1. Harrow Inc. produces a single product and has the following cost structure:

 

The absorption costing unit product cost is:

2. Jones Company produces a single product and has provided the following data concerning its most recent month of operations:

 

What is the net operating income for the month under absorption costing?

3. For the month of June, Department A of Pauley Inc. had a segment margin ratio of 15%, a variable expense ratio of 60% of sales, and traceable fixed expenses of $15,000. Department A's sales were closest to:

4. Bruce Corp. operates two plants, Plant A and Plant B. Last year, Bruce Corp. reported a contribution margin of $40,000 for Plant A. Plant B had sales of $200,000 and a contribution margin ratio of 40%. Net operating income for the company was $27,000 and traceable fixed expenses for the two stores totaled $50,000. Bruce Corp.'s common fixed expenses were:

 (for questions 5-6) Browne Inc., which has only one product, has provided the following data concerning its most recent month of operations:

 

5. What is the unit product cost for the month under absorption costing?

6. What is the unit product cost for the month under variable costing?

7. Wonder Inc.'s income statement for June is given below:

 

 During June, the sales clerks in Division F received salaries totaling $35,000. Assume that during July the salaries of these sales clerks are discontinued and instead they are paid a commission of 18% of sales. If sales in Division F increase by $65,000 as a result of this change, the July segment margin for Division F should be:

8. Dunne Co. uses an activity-based costing system with the following three activity cost pools:

 

The Other activity cost pool is used to accumulate costs of idle capacity and organization-sustaining costs.
The company has provided the following data concerning its costs:

 

The distribution of resource consumption across activity cost pools is given below:

 

The activity rate for the Fabrication activity cost pool is:

9. Aaron Inc. uses an activity-based costing system with the following three activity cost pools:

 

The Other activity cost pool is used to accumulate costs of idle capacity and organization-sustaining costs.
The company has provided the following data concerning its costs:

 

The distribution of resource consumption across activity cost pools is given below:

 

The activity rate for the Order Processing activity cost pool is:

10. Barrow Company has provided the following data concerning its overhead costs for the coming year:

 

The company has an activity-based costing system with the following three activity cost pools and estimated activity for the coming year:

 

The Other activity cost pool does not have a measure of activity; it is used to accumulate costs of idle capacity and organization-sustaining costs.
The distribution of resource consumption across activity cost pools is given below:

 

The activity rate for the Assembly activity cost pool is:

11. Mason Inc. uses an activity-based costing system with three activity cost pools. The company has provided the following data concerning its costs and its activity based costing system:

 

 

How much cost, in total, would be allocated in the first-stage allocation to the Other activity cost pool?

12. Neebler Inc. uses activity-based costing. The company has two products: A and B. The annual production and sales of Product A is 8,000 units and of Product B is 6,000 units. There are three activity cost pools, with total cost and total activity as follows:

 

The activity-based costing cost per unit of Product A is:

13. True or False. In activity-based costing, there are a number of activity cost pools, each of which is allocated to products and other costing objects using its own unique measure of activity.

14. True or False. The costs of a particular department should not be split up among activity cost pools in an activity-based costing system.

15. The sales forecast for Dingo Inc. for the first four months of the coming year is:

 

On average, 50% of credit sales are paid for in the month of the sale, 30% in the month following sale, and the remainder are paid two months after the month of the sale. Assuming there are no bad debts, the expected cash inflow in March is:

16. The budget reports of Fallon Inc., a merchandising company, are shown below.

 

Forty percent of purchases are paid for in cash at the time of purchase, and 30% are paid for in each of the next two months. Purchases for the previous November and December were $150,000 per month. Employee wages are 10% of sales for the month in which the sales occur. Selling and administrative expenses are 20% of the following month's sales. (July sales are budgeted to be $220,000.) Interest payments of $20,000 are paid quarterly in January and April. Fallon's cash disbursements for the month of April would be:

17. Roscoe Inc. expects sales of Product W to be 60,000 units in April, 75,000 units in May and 70,000 units in June. The company desires that the inventory on hand at the end of each month be equal to 40% of the next month's expected unit sales. Due to excessive production during March, on March 31 there were 25,000 units of Product W in the ending inventory. Given this information, Roscoe Inc.'s production of Product W for the month of April should be:

18. Quick Inc. has budgeted production for next year as follows:

 

Two pounds of material A are required for each unit produced. The company has a policy of maintaining a stock of material A on hand at the end of each quarter equal to 25% of the next quarter's production needs for material A. A total of 30,000 pounds of material A are on hand to start the year. Budgeted purchases of material A for the second quarter would be:

19. Energy Inc. is working on its direct labor budget for the next two months. Each unit of output requires 0.77 direct labor-hours. The direct labor rate is $11.20 per direct labor-hour. The production budget calls for producing 7,100 units in October and 6,900 units in November. The company guarantees its direct labor workers a 40-hour paid work week. With the number of workers currently employed, that means that the company is committed to paying its direct labor work force for at least 5,480 hours in total each month even if there is not enough work to keep them busy. What would be the total combined direct labor cost for the two months?

20. For Cameron Inc., the selling and administrative expense budget is based on budgeted unit sales, which are 5,500 units for June. The variable selling and administrative expense is $1.00 per unit. The budgeted fixed selling and administrative expense is $101,200 per month, which includes depreciation of $6,050 per month. The remainder of the fixed selling and administrative expense represents current cash flows. The cash disbursements for selling and administrative expenses on the June selling and administrative expense budget should be:

21. Nelson Company is working on its cash budget for June. The budgeted beginning cash balance is $16,000. Budgeted cash receipts total $188,000 and budgeted cash disbursements total $187,000. The desired ending cash balance is $40,000. The excess (deficiency) of cash available over disbursements for June will be:

22. The Good Sleep Inn is a bed and breakfast establishment in a converted 100-year-old mansion. The Inn's guests appreciate its gourmet breakfasts and individually decorated rooms. The Inn's overhead budget for the most recent month appears below

 

The Inn's variable overhead costs are driven by the number of guests.
What would be the total budgeted overhead cost for a month if the activity level is 53 guests?

23. Rodger Inc. has prepared the following overhead budget for next month:

 

The company's variable overhead costs are driven by machine-hours.
What would be the total budgeted overhead cost for next month if the activity level is 6,600 machine-hours rather than 6,900 machine-hours?

24. Greenville Hospital bases its budgets on patient-visits. The hospital's static budget for February appears below:

 

The total overhead cost at an activity level of 10,800 patient-visits per month should be:

25. Rockwall Hospital's cost formula for its wages and salaries is $2,720 per month plus $351 per birth. For the month of September, the hospital planned for activity of 121 births, but the actual level of activity was 119 births. The actual wages and salaries for the month was $43,380. The wages and salaries in the planning budget for September would be:

26. Billy’s Snow Removal Inc. cost formula for its vehicle operating cost is $2,800 per month plus $381 per snow-day. For the month of February, the company planned for activity of 17 snow-days, but the actual level of activity was 14 snow-days. The actual vehicle operating cost for the month was $7,920. The activity variance for vehicle operating cost in February would be:

27. Sydney Flight Service uses two measures of activity, flights and passengers, in the cost formulas in its budgets and performance reports. The cost formula for plane operating costs is $44,420 per month plus $2,008 per flight plus $1 per passenger. The company expected its activity in May to be 80 flights and 281 passengers, but the actual activity was 81 flights and 277 passengers. The actual cost for plane operating costs in May was $199,650. The spending variance for plane operating costs in May would be:

 (for questions 28-33) Nolan Inc. makes a product with the following standard costs:

 

The company reported the following results concerning this product in August.

 

The company applies variable overhead on the basis of direct labor-hours. The direct materials purchases variance is computed when the materials are purchased.

28. The materials quantity variance for August is:

29. The materials price variance for August is:

30. The labor efficiency variance for August is:

31. The labor rate variance for August is:

32. The variable overhead efficiency variance for August is:

33. The variable overhead rate variance for August is:

34. Richard’s Inc. uses a standard cost system in which manufacturing overhead costs are applied to products on the basis of standard direct labor-hours (DLHs). The standards call for 3 hours of direct labor per unit produced. The following data pertain to the company's manufacturing overhead for the month of April:

 

 The volume variance for April is: