

Comprehensive Review



After finishing this class, you should be able to:

- Understand the type of exam questions in order to prepare yourself for the final exam.
- Answer the final exam questions with standard time.
- Get high score in the final exam.

Quiz1

H Co uses a marginal cost plus pricing system to determine the selling price for one of its products, Product X.

Product X has the following costs:

	\$
Direct materials	12
Direct labour	5
Variable overheads	3
Fixed overheads	40

Fixed overheads are \$20,000 for the year. Budgeted output and sales for the year are 500 units and this should be sufficient for Product X to break even.

What is the selling price to break-even

Quiz2

QIN manufacturer crafts joint products Cups and Mugs. \$120,000 joint processing costs are incurred, variable cost of Cups \$5 per unit while the variable cost of Mugs is \$4 per unit.

At the split-off point, 10,000 units of Cups and 9,000 units of Mugs are produced, with selling prices of \$12 for Cups and \$15 for Mugs. The units of Cups could be processed further to make 8,000 units of product Trays . The extra costs incurred in this process would be fixed costs of \$16,000 and variable costs of \$5 per unit of input. While the product Trays would be sold for \$22.5.

What would be the outcome if product Cups is further processed to make product Trays?

Quiz3

Craft Ltd makes four components A, B, C, and D and the associated annual costs are as follows:

Units	1,500	3,000	5,000	7,000
Direct Materials	4	4	5	5
Direct Labor	8	8	6	6
Variable overheads	2	1	4	5
Fixed costs	3,000	6,000	10,000	7,000
The buying prices	12	16	20	24

Determine whether any of the components should be bought in from the external supplier.

Quiz4

Co is considering the closure of one of its operations (department 2) and the financial accountant has submitted the following report:

Department	1	2	3
Sales	150,000	92,000	158,000
Sales units	10,000	5,000	15,000
Direct materials	75,000	75,000	50,000
Direct Labor	25,000	25,000	10,000
Production Overhead	5,000	2,500	7,500
CM	45,000	-10,500	90,500
Other expenses	15,000	9,200	15,800

- Production overheads of \$15,000 have been apportioned to the three departments on the basis of unit sales volume
- Expenses are head office overhead, apportioned to departments on sales value.
- As management accountant, you further ascertain that, on a cost driver basis:
- Half of the so-called direct labor is fixed and cannot be readily allocated.

Which one of these statements is true and which one is false.

- 1-Fixed cost differs from variable cost that variable cost is constant at the relevant range.
- 2-The limiting factor situation occur when the factory has limited materials, labor, machines, or money.
- 3-When sales price decreases and all other variables are held constant, the break-even point will increase.
- 4-When variable costs increase and all other variables remain unchanged, the break-even point will decrease.
- 5- When fixed costs decrease and all other variables remain unchanged, the break-even point will increase .

Which one of these statements is true and which one is false.

6. The net present value is the difference between the present value of cash inflows and the present value of cash outflows.
7. The Carrying value of asset is relevant cost in capital investment decisions.
8. Capital investments with negative net present value basically have a rate of return less than the minimum rate of return required by a firm.
9. The relevant cost on materials that is not used in regular production is the resale price.
10. The joint costs is irrelevant cost in making decision of whether to further process or sale it as is.

Quiz1

Apple Company has a tax rate of 30 percent on taxable income. It is considering a capital project that will make the following annual contribution to operating income:

Cash revenues 600,000

Cash expenses 300,000

Depreciation (210,000)

Net operating income 90,000

What is the impact of income taxes on net cash flows?

- A Increase the net cash flows
- B Decrease the net cash flows

Quiz1

In order to analyze sales as a function of advertising expenses, the sales manager of Smith Company developed a simple regression model. The model included the following equation, which was based on 32 monthly observations of sales and advertising expenses with a related coefficient of determination of 0.90.

$$S = \$10,000 + \$2.50 A \quad (S = \text{sales}, A = \text{advertising expenses})$$

If Smith Company's advertising expenses in one month amounted to \$1,000, the related point estimate of sales would be?

- | | | | |
|------------------|------------------|-----------------|------------------|
| A
\$12,500.00 | B
\$10,000.00 | C
\$2,500.00 | D
\$11,250.00 |
|------------------|------------------|-----------------|------------------|

Answer



A	B	C	D
\$12,500	\$10,000	\$2,500	\$11,250

Question 2

A company is evaluating a risky business opportunity that would require \$1,000,000 in fixed costs. Variable cost per unit is \$45, and the selling price per unit is \$195. The company's effective income tax rate is 20%. In order to achieve an expected after-tax profit of \$1,600,000, **the number of units the company will need to sell is?**

A

10,667 units

B

13,334 units

C

17,334 units

D

20,000 units

answer

A	B	C	D
10,667 units	13,334 units	17,334 units	20,000 units



Using job order costing, what is the entry should be journalized when a job is finished?

- A Debit (increase) Finished Goods Inventory and credit (decrease) Work-in-Process Inventory.
- B Debit (increase) Work-in-Process Inventory and credit (decrease) Finished Goods Inventory.
- C Debit (increase) Cost of Goods Sold and credit (decrease) Finished Goods Inventory.
- D Debit (increase) Finished Goods Inventory and credit (decrease) Manufacturing Overhead.



A Debit (increase) Finished Goods Inventory and credit (decrease) Work-in-Process Inventory.

B Debit (increase) Work-in-Process Inventory and credit (decrease) Finished Goods Inventory.

C Debit (increase) Cost of Goods Sold and credit (decrease) Finished Goods Inventory.

D Debit (increase) Finished Goods Inventory and credit (decrease) Manufacturing Overhead.

Peak Industries saw a 20% increase in activity levels over the fourth quarter. Which of the following changes should the firm expect to see in relation to this increase?

A	A 20% increase in variable costs
B	A 20% increase in fixed costs
C	A 20% increase in total costs
D	A 20% decrease in variable costs per unit

 A red arrow pointing to the right, with the letter 'A' inside it.

A	A 20% increase in variable costs
B	A 20% increase in fixed costs
C	A 20% increase in total costs
D	A 20% decrease in variable costs per unit

In a simple linear regression equation where advertising expenditures is used to predict sales, which of the following is true?

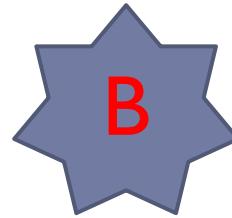
- A Advertising expenditures is the independent variable and sales is the dependent variable.
- B Advertising expenditures is the dependent variable and sales is the independent variable.
- C Advertising expenditures and sales are both independent variables.
- D Advertising expenditures and sales are both dependent variables.



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- A** Advertising expenditures and sales are both dependent variables.
 - B** Advertising expenditures is the dependent variable and sales is the independent variable.
 - C** Advertising expenditures and sales are both independent variables.
 - D** Advertising expenditures is the independent variable and sales is the dependent variable.

A promotional department for a retailer uses job order costing. At the beginning of the period Job154 had a work-in-process (WIP) inventory balance of \$5,000. During the current period, Job154 required \$4,000 in direct materials and \$6,000 in direct labor. The overhead cost is \$8,000. The Job154 sold for \$34,000, what is its gross profit margin?

A	B	C	D
\$18,000	\$11,000	\$6,000	\$12,000



A	B	C	D
\$18,000	\$11,000	\$6,000	\$12,000

Wolf Company used \$5,940 of indirect raw materials and \$56,700 of direct raw materials during the period. The company incurred \$37,800 of direct factory labor and \$6,480 of indirect factory labor during the period. What amount will Wolf assign to Manufacturing Overhead?

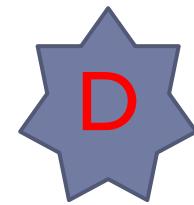
A	B	C	D
\$50,220	\$62,640	\$12,420	\$94,500



A	B	C	D
\$50,220	\$62,640	\$12,420	\$94,500

The Gabbana Company's maintenance costs are a mixed cost. At the low level of activity (40 direct labor hours), maintenance costs are \$600. At the high level of activity (100 direct labor hours), maintenance costs are \$1,100. Using the high-low method, the total fixed maintenance cost would be:

A	B	C	D
\$500.00	\$600.00	\$250.00	\$267.00

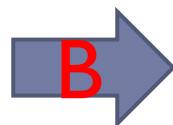


A	B	C	D
\$500.00	\$600.00	\$250.00	\$267.00

In cost terminology, prime costs consist of:

- A Direct labor and variable factory overhead.**
- B Direct labor and direct materials.**
- C Direct materials and variable factory overhead.**
- D Direct labor and indirect labor.**

A Direct labor and variable factory overhead.



B Direct labor and direct materials.

C Direct materials and variable factory overhead.

D Direct labor and indirect labor.

True or false questions

1. When fixed costs increase and all other variables remain unchanged, the contribution margin will remain unchanged ().
2. Break-even point for a multiple product firm can be calculated by dividing total fixed costs by the total contribution margin of all products ().
3. When the company undergoes tax income this will drive the break-even point upward ().
4. The company should prepare income statement using the contribution style for external information users ().
5. Contribution margin is the part of selling price used to cover a variable cost ().
6. Two alternatives A with breakeven of 500 units B with breakeven of 1000 units, the alternative A is worse than B in terms of achieving profit at earlier time ().

True or false questions

1. When fixed costs increase and all other variables remain unchanged, the contribution margin will remain unchanged (**False**).
2. Break-even point for a multiple product firm can be calculated by dividing total fixed costs by the total contribution margin of all products (**False**).
3. When the company undergoes tax income this will drive the break-even point upward (**True**).
4. The company should prepare income statement using the contribution style for external information users (**False**).
5. Contribution margin is the part of selling price used to cover a variable cost (**False**).
6. Two alternatives A with breakeven of 500 units B with breakeven of 1000 units, the alternative A is worse than B in terms of achieving profit at earlier time (**False**).

Question

Jansen Co has the capacity to produce 50,000 shelves per year and is currently selling 44,000 shelves for \$32 each. XX Co. approached Jansen about buying 1,200 shelves for bookcases it is building and is willing to pay \$26 for each shelf. No packaging will be required for the bulk order. Jansen usually packages shelves at a price of \$1.50 per shelf. The \$1.50 per-shelf cost is included in the unit variable cost of \$27, with annual fixed costs of \$320,000. However, the \$1.50 packaging cost will not apply in this case. The fixed costs will be unaffected by the special order and the company has the capacity to accept the order. Based on this information, what would be the profit if Jansen accepts the special order?

A	B	C	D
\$1,200 loss	\$600 profit	\$7,200 profit	\$31,200 profit

True or false questions



A	B	C	D
\$1,200 loss	\$600 loss	\$600 profit	\$1,200 profit