2. b. Relevant information can have both quantitative and qualitative characteristics.
3. c. Qualitative data should only be considered when quantitative data are inconclusive.
4. d. To be relevant, qualitative data need not differ between the alternatives but must be future oriented.
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| **15.**(Points: 1)   |
|   | The Storyteller Publishing Company is trying to decide whether or not to accept a special order for its latest blockbuster. In making this decision, which level of costs will mostly likely be relevant to the decision?1. a. unit-level costs
2. b. facility-level costs
3. c. product-level costs
4. d. all of these are relevant
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| **16.**(Points: 1)   |
|   | The cost that is avoided when a company eliminates a single item of a product or service is a1. a. batch-level cost.
2. b. facility-level cost.
3. c. product-level cost.
4. d. unit-level cost.
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| **17.**(Points: 1)   |
|   | An alternative under consideration involves incurring $50 in costs to generate $60 in revenue. The differential revenue for this alternative is $10.1. a. TRUE
2. b. FALSE
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| **18.**(Points: 1)   |
|   | The practice of buying goods and services from other companies is commonly known as vertical integration.1. a. TRUE
2. b. FALSE
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| **19.**(Points: 1)   |
|   | Garrison Corporation is evaluating two decision alternatives. Alternative One has costs of $1,000 and revenues of $1,500 while Alternative Two has costs of $1,600 and revenues of $2,000. The amount of differential revenue is $500.1. a. TRUE
2. b. FALSE
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| **20.**(Points: 1)   |
|   | Only variable costs are relevant for decision making.1. a. TRUE
2. b. FALSE
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| **21.**(Points: 1)   |
|   | Differential revenues are expected future revenues that vary between the alternatives under consideration.1. a. TRUE
2. b. FALSE
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| **22.**(Points: 1)   |
|   | Marcella paid $20 for a music CD for which she later was offered $25. After that someone offered her $30 for the CD. If Marcella keeps the CD, the amount of her opportunity cost is $55.1. a. TRUE
2. b. FALSE
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| **23.**(Points: 1)   |
|   | Sophia purchased a concert ticket recently for $40. She is trying to decide whether to drive, take a taxi, or ride the public transit bus. The cost of driving to the concert is a sunk cost because Sophia purchased her car several years ago.1. a. TRUE
2. b. FALSE
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| **24.**(Points: 1)   |
|   | For many managerial decisions (such as outsourcing and special order decisions), unit-level costs are avoidable costs.1. a. TRUE
2. b. FALSE
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| **25.**(Points: 1)   |
|   | Outsourcing increases the extent of a company's vertical integration.1. a. TRUE
2. b. FALSE
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