

# THREE OF THESE ARE WRONG. I DO NOT KNOW WHICH ONES.

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1. Which of the following is *not* true with regard to direct materials for a bakery?
  - Paper cupcake liners, that become part of the product, must be accounted for as direct materials.
2. The condensed income statement for a Fletcher Inc. for the past year is as follows:

Product:	F	G	H	Total
Sales	\$300,000	\$210,000	\$340,000	\$850,000
Costs:				
Variable costs	\$(180,000)	\$(180,000)	\$(220,000)	\$(580,000)
Fixed costs	(50,000)	(50,000)	(40,000)	(140,000)
Total costs	\$(230,000)	\$(230,000)	\$(260,000)	\$(720,000)
Income (loss)	\$70,000	\$(20,000)	\$80,000	\$130,000

Management is considering the discontinuance of the manufacture and sale of Product G at the beginning of the current year. The discontinuance would have no effect on the total fixed costs and expenses or on the sales of Products F and H. The amount of change in profit for the current year that will result from the discontinuance of Product G is a **30000 decrease**.

3. The amount of the average investment for a proposed investment of \$120,000 in a fixed asset with a useful life of 4 years, straight-line depreciation, no residual value, and an expected total income of \$21,600 for the 4 years is **\$60,000**.
4. Following is a table for the present value of \$1 at compound interest:

Year	6%		10%		12%
1	0.943		0.909		0.893
2	0.890		0.826		0.797
3	0.840		0.751		0.712
4	0.792		0.683		0.636
5	0.747		0.621		0.567

Following is a table for the present value of an annuity of \$1 at compound interest:

Year	6%		10%		12%
1	0.943		0.909		0.893
2	1.833		1.736		1.690
3	2.673		2.487		2.402
4	3.465		3.170		3.037
5	4.212		3.791		3.605

Using the tables provided, the internal rate of return of an investment of \$210,600 that would generate an annual cash inflow of \$50,000 for the next 5 years is **6%**.

5. The first budget customarily prepared as part of an entity's master budget is the **sales** budget.
6. Department M had 2,000 units 40% completed in process at the beginning of June, 12,000 units completed during June, and 1,200 units 25% completed at the end of June. The number of equivalent units of production for conversion costs for June if the first-in, first-out method is used to cost inventories is **11500 units**.
7. Which of the following terms is used to describe the process of developing the organization's objectives and translating those into courses of action?
  - **planning**
8. Waterfield Company has three decentralized segments. Executive managers are looking for a way to measure the performance of each segment. Which of the following metrics might be used for this purpose?
  - **the return on investment of each segment**
9. If fixed costs are \$750,000 and variable costs are 60% of sales, the break-even point in sales dollars is **\$1875000**.
10. Skagit Company manufactures Hooks and Nooks. The following shows the activities per product and total activity information:

	Units	Setups	Inspections	Assembly (dlh)
Hooks	4,000	1	3	1
Nooks	8,000	2	2	3

Activity	Total Activity-Base Usage	Budgeted Activity Cost
Setups	20,000	\$60,000
Inspections	24,000	120,000
Assembly (dlh)	28,000	420,000

The total factory overhead to be allocated to Nooks is \$488000.

11. Which of the following underlying problems may be hidden by high raw materials, work in process, and finished goods inventory levels?
  - **poor quality, unreliable suppliers, and machine breakdowns**
12. A company's balanced scorecard may include **both leading and lagging indicators**.
13. Which of the following results in fewer transactions in lean accounting?
  - **There is less movement of inventory between departments, the distinction between direct and indirect costs is eliminated, and all manufacturing costs are combined into one account called Raw and In Process Inventory**
14. If the amount of factory overhead cost incurred exceeds the amount applied, the factory overhead account will have a **debit balance and be underapplied**.
15. Schedule of Activity Costs

Quality Control Activities	Activity Cost
Process audits	\$50,000
Training of machine operators	28,000
Processing returned products	19,000
Scrap processing (disposal)	25,000
Rework	8,000
Preventive maintenance	30,000
Product design	46,000
Warranty work	12,000
Finished goods inspection	23,000

From the provided schedule of activity costs, determine the prevention costs.

- **104,000**

16. Given the following cost and activity observations for Smithson Company's utilities, use the high-low method to determine Smithson's fixed costs per month. Do **not** round your intermediate calculations.

	Cost	Machine Hours
January	\$52,200	20,000
February	75,000	29,000
March	57,000	22,000
April	64,000	24,500

◦ **1533**

17. Under variable costing, which of the following costs would *not* be included in finished goods inventory?
- **salary of factory supervisor**
18. AnaCarolina and Jaco, executive managers at Duke Manufacturing, are tasked with determining appropriate performance metrics for the customer perspective of Duke's balanced scorecard. Which of the following is the best metric for this situation?
- **number of returns due to incorrect products shipped in response to orders**
19. The direct labor rate variance is the difference between the **actual costs and the actual hours at the standard rate**.
20. The standard costs and actual costs for factory overhead for the manufacture of 2,500 units of actual production are as follows:

	Standard Costs
Fixed overhead (based on 10,000 hours)	3 hours per unit at \$0.80 per hour
Variable overhead	3 hours per unit at \$2.00 per hour
Actual Costs	
Total variable cost, \$18,000	
Total fixed cost, \$8,000	

The fixed factory overhead volume variance is **\$2,000 unfavorable**.

21. Costs that remain constant in total dollar amount as the level of activity changes are called **fixed** costs.

22. A disadvantage of static budgets is that they **do not allow for possible changes in activity levels**.
23. Which of the following methods of evaluating capital investment proposals uses the concept of present value to compute a rate of return?

- **internal rate of return**

24. Department B had 3,000 units in Work in Process that were 25% completed at the beginning of the period at a cost of \$12,500, 13,700 units of direct materials were added during the period at a cost of \$28,700, 15,000 units were completed during the period, and 1,700 units were 95% completed at the end of the period. All materials are added at the beginning of the process. Direct labor was \$32,450 and factory overhead was \$18,710.

The number of equivalent units of production for the period for conversion, if the first-in, first-out method is used to cost inventories, was **15865**.

25. Blue Ridge Marketing Inc. manufactures two products, A and B. Presently, the company uses a single plantwide factory overhead rate for allocating overhead to products. However, management is considering moving to a multiple department rate system for allocating overhead. The following table presents information about estimated overhead and direct labor hours.

	Overhead	Direct Labor Hours (dlh)	Product						
						A		B	
Painting Dept.	\$248,000		10,000	dlh		16	dlh	4	dlh
Finishing Dept.	72,000		10,000			4		16	
Totals	\$320,000		20,000	dlh		20	dlh	20	dlh

The overhead from both production departments allocated to each unit of Product B if Blue Ridge Marketing Inc. uses the multiple production department factory overhead rate method is **214.40**.

26. In a profit center, the manager has responsibility and authority for making decisions that affect **revenues**.
27. Two divisions of Oregano Company (Divisions TX and OY) have the same profit margins. Division TX's investment turnover is larger than that of Division OY (1.2 to 1.0). Operating income for Division TX is \$55,000, and operating income for Division OY is \$43,000. Division TX has a higher return on investment than Division OY by **using its assets more efficiently in generating sales**.
28. Which of the following represents the factory overhead applied to a product?
- **predetermined factory overhead rate times actual activity base**
29. The graph of a variable cost when plotted against its related activity base appears as a **straight line**.
30. Which of the following costs incurred by a tool manufacturer would *not* be included in conversion costs?
- **raw steel**

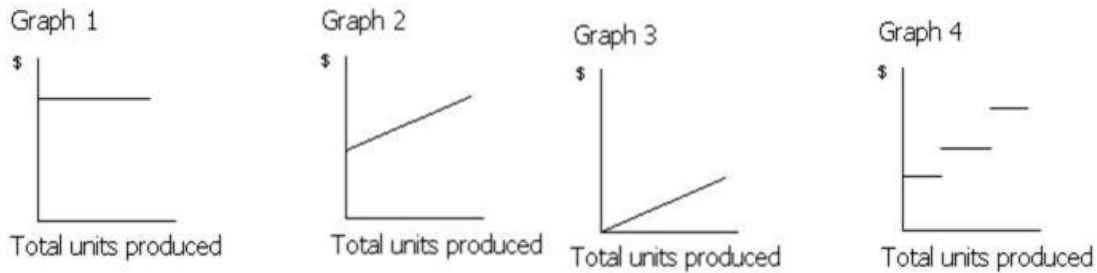
31. The total manufacturing cost variance consists of **direct materials cost variance, direct labor cost variance, and factory overhead cost variance.**
32. Adirondack Marketing Inc. manufactures two products, A and B. Presently, the company uses a single plantwide factory overhead rate for allocating overhead to products. However, management is considering moving to a multiple department rate system for allocating overhead.

	Overhead	Total Direct Labor Hours	A	B
Painting Dept.	\$250,000	10,000	16	4
Finishing Dept.	75,000	12,000	4	16
Totals	\$325,000	22,000	20	20

Using a single plantwide rate, the factory overhead allocated per unit of Product A in the Painting Department is **\$236.32 per unit.**

33. Costs that vary in total in direct proportion to changes in an activity level are called **variable** costs.
34. A company is contemplating investing in a new piece of manufacturing machinery. The amount to be invested is \$210,000. The present value of the future cash flows is \$225,000. The company's desired rate of return used in the present value computations was 12%. Which of the following statements is true?
- **The internal rate of return on the project is more than 12%.**
35. Costs other than direct materials cost and direct labor cost incurred in the manufacturing process are classified as **factory overhead cost.**
36. Which of the following is a product cost?
- **drill bits for a drill press used in the plant assembly area**
37. Hayden Company is considering the acquisition of a machine that costs \$675,000. The machine is expected to have a useful life of 6 years, a negligible residual value, an annual net cash inflow of \$150,000, and annual operating income of \$87,500. The estimated cash payback period for the machine is **4.5 years.**
38. When using lean principles and activity analyses with service businesses, the "product" is normally **the customer.**
39. Yasmin Co. can further process Product B to produce Product C. Product B is currently selling for \$30 per pound and costs \$28 per pound to produce. Product C would sell for \$55 per pound and would require an additional cost of \$31 per pound to produce. The differential cost of producing Product C is **31 per pound.**

40. Which of the following graphs in Figure 1 illustrates the behavior of a total fixed cost?



◦ **Graph 1**

41. Which of the following measures would *not* help managers to control and improve operations?

◦ **commissions paid per time period**

42. Which of the following is a cost pool used with the activity-based costing method?

◦ **production setups**

43. Myers Corporation has the following data related to direct materials costs for November: actual costs for 5,000 pounds of material at \$4.50 and standard costs for 4,800 pounds of material at \$ 5.10 per pound.

The direct materials quantity variance is **1020 unfavorable**.

44.

Jake Entertainment Corporation has three segments with revenue, operating income, and depreciation and amortization information (in millions) as follows:

Segment	Revenue	Operating Income	Depreciation and Amortization
Film	\$5,000	\$1,500	\$525
Theme Park	1,000	320	112
Video Game	500	175	53
Totals	\$6,500	\$1,995	\$690

The segment with the highest EBITDA as a percent of revenue is **Video Game**.

45. Panamint Systems Corporation is estimating activity costs associated with producing disk drives, tapes drives, and wire drives. The indirect labor can be traced to five separate activity pools. The budgeted activity cost and activity base data by product are provided below.

	Activity Cost	Activity Base
Procurement	\$370,000	Number of purchase orders
Scheduling	250,000	Number of production orders
Materials handling	500,000	Number of moves
Product development	730,000	Number of engineering changes
Production	1,500,000	Machine hours

	Number of Purchase Orders	Number of Production Orders	Number of Moves	Number of Engineering Changes	Machine Hours	Number of Units
Disk drives	4,000	300	1,400	10	2,000	2,000
Tape drives	4,000	150	800	10	8,000	4,000
Wire drives	12,000	800	4,000	25	10,000	2,500

The activity rate for the scheduling activity cost pool is **\$20 per production order**.

46. In order to be useful to managers, managerial accounting reports should possess all of the following characteristics *except* **be prepared in accordance with generally accepted accounting principles**.
47. Lara Technologies is considering a total cash outlay of \$250,000 for the purchase of land, which it could lease for \$35,000 per year. If alternative investments are available that yield a 12% return, the opportunity cost of the purchase of the land is **\$30000**.
48. If budgeted beginning finished goods inventory is \$8,000, budgeted ending finished goods inventory is \$9,400, and budgeted cost of goods sold is \$10,260, budgeted cost of goods manufactured should be **\$11660**.
49. Waterfield Company is looking for a way to help its executive managers assess how the three divisions within the company are meeting the company's overall goals and objectives. The company is looking for a(n) **performance measurement system**.
50. The cost of production of completed and transferred goods during the period amounted to \$540,000, and the finished products shipped to customers had production costs of \$375,000. The journal entry to record the transfer of costs from finished goods to cost of goods sold is
  - **Cost of Goods Sold 540,000**  
**Finished Goods      540,000**