1. Esther Baskets Company expects to manufacture and sell 20,000 baskets in 2016 for $5 each. There are 4,000 baskets in beginning finished goods inventory with target ending inventory of 5,000 baskets. The company keeps no work-in-process inventory. What amount of sales revenue will be reported on the 2016 budgeted income statement?

A) $105,000

B) $100,000

C) $95,000

D) $55,000

2. Antique Brass Company has budgeted sales volume of 120,000 units and budgeted production of 108,000 units, while 20,000 units are in beginning finished goods inventory. How many units are targeted for ending finished goods inventory?

A) 20,000 units

B) 32,000 units

C) 12,000 units

D) 8,000 units

Refer to this information for questions 3 & 4:

Kason, Inc., expects to sell 20,000 pool cues for $12.00 each. Direct materials costs are $2.00, direct manufacturing labor is $4.00, and manufacturing overhead is $0.80 per pool cue. The following inventory levels apply to 2016:

**Beginning inventory** **Ending inventory**

Direct materials 24,000 units 24,000 units

Work-in-process inventory 0 units 0 units

Finished goods inventory 2,000 units 2,500 units

3. How many pool cues need to be produced in 2016?

A) 22,500 cues

B) 22,000 cues

C) 20,500 cues

D) 19,500 cues

4. On the 2016 budgeted income statement, what amount will be reported for cost of goods sold?

A) $139,800

B) $136,000

C) $132,600

D) $153,000

5.Meridian Industries manufactures and sells two models of watches, Prime and Luxuria. It expects to sell 3,000 units of Prime and 1,000 units of Luxuria in 2016.The following estimates are given for 2016:

**Prime Luxuria**

Selling price $200 $500

Direct materials 20 50

Direct labor 40 150

Manufacturing overhead 40 100

Meridian had an inventory of 200 units of Prime and 75 units of Luxuria at the end of 2015. It has decided that as a measure to counter stock outages it will maintain ending inventory of 350 units of Prime and 200 units of Luxuria.

Each Luxuria watch requires one unit of Crimpson and has to be imported at a cost of $10. There were 100 units of Crimpson in stock at the end of 2015.The management does not want to have any stock of Crimpson at the end of 2016.

What is the amount budgeted for purchase of Crimpson in 2016?

A) $31,500

B) $10,250

C) $30,500

D) $10,000

Refer to this information for questions 6 & 7:

Shamokin Manufacturing produces a Tourbillon watch movement called OM362. Shamokin expects to sell 10,000 units of OM362 and to have an ending finished inventory of 2,000 units. Currently, it has a beginning finished inventory of 800 units. Each unit of OM362 requires two labor operations, one labor hour of assembling and two labor hours of polishing. The direct labor rate for assembling is $10 per assembling hour and the direct labor rate for polishing is $12.50 per polishing hour.

6. The expected number of hours of direct labor for OM362 Bigger is \_\_\_\_\_\_\_\_.

A) 8,800 hours of assembling; 17,600 hours of polishing

B) 11,200 hours of assembling; 22,400 hours of polishing

C) 17,600 hours of assembling; 8,800 hours of polishing

D) 22,400 hours of assembling; 11,200 hours of polishing

7. The expected cost of direct labor for OM362 is \_\_\_\_\_\_\_\_.

A) $350,000

B) $378,000

C) $392,000

D) $420,000

Refer to this information for questions 8, 9, 10 & 11:

The following information pertains to Hepburn Company:

**Month Sales Purchases**

January $60,000 $32,000

February $80,000 $40,000

March $100,000 $56,000

• 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 $30,000 per month (including $8,000 of depreciation). Both of these are paid in the month incurred.

• The cash balance on March 1 is $8,000. A minimum cash balance of $6,000 is required at the end of the month. Money can be borrowed in multiples of $1,000.

8. How much cash will be collected from customers in March?

A) $94,000

B) $86,000

C) $100,000

D) $110,000

9.How much cash will be paid to suppliers in March?

A) $46,400

B) $56,000

C) $88,000

D) $92,000

10.How much cash will be disbursed in total in March?

A) $42,000

B) $50,000

C) $88,400

D) $96,400

11.What is the ending cash balance for March?

A) ($50,000)

B) $6,000

C) $5,600

D) $6,600

12.Corbid Corporation used the following data to evaluate their current operating system. The company sells items for $11 each and had used a budgeted selling price of $12 per unit.

**Actual Budgeted**

Units sold 280,000 units 275,000 units

Variable costs $900,000 $885,000

Fixed costs $ 55,000 $ 52,000

What is the static-budget variance of operating income?

A) $238,000 favorable

B) $238,000 unfavorable

C) $235,000 favorable

D) $235,000 unfavorable

Refer to this information for questions 13, 14, 15:

Dynondo Incorporated planned to use materials of $12 per unit but actually used materials of $13 per unit, and planned to make 1,500 units but actually made 1,800 units.

13. The flexible-budget amount for materialsis \_\_\_\_\_\_\_\_.

A) $18,000

B) $19,500

C) $21,600

D) $23,400

14. The flexible-budget variance for materials is \_\_\_\_\_\_\_\_.

A) $1,500 favorable

B) $1,800 unfavorable

C) $1,500 unfavorable

D) $1,800 favorable

15. The sales-volume variance for materials is \_\_\_\_\_\_\_\_.

A) $3,600 favorable

B) $3,900 unfavorable

C) $3,600 unfavorable

D) $3,900 favorable

16. The actual information pertains to the third quarter. As part of the budgeting process, the Duck Decoy Department of Paralith Incorporated had developed the following static budget for the third quarter. Duck Decoy is in the process of preparing the flexible budget and understanding the results.

**Actual Flexible Static**

**Results Budget Budget**

Sales volume (in units) 11,000 10,000

Sales revenues $238,000 $ $230,000

Variable costs 150,000 $ \_\_\_\_\_\_\_\_ 180,000

Contribution margin\* 88,000 $ 50,000

Fixed costs 36,000 $ \_\_\_\_\_\_\_\_ 35,000

Operating profit $ 52,000 $ $ 15,000

\*Contribution margin is defined as sales revenue minus variable costs.

The flexible budget will report \_\_\_\_\_\_\_\_ for variable costs.

A) $136,364

B) $198,000

C) $30,000

D) $13,583

Refer to this information for questions 17-20:

Animent Industries, Inc. (AII), developed standard costs for direct material and direct labor. In 2015, AII estimated the following standard costs for one of their major products, the 10-gallon plastic container.

**Budgeted quantity** **Budgeted price**

Direct materials 0.10 pounds $60 per pound

Direct labor 0.05 hours $30 per hour

During June, AII produced and sold 20,000 containers using 1,900 pounds of direct materials at an average cost per pound of $64 and 1,000 direct manufacturing labor-hours at an average wage of $30.50 per hour.

17. June's direct material flexible-budget variance is \_\_\_\_\_\_\_\_.

A) $7,200 unfavorable

B) $600 favorable

C) $1,600 unfavorable

D) $500 favorable

18. The direct material price variance during June is \_\_\_\_\_\_\_\_.

A) $7,600 unfavorable

B) $1,600 favorable

C) $1,600 unfavorable

D) $500 favorable

19. The direct manufacturing labor price variance during June is \_\_\_\_\_\_\_\_.

A) $500 unfavorable

B) $500 favorable

C) $7,600 unfavorable

D) 1,600 unfavorable

20. The direct manufacturing labor efficiency variance during June is \_\_\_\_\_\_\_\_.

A) $125 unfavorable

B) $500 favorable

C) $1,600 unfavorable

D) $0

21. Demizio Valley Orchards, Inc. (DVO), developed standard costs for direct material and direct labor. In 2015, DVO estimated the following standard costs for one of their most well loved products, the DVO classic Grandma's large apple pie which had a brown sugar coating on the top of the crust as well as including cranberry and mince ingredients in addition to the apples.

**Budgeted quantity** **Budgeted price**

Direct materials 2.0 pounds $6.25 per pound

Direct labor 0.20 hours $13.00 per hour

During September, DVO produced and sold 1,100 pies using 2,300 pounds of direct materials at an average cost per pound of $6.00 and 200 direct labor hours at an average wage of $13.25 per hour.

The direct material efficiency variance during September is \_\_\_\_\_\_\_\_.

A) $575 favorable

B) $575 unfavorable

C) $625 favorable

D) $625 unfavorable

Refer to this information for questions 22-24:

Green Energy Inc. produces fertilizer and distributes the product by using his tanker trucks. Green Energy uses budgeted fleet hours to allocate variable manufacturing overhead. The following information relates to the company's manufacturing overhead data:

Budgeted output units 730 truckloads

Budgeted fleet hours 511 hours

Budgeted pounds of fertilizer 24,000,000 pounds

Budgeted variable manufacturing overhead costs for 730 loads $89,425

Actual output units produced and delivered 720 truckloads

Actual fleet hours 436 hours

Actual pounds of fertilizer produced and delivered 25,200,000 pounds

Actual variable manufacturing overhead costs $87,120

22. What is the budgeted variable overhead cost rate per output unit?

A) $120.00

B) $122.50

C) $123.69

D) $121.00

23. What is the sales volume variance for variable overhead?

A) $2,305 favorable

B) $10 unfavorable

C) $9,187.50 favorable

D) $1,225 favorable

24. Which of the following is the third journal entry required to record the variable overhead variances?

A) DR VOH control 87,120

DR VOH efficiency variance 3,385

CR VOH spending variance 2,305

CR VOH allocated 88,200

B) DR VOH allocated 88,200

DR VOH spending variance 10,820

CR VOH efficiency variance 11,900

CR VOH control 87,120

C) DR VOH control 87,120

DR VOH spending variance 11,492.50

CR VOH efficiency variance 9,187.50

CR VOH allocated 89,425

D) DR VOH allocated 89,425

DR VOH spending variance 10,820

CR VOH efficiency variance 11,900

CR VOH control 88,345

Refer to this information for questions 25, 26, 27:

Autogas Corporation manufactures industrial-sized gas furnaces and uses budgeted machine hours to allocate variable manufacturing overhead. The following information relates to the company's manufacturing overhead data:

Budgeted output units 31,000 units

Budgeted machine-hours 16,585 hours

Budgeted variable manufacturing overhead costs for 31,000 units $348,285

Actual output units produced 33,000 units

Actual machine-hours used 14,400 hours

Actual variable manufacturing overhead costs $384,000

25. What is the amount of the budgeted variable manufacturing overhead cost per unit?

A) $11.745

B) $10.570

C) $11.235

D) $11.636

26. What is the flexible-budget amount for variable manufacturing overhead?

A) $348,750

B) $370,755

C) $384,000

D) $360,727

27. What is the flexible-budget variance for variable manufacturing overhead?

A) $13,245 unfavorable

B) $35,715 unfavorable

C) $13,245 favorable

D) $35,715 favorable

Refer to this information for questions 28-31:

Zitrik Corporation manufactured 90,000 buckets during February. The variable overhead cost-allocation base is $5.05 per machine-hour. The following variable overhead data pertain to February:

**Actual Budgeted**

Production 90,000 units 90,000 units

Machine-hours 9,800 hours 9,000 hours

Variable overhead cost per machine-hour $5.15 $5.05

28. What is the actual variable overhead cost?

A) $463,500

B) $436,500

C) $50,470

D) $49,490

29. What is the flexible-budget amount?

A) $49,490

B) $45,450

C) $46,350

D) $47,650

30. What is the variable overhead spending variance?

A) $980 favorable

B) $900 unfavorable

C) $980 unfavorable

D) $900 favorable

31. What is the variable overhead efficiency variance?

A) $4,040 unfavorable

B) $4,120 favorable

C) $4,040 favorable

D) $4,120 unfavorable.

32. Marshall Company uses a standard cost system. In April, $266,000 of variable manufacturing overhead costs were incurred and the flexible-budget amount for the month was $300,000. Which of the following variable manufacturing overhead entries would have been recorded for March?

A) Accounts Payable Control and other accounts 300,000

Work-in-Process Control 300,000

B) Variable Manufacturing Overhead Allocated 300,000

Accounts Payable and other accounts 300,000

C) Work-in-Process Control 266,000

Accounts Payable Control and other accounts 266,000

D) Variable Manufacturing Overhead Control 266,000

Accounts Payable Control and other accounts 266,000

33. Luke's Football Manufacturing Company reported:

Actual fixed overhead $400,000

Fixed manufacturing overhead spending variance $10,000 favorable

Fixed manufacturing production-volume variance $15,000 unfavorable

To isolate these variances at the end of the accounting period, John would debit Fixed Manufacturing Overhead Allocated for \_\_\_\_\_\_\_\_.

A) $390,000

B) $395,000

C) $400,000

D) $405,000

Refer to this information for questions 34-36:

Bekits Corporation manufactured 25,000 grooming kits for horses during March. The following fixed overhead data relates to March:

**Actual Static Budget**

Production 37,500 units 36,000 units

Machine-hours 6,100 hours 5,940 hours

Fixed overhead costs for March $133,000 $124,740

34. What is the flexible-budget amount?

A) $134,375.50

B) $124,740.00

C) $129,937.50

D) $133,000.00

35. What is the amount of fixed overhead allocated to production?

A) $134,375.50

B) $124,740.00

C) $133,000.00

D) $129,937.50

36. What is the fixed overhead spending variance?

A) $3,062.5 unfavorable

B) $8,260 favorable

C) $8,260 unfavorable

D) $3,062.5 favorable

37. Which of the following journal entries is used to record fixed overhead costs allocated?

A) Fixed Overhead Allocated

Work-in-Process Control

B) Work-in-Process Control

Fixed Overhead Allocated

C) Fixed Overhead Control

Work-in-Process Control

D) Fixed Overhead Allocated

Fixed Overhead Control

38. Bismith Company reported:

Actual fixed overhead $500,000

Fixed manufacturing overhead spending variance $30,000 unfavorable

Fixed manufacturing production-volume variance $20,000 unfavorable

To record the write-off of these variances at the end of the accounting period, Bismith would \_\_\_\_\_\_\_\_.

A) credit Fixed Manufacturing Overhead Allocated for $500,000

B) debit Fixed Manufacturing Overhead Spending Variance for $30,000

C) credit Fixed Manufacturing Production-Volume Variance for $20,000

D) debit Fixed Manufacturing Control for $500,000

Refer to this information for questions 39 and 40:

Radon Corporation manufactured 25,000 grooming kits for horses during March. The following fixed overhead data pertain to March:

**Actual Static Budget**

Production 33,000 units 30,000 units

Machine-hours 6,100 hours 6,000 hours

Fixed overhead costs for March $153,000 $144,000

39. What is the fixed overhead production-volume variance?

A) $9,000 unfavorable

B) $14,400 favorable

C) $14,400 unfavorable

D) $9,000 favorable

40. What is the fixed overhead spending variance?

A) $14,400 favorable

B) $9,000 favorable

C) $9,000 unfavorable

D) $14,400 unfavorable

Refer to this information for questions 41-49:

Meale Company makes a household appliance with model number X500. The goal for 2015 is to reduce direct materials usage per unit. No defective units are currently produced. Manufacturing conversion costs depend on production capacity defined in terms of X500 units that can be produced. The industry market size for appliances increased 10% from 2014 to 2015. The following additional data are available for 2014 and 2015:

**2014 2015**

Units of X500 produced and sold 10,000 11,000

Selling price $100 $95

Direct materials (square feet) 30,000 29,000

Direct material costs per square foot $10 $11

Manufacturing capacity for X500 (units) 12,500 12,000

Total conversion costs $250,000 $240,000

Conversion costs per unit of capacity $20 $20

41. What is operating income for 2014?

A) $450,000

B) $1,000,000

C) $750,000

D) $700,000

42.What is operating income for 2015?

A) $1,045,000

B) $726,000

C) $486,000

D) $476,000

43.What is the revenue effect of the growth component of change in income for Meale Company?

A) $70,000F

B) $!00,000F

C) $36,000F

D) $55,000U

44.What is the cost effect for variable costs of the growth component of change in income for Meale Company?

A) $70,000F

B) $33,000U

C) $88,000U

D) $30,000U

45.What is the revenue effect of the price recovery component of change in income for Meale Company?

A) $55,000U

B) $!00,000F

C) $88,000U

D) $70,000F

46.What is the cost effect for variable costs of the price recovery component of change in income for Meale Company?

A) $44,000F

B) $33,000U

C) $88,000U

D) $30,000U

47.What is the cost effect for fixed costs of the price recovery component of change in income for Meale Company?

A) - 0 -

B) $33,000U

C) $10,000U

D) $88,000U

48.What is the cost effect for variable costs of the productivity component of change in income for Meale Company?

A) $44,000F

B) $33,000U

C) $88,000U

D) $30,000U

49.What is the cost effect for fixed costs of the productivity component of change in income for Meale Company?

A) - 0 -

B) $30,000U

C) $10,000F

D) $54,000F

50. Change in income for the Willow Company between 2013 (when it sold 1,000 switches) and 2015 (when it sold 1,280 switches) is $128,000U. If the total growth component of change is $42,000F and the total productivity component of change is $96,000U, the total price recovery component of change must be

A) $10,000U

B) $170,000U

C) $ 32,000U

D) $74,000U