# Module 2 Quiz

12 questions

1 / 1 points

Correct

1. Which of the following is an advantage of participative budgeting?

1. Time-consuming
2. Focuses on knowledge of upper management
3. **Leverages local knowledge**
4. Eliminates 'gaming of the system' by managers and employees

1  
point

2. When creating the master budget, managers usually start with the budgeted income statement.

1. **True**
2. False

1 / 1 points

Correct

3. Kaplan Inc. had 100,000 in unit-sales during the last quarter of last year. Managers expect the sales to increase by 10% each quarter over the next four quarters.

The selling price is expected to remain the same for the next four quarters at $2 per unit.

What is the quarter-specific budgeted sales revenue for the 3rd quarter of the coming year?

1. **$266,200**
2. $260,000
3. $280,000
4. $200,000

1  
point

4. Which of the following is false?

1. Managers usually prepare the sales budget before the capital expenditures budget.
2. **The production budget drives the material, labor, and overhead budgets.**
3. Creating the budgeted income statement may lead to a revision to the sales budget.
4. Budgeting is a linear process.

1 / 1 points

Correct

5. Waunakee Metals expects sales for the year to be 100,000 units, with quarterly sales of 20%, 25%, 30%, and 25%, respectively. The sales price is expected to be $40.

Management desires an ending finished goods inventory each quarter of 20% of the next quarter's sales volume.

Each unit requires 3 kilograms of materials at a cost of $5 per kilogram. Management desires an ending raw materials inventory each quarter of 10% of the next quarter's production needs.

What is the budgeted production (in units) in Q3?

1. 30,000
2. 35,000
3. **29,000**
4. 31,000

1 / 1 points

Correct

6. Waunakee Metals expects sales for the year to be 100,000 units, with quarterly sales of 20%, 25%, 30%, and 25%, respectively. The sales price is expected to be $40.

Management desires an ending finished goods inventory each quarter of 20% of the next quarter's sales volume.

Each unit requires 3 kilograms of materials at a cost of $5 per kilogram. Management desires an ending raw materials inventory each quarter of 10% of the next quarter's production needs.

What is the materials to be purchased (in kilograms) in Q2?

1. 86,700
2. **78,900**
3. 78,000
4. 26,000

1  
point

7. Once a manager completes the budgeted income statement, they can adjust the budget to set a different target net income without revising the sales, production, and component budgets.

1. **True**
2. False

1  
point

8. Which of the following is false regarding the cash budget?

1. It focuses only on operations.
2. **It considers required cash balances.**
3. It includes cash inflows and outflows related to operations.
4. It can span multiple time periods.

1 / 1 points

Correct

9. Wish Corporation managers require a minimum monthly cash balance of $25,000. At the beginning of the second quarter of the upcoming year, the cash balance is $27,000.

Half of the $438,000 in sales from last quarter will be collected during Q2. Expected disbursements are budgeted at $220,000.

What do the managers learn from the cash budget for Q2?

1. The cash balance at the end of Q2 is double the cash balance at the beginning of Q2.
2. The company will need to obtain financing during Q3.
3. **The cash balance will be reduced during Q2, but no financing will be necessary.**
4. The company will need to obtain financing during Q2.

1 / 1 points

Correct

10. Which of the following capital investment measures does not rely on cash flows?

1. Payback period
2. **Accounting rate of return**
3. Net present value
4. Internal rate of return

1 / 1 points

Correct

11. Disintegration, Inc. is considering a long-term investment. The investment will require an investment of $84,000. It will have a useful life of 5 years, and no salvage (i.e., ending) value.

Annual cash savings from the investment are $40,000, and annual cash outflows are $16,000.

Assume that cash flows other than the initial investment occur evenly throughout the year.

What is the payback period?

1. 4 years
2. **3.5 years**
3. 3 years
4. 4.5 years

1  
point

12. Seventeen Seconds, Inc. is considering a long-term investment. The investment will require an investment of $40,000. It will have a useful life of 2 years, and no salvage (i.e., ending) value.

Annual cash savings from the investment are $22,000.

Assume that cash flows other than the initial investment occur at the end of the year, and that the cost of capital (i.e., discount rate) is 10%.

Calculate the net present value of the investment.

1. $3,636
2. ($3,636)
3. **$4,000**
4. ($1,818)

1 / 1 points

Correct

13. Which of the following best describes a budget?

1. Qualitative
2. Aggregated, without much detail
3. Only used for influencing/guiding decisions
4. **Time-specific**

1 / 1 points

Correct

14. When creating the master budget, managers usually start with the production budget.

1. True
2. **False**

1 / 1 points

Correct

15. Which of the following is true about the sales budget?

1. **Can be separated into product-line specific budgets**
2. Is performed on an annual basis
3. Long-term focused
4. Driven by planned production

1 / 1 points

Correct

16. Which of the following is true?

1. Managers usually prepare the sales budget after the capital expenditures budget.
2. The production budget drives the selling and administrative cost budget.
3. **Creating the budgeted income statement may lead to a revision to the sales budget.**
4. Budgeting is a linear process.

1  
point

17. Waunakee Metals expects sales for the year to be 100,000 units, with quarterly sales of 20%, 25%, 30%, and 25%, respectively. The sales price is expected to be $40.

Management desires an ending finished goods inventory each quarter of 20% of the next quarter's sales volume.

Each unit requires 3 kilograms of materials at a cost of $5 per kilogram. Management desires an ending raw materials inventory each quarter of 10% of the next quarter's production needs.

What is the budgeted production (in units) in Q2?

1. **25,000**
2. 21,000
3. 31,000
4. 26,000

1  
point

18. Waunakee Metals expects sales for the year to be 100,000 units, with quarterly sales of 20%, 25%, 30%, and 25%, respectively. The sales price is expected to be $40.

Management desires an ending finished goods inventory each quarter of 20% of the next quarter's sales volume.

Each unit requires 3 kilograms of materials at a cost of $5 per kilogram. Management desires an ending raw materials inventory each quarter of 10% of the next quarter's production needs.

What is the materials to be purchased (in kilograms) in Q3?

1. **86,700**
2. 29,000
3. 84,300
4. 87,000

1  
point

19. Once a manager completes the budgeted income statement, they can adjust the budget to set a different target net income by revising the sales, production, and component budgets.

1. True
2. **False**

1  
point

20. Which of the following is true regarding the cash budget?

1. It focuses on financing.
2. **It summarizes all cash inflows and outflows.**
3. It is prepared using accrual accounting.
4. It ignores cash balances.

1 / 1 points

Correct

10. Capital budgeting measures are intended to facilitate investment decisions involving a single investment option.

1. True
2. **False**

1  
point

11. Disintegration, Inc. is considering a long-term investment. The investment will require an investment of $72,000. It will have a useful life of 5 years, and no salvage (i.e., ending) value.

Annual cash savings from the investment are $40,000, and annual cash outflows are $16,000.

Assume that cash flows other than the initial investment occur evenly throughout the year.

What is the payback period?

1. 4.5 years
2. 3 years
3. 4 years
4. **3.5 years**

1  
point

12. Seventeen Seconds, Inc. is considering a long-term investment. The investment will require an investment of $40,000. It will have a useful life of 2 years, and no salvage (i.e., ending) value.

Annual cash savings from the investment are $24,000.

Assume that cash flows other than the initial investment occur at the end of the year, and that the cost of capital (i.e., discount rate) is 10%.

Calculate the net present value of the investment (rounded to the nearest dollar).

1. $8,000
2. $1,653
3. **$7,273**
4. $41,653