

Which of the following best defines a cost object in cost accounting?

- a. A cost that changes in proportion to changes in activity or production volume
- b. A cost that remains unchanged regardless of activity or production volume
- c. Anything for which a cost measurement is desired
- d. A cost that can be conveniently traced to a cost object
- e. A cost that must be allocated to a cost object

Correct answer: c. Anything for which a cost measurement is desired

Explanation: A cost object in cost accounting refers to anything for which a cost measurement is desired. It can be a product, service, project, customer, activity, or department.

What is the main difference between direct costs and indirect costs?

- a. Direct costs can be conveniently traced to a cost object, while indirect costs cannot be traced.
- b. Direct costs change with activity or production volume, while indirect costs remain unchanged.
- c. Direct costs are considered assets until the product is sold, while indirect costs are expenses in the current period.
- d. Direct costs can be allocated to a cost object, while indirect costs cannot be conveniently traced.
- e. Direct costs can be classified as variable or fixed costs, while indirect costs cannot.

Correct answer: a. Direct costs can be conveniently traced to a cost object, while indirect costs cannot be traced.

Explanation: Direct costs are costs that can be conveniently traced to a cost object. On the other hand, indirect costs are costs that cannot be conveniently traced and must be allocated to a cost object.

Which of the following best describes the behavior of variable costs?

- a. They change in proportion to changes in activity or production volume.
- b. They remain unchanged regardless of activity or production volume.
- c. They are considered assets until the product is sold.
- d. They are expenses incurred in the current period.
- e. They can be conveniently traced to a cost object.

Correct answer: a. They change in proportion to changes in activity or production volume.

Explanation: Variable costs are costs that change in proportion to changes in activity or production volume. As activity or production increases, variable costs increase, and vice versa.

What is the main difference between inventoriable costs and period costs?

- a. Inventoriable costs can be conveniently traced to a cost object, while period costs cannot.
- b. Inventoriable costs change with activity or production volume, while period costs remain unchanged.
- c. Inventoriable costs are considered assets until the product is sold, while period costs are expenses in the current period.
- d. Inventoriable costs can be allocated to a cost object, while period costs cannot be conveniently traced.
- e. Inventoriable costs can be classified as variable or fixed costs, while period costs cannot.

Correct answer: c. Inventoriable costs are considered assets until the product is sold, while period costs are expenses in the current period.

Explanation: Inventoriable costs are costs that are considered assets until the product is sold. On the other hand, period costs are expenses incurred in the current period and are not included in the cost of the product.

How are product costs computed differently for different purposes?

- a. Different methods are used to allocate direct and indirect costs.
- b. Different cost objects are used for pricing and government contracts.
- c. Different cost behavior patterns are considered for financial reporting.
- d. Different types of costs are classified for pricing and product-mix decisions.
- e. Different time periods are used to calculate variable and fixed costs.

Correct answer: d. Different types of costs are classified for pricing and product-mix decisions.

Explanation: Product costs are computed differently depending on the purpose. For pricing decisions, the focus may be on direct costs. For government contracts, all costs may need to be considered. And for financial reporting, specific costs may need to be included or excluded.

What is the purpose of cost accumulation in cost accounting?

- a. To collect cost data in an organized way
- b. To allocate costs to a cost object
- c. To compute different types of costs for different purposes
- d. To track changes in activity or production volume
- e. To determine the behavior of costs

Correct answer: a. To collect cost data in an organized way

Explanation: Cost accumulation in cost accounting involves collecting cost data in an organized way. This helps in the measurement and analysis of costs for decision-making purposes.

Which of the following factors affects the classification of costs as direct or indirect?

- a. Materiality
- b. Cost behavior patterns
- c. Product-mix decisions
- d. Pricing decisions
- e. Overtime premium

Correct answer: a. Materiality

Explanation: Materiality is a factor that affects the classification of costs as direct or indirect. If the cost is immaterial in relation to the overall cost of the product, it may be classified as indirect.

What is the main difference between variable costs and fixed costs?

- a. Variable costs are considered assets until the product is sold, while fixed costs are expenses in the current period.
- b. Variable costs can be conveniently traced to a cost object, while fixed costs cannot be traced.
- c. Variable costs change with activity or production volume, while fixed costs remain unchanged.
- d. Variable costs can be allocated to a cost object, while fixed costs cannot be conveniently traced.
- e. Variable costs can be classified as direct or indirect costs, while fixed costs cannot.

Correct answer: c. Variable costs change with activity or production volume, while fixed costs remain unchanged.

Explanation: Variable costs change in proportion to changes in activity or production volume. Fixed costs, on the other hand, do not change regardless of the level of activity or production.



What should managers be cautious about when using unit costs?

- a. Total costs may be significantly different from unit costs.
- b. Unit costs are only applicable to manufacturing companies.
- c. Unit costs do not include direct materials and labor costs.
- d. Unit costs are based on the relevant range of activity.
- e. Unit costs are calculated separately for different purposes.

Correct answer: a. Total costs may be significantly different from unit costs.

Explanation: When using unit costs, managers should be cautious as total costs may be significantly different. Unit costs provide a per-unit measure but do not capture the full picture of the total costs incurred.

What types of costs are included in inventoriable costs for a manufacturing company?

- a. Direct materials, direct labor, and indirect manufacturing costs
- b. Direct costs, indirect costs, and variable costs
- c. Direct costs, indirect costs, and fixed costs
- d. Period costs, direct labor, and overhead costs
- e. Direct materials, period costs, and variable costs

Correct answer: a. Direct materials, direct labor, and indirect manufacturing costs

Explanation: Inventoriable costs for a manufacturing company include direct materials, direct labor, and indirect manufacturing costs. These costs are considered assets until the product is sold.