Chapter 1

1). Which of the following activities is associated with the management responsibility of controlling?

a. Preparing a budget

b. Implementing just-in-time production technology

**c. The use of performance reports**

d. None of the above

2) Managerial accounting differs from financial accounting in that managerial accounting

a. is used primarily by external decision makers.

**b. is required by Generally Accepted Accounting**

Principles (GAAP).

c. tends to report on the company as a whole rather

than segments of the company.

d. emphasizes data relevance over data objectivity.

3) What is the primary responsibility of the chief financial officer (CFO)?

a. Managing the daily operations of the business

**b. Handling the company’s financial concerns**

c. Overseeing the internal audit function

d. Electing the board of directors to oversee the

company

4. Of the following skills, which are needed by today’s management accountants?

a. Knowledge of both financial and managerial

accounting

b. Knowledge of how a business functions

c. Oral and written communication skills

**d. All of the above**

5. Which of the following organizations is the professional association for management

accountants?

a. AICPA

**b. IMA**

c. IFRS

d. FASB

6. Which of the following professional standards requires management accountants to

mitigate conflicts of interest?

a. Competence

b. Confidentiality

**c. Integrity**

d. Credibility

7. Which of the following professional standards requires management accountants to

communicate information fairly and objectively?

a. Competence

b. Confidentiality

c. Integrity

**d. Credibility**

8. Which of the following requires the company’s CEO and CFO to assume responsibility

for the company’s financial statements and disclosures?

**a. Sarbanes-Oxley Act of 2002 (SOX)**

b. International Financial Accounting Standards (IFRS)

c. Extensible Business Reporting Language (XBRL)

d. Lean operations

9. Which of the following is true?

a. XBRL increases the time needed for processing

financial reports.

b. SOX decreases the costs of compliance for

companies in the U.S.

**c. Companies have increasingly recognized the**

**importance of sustainability, through “green**

**initiatives.”**

d. Globalization decreases the need for consistent

reporting standards for companies around the world.

10. The triple bottom line focuses on

a. profit.

b. people.

c. the planet.

**d. all of the above.**

Chapter2:

1. Which of the following types of companies would carry raw materials, work in process,

and finished goods inventory?

a. Service

b. Merchandising

**c. Manufacturing**

d. All of the above

2. The salary of an engineer who designs cars for Honda is an example of a cost of which

element of the value chain?

a. Marketing

b. Production

**c. Design**

d. Distribution

3. A cost that can be traced to a cost object is known as a

**a. direct cost.**

b. indirect cost.

c. period cost.

d. inventoriable product cost.

4. The three major elements in the cost of manufactured products are often referred to as

a. direct labor, indirect materials, and direct

manufacturing costs

**b. direct labor, direct materials, and indirect**

**manufacturing costs**

c. direct materials, direct labor, and direct

manufacturing costs

d. indirect materials, indirect labor, and indirect

manufacturing costs

5. Prime costs consist of

a. direct materials and manufacturing overhead.

b. direct labor and manufacturing overhead.

**c. direct materials and direct labor.**

d. direct materials, direct labor, and manufacturing

overhead.

6. Which of the following is not a period cost?

a. Marketing expense

b. R&D expense

**c. Freight-in cost**

d. Customer service cost

7. Which of the following types of companies will always have the Cost of Goods Sold

account on their income statements?

a. Service and merchandising companies

**b. Merchandising and manufacturing companies**

c. Service and manufacturing companies

d. Service, merchandising, and manufacturing

companies

8. Which of the following is a calculated amount, rather than a general ledger account?

a. Cost of goods sold

b. Finished goods inventory

**c. Cost of goods manufactured**

d. Sales revenue

9. Which of the following is false?

**a. Sunk costs are generally relevant to decisions.**

b. The difference in cost between two alternatives is

known as a differential cost.

c. Uncontrollable costs are costs over which the

company has little or no control in the short run.

d. Sunk costs are costs that have already been incurred.

10. Which of the following is correct?

a. Depreciation of machinery is an example of variable

costs.

b. Manufacturing overheads only consist of fixed costs.

c. Average cost per unit remains unchanged when

production level varies.

**d. Inventorial product cost is a mixture of fixed and**

**variable costs**

chapter3:

1. For which of the following would job costing not be appropriate?

a. Law firm

b. Electrician

**c. Manufacturer of mass-produced carbonated**

**beverages**

d. Manufacturer of custom-ordered production

equipment

2.The dollar amount of inventory transfer from work in process to finished goods is the sum of the costs charged to all jobs that are

a. started in process during the period.

**b. completed during the period.**

c. completed and sold during the period.

d. in process during the period.

3. Which of the following cost items is recorded in a job cost record?

a. Direct labor

b. Manufacturing overhead

**c. Marketing expense**

d. Direct materials

4. The amount of manufacturing overhead recorded on a job cost record for a particular job is found by

a. tracing manufacturing overhead to the job.

**b. allocating manufacturing overhead to the job.**

c. either tracing or allocating manufacturing overhead

costs (management’s choice).

d. None of the answers listed is correct.

5. Which of the following is a potential use of a job cost record?

a. Assessing and comparing the profitability of

different model of product

b. Dealing with pricing pressure from competitors

c. Helping in price-setting decisions and identifying

ways to cut production costs

**d. All of the above**

6. Which of the following is true?

a. If manufacturing overhead is overallocated, then

jobs will be undercosted.

b. If manufacturing overhead is underallocated, then

jobs will be overcosted.

c. Both of the statements are true.

**d. None of the statements is true.**

7. Assuming the amount of manufacturing overhead overallocation or underallocation

is not material, which account is adjusted at the end of the period?

a. Raw Materials Inventory

**b. Cost of Goods Sold**

c. Sales Revenue

d. Work in Process Inventory

8. Whenever direct material, direct labor, and manufacturing overhead are recorded on a job cost record, an associated journal entry is made to debit which of the following accounts?

**a. Work in Process Inventory**

b. Cost of Goods Sold

c. Finished Goods Inventory

d. Sales Revenue

9. Manufacturing overhead consists of various direct and indirect costs. Which of the

following would not be included in the Manufacturing Overhead account?

a. Indirect labor cost

b. Indirect materials

c. Plant property taxes

**d. Accountant’s salary**

10. Which of the following is true when using job costing at a service firm?

a. Office rent would be considered a direct cost of

serving the client.

**b. Both direct and indirect costs are assigned to client**

**jobs.**

c. The professional billing rate consists solely of the

professionals’ labor cost.

d. Professional labor cost would be considered an indirect cost of serving the client.

Chapter 4:

1. Cost distortion is more likely to occur when

a. a company manufactures one type of product.

**b. departments incur different types of overhead**

and the products or jobs use the departments to

a different extent.

c. a company uses departmental overhead rates rather

than a single plantwide overhead rate.

d. all products require the same amount and type of

processing activities.

2. 2) Which of the following is incorrect regarding ABC?

a. Cost drivers are used to assign costs between activities.

b. ABC is used to calculate the activity cost allocation rate.

**c. ABC is suitable for use in all types of companies.**

d. All of the above are incorrect.

3. 2) Activities incurred regardless of

how many units, batches, or products are produced are

called \_\_\_\_\_ activities.

a. product-level

b. facility-level

**c. batch-level**

d. unit-level

4. 3) A company could use ABC

information to help make which of these decisions?

1. Routine production planning and controlling

decisions by comparing actual activity costs with

budgeted activity costs

b. Determining the product cost for product price-setting

decisions

c. Decisions involved in cutting production costs

**d. All of the above**

5. 3) The potential benefits of ABC/

ABM are generally higher for companies that

a. are in non-competitive markets.

b. produce one product.

**c. produce high volumes of some products and low**

**volumes of other products.**

d. have low manufacturing overhead costs.

6. 4) Lean operations are generally

characterized by

a. JIT inventory systems.

b. production in self-contained cells.

c. employee empowerment.

**d. all of the above.**

7. 4) Which of the following is not

an aspect of the 5S workplace organization system to

keep work cells clean and organized?

a. Set in order

b. Shine

c. Standardize

**d. Support**

8. 4) Concerning lean operations,

which of the following is false?

a. Can be found in all sectors, not just manufacturing

b. Can leave companies vulnerable to supply-chain

disruptions

**c. Focus on internal and external waste**

d. Are quickly becoming the dominant business

paradigm

9. 4) Which of the following is not

one of the costs of quality categories?

a. Appraisal costs

b. External failure costs

c. Prevention costs

**d. Transportation costs**

10. 5) Which of the following would

not be considered a prevention cost?

a. Staff training

b. Preventive maintenance on equipment

c. Reengineering of the production process

**d. Testing**

Chapter 5:

1. 1) Which of the following sets

of costs is debited directly to the Work in Process

Inventory account?

a. Actual direct materials, actual direct labor, actual

overhead

b. Actual indirect materials, actual direct labor, applied

overhead

**c. Actual direct materials, actual direct labor, applied**

**overhead**

d. None of the above

2. 2) Conversion costs consist of

a. direct materials + direct labor.

b. direct materials + manufacturing overhead.

**c. direct labor + manufacturing overhead.**

d. direct materials + direct labor + manufacturing

overhead.

3. 2) Which of the following is the

definition of equivalent units?

a. The number of whole units represented by the

finished units

**b. The number of whole units represented by finished**

**units plus partly completed units**

c. The units represented by the total manufacturing

costs

d. None of the above

4. 3) Which of the following is the

first step in completing the five-step process costing

procedure?

**a. Summarize the flow of physical units.**

b. Summarize total costs to account for.

c. Compute output in terms of equivalent units.

d. Compute the cost per equivalent unit.

5. Assume 100 units were

completed and transferred out during the period.

The 40 units left in ending WIP are 20% complete

with respect to conversion costs. The total equivalent

units for conversion costs would be

a. 100.

b. 8.

c. 140.

**d. 108.**

6. 4) The journal entry needed to

record inventory transferred out from the Packaging

Department to the Finishing Department would be

a. debit Direct Material; credit WIP—Packaging

Department.

b. debit WIP—Packaging Department; credit Inventory.

**c. debit WIP—Finishing Department; credit WIP—**

**Packaging Department.**

d. debit WIP—Packaging Department; credit WIP—

Finishing Department.

7. 4) A company has two sequential

processing departments: Mixing and Forming. In the

Mixing Department, Step 5 of the process costing procedure assigned $10,000 to units in ending WIP and

$80,000 to units completed and transferred out. What

journal entry is needed as a result of these calculations?

a. Debit WIP—Mixing Department: $10,000; credit

WIP—Forming Department: $10,000

b. Debit WIP—Mixing Department: $80,000; credit

WIP—Forming Department: $80,000

c. Debit WIP—Forming Department: $10,000; Credit

WIP—Mixing Department: $10,000

**d. Debit WIP—Forming Department: $80,000; Credit**

**WIP—Mixing Department: $80,000**

8. 5) In Royce’s first processing

department, the percentage of completion assigned

to units transferred out to next department is always

a. 0%.

**b. 100%.**

c. dependent on the percentage of completion in the

first processing department.

d. None of the above

9. 5) The schedule used to summarize

the entire five-step process costing procedure is

called a

**a. production cost report.**

b. process costing schedule.

c. job cost record.

d. processing report.

10. 5) Royce’s final processing department shows the following costs per equivalent unit of

chocolate produced: $5 transferred-in, $2 direct materials, and $8 conversion. What is the selling price per unit

if the company wishes to sell with a 60% markup?

a. $8

b. $9

c. $15

**d. $24**