Lesson 3-2 Practice Quiz

®γσ, Eng Lian Hu

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# Lesson 3-2 Practice Quiz

*2/2 points earned (100%)*

**Excellent!**

*Correct 1/1 points*

*Incorrect 0/1 points*

1. Carter, Inc. has used a traditional costing system to allocate overhead costs to its two main product lines. Management has decided to adopt and implement activity-based costing. Which of the following is true regarding Carter, Inc.'s reported revenues, costs, and income under the traditional costing system versus an activity-based costing system?

* Revenues will be higher under the traditional system
* **Costs for both product lines will likely be higher under the traditional system**1
* Costs for both product lines will likely be different under the two systems
* **Net income will be higher under an activity-based costing system**2

*Correct 1/1 point*

1. Zachary Limited, an auto manufacturer, produces 3 models of its vehicle: basic, deluxe, and limited. Management has determined the following information about its resources and activities.

**Resources as identified by the firm**

Cost Summary of Zachary Limited

|  |  |
| --- | --- |
| Category | Cost |
| Support staff wages | $15,000 |
| Benefits and insurance | $9,000 |
| Utilities | $8,000 |
| Information systems | $5,000 |

*Table 2 : Summarised costs of Zachary Limited*

**Activities as identified by the firm:**

* Scheduling production runs
* Configuring production lines
* Quality assurance
* Management and record keeping

**Activity pools created by the firm**

* Process production run (batch)
* Manage product (product)

**Pool % allocation after research**

Pool allocation

|  |  |  |
| --- | --- | --- |
| Resources | Process.production.run..Activity.Pool. | Manage.product..Activity.Pool. |
| Support staff wages | 80% | 15% |
| Benefits and insurance | 60% | 40% |
| Utilities | 15% | 85% |
| Information systems | - | 100% |

*Table 2 : Pools allocation of Zachary Limited*

What is the total dollar amount allocated to the "manage production" pool?

* $20,350
* **$19,350**
* $17,650
* $18,760

*Correct 1/1 points*

1. Batch-level activities will always be collected into a single activity pool.

* TRUE
* **FALSE**
* Correct Response   
  That is correct! An organization will likely have many different activity pools, and batch-level activities might be separated based on the availability of multiple activity drivers for different types of batch-level activities.