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1. Essay: Describe a cost management informatio...

Points:10

Question

Describe a cost management information system, its objectives, and major subsystems.

Answer

The cost management information system is an accounting information subsystem that is primarily concerned with producing outputs for internal users using inputs and processes needed to satisfy management objectives.

The objectives are as follows:

1. To provide information for costing out services, products, and other objects of interest to management.
2. To provide information for planning and control.
3. To provide information for decision making.

The major subsystems of a cost management information system are the cost accounting information system and the operational control information system.

2. Essay: The following items (partial list) ar...

Points:10

Question

The following items (partial list) are associated with a functional-based cost accounting information system, an activity-based cost accounting information system, or both:

a. materials purchasing cost incurrence

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- b. assignment of purchasing cost to products using direct labor hours
- c. assignment of purchasing cost using number of purchase orders
- d. usage of direct materials
- e. direct materials cost assigned to products using direct tracing
- f. materials handling cost incurrence
- g. materials handling cost assigned using direct labor hours
- h. materials handling cost assigned using the number of moves as the driver
- i. computer
- j. materials handling equipment
- k. decision to make a part or buy it from a supplier
- l. costing out of products
- m. report detailing individual product costs

Required:

1. For an activity-based cost system, classify the items into one of the following categories:
 - a. interrelated parts
 - b. processes
 - c. objectives
 - d. inputs
 - e. outputs
 - f. user actions
2. How would the choices differ between the two systems? What are the costs and benefits of each?

Answer

1. The activity-based cost accounting system:
 - a. interrelated parts: cost accounting personnel, computer
 - b. processes: cost assignment: direct tracing of materials, driver tracing of purchasing costs (orders), materials handling cost (moves)
 - c. objectives: costing out of products
 - d. inputs: direct materials cost, purchasing cost, materials handling cost
 - e. outputs: product cost report
 - f. user actions: make-or-buy decision
2. The difference in the costing systems is found in the processes. A functional-based cost system would not use nonunit drivers such as moves and orders to assign overhead but would use a unit driver like direct labor hours. There is increased accuracy of the cost assignments in an activity-based system, and a more comprehensive idea of costs may be used for decision making.

The activity-based cost accounting system is more expensive to develop but has the benefit of more comprehensive uses for cost information. The functional-based cost system is simpler and less expensive to implement but the information generated is less versatile.

3. Essay: Explain the differences between direc...

Points: **10**

Question	Explain the differences between direct tracing, driver tracing, and allocation.
Answer	Direct tracing is the process of identifying and assigning costs to a cost object that are specifically or physically associated with the cost object. Driver tracing is assigning costs using drivers, which are causal factors. The driver approach relies on identification of factors that allegedly capture the causal relationship. Allocation is the assignment of indirect costs to cost objects based on convenience or assumed linkages.

4. Essay: Classify the following costs incurred...

Points: 10

Question

Classify the following costs incurred by a step railing manufacturing company as direct materials, direct labor, factory overhead, or period costs:

- Wages paid to production workers
- Utilities in the office
- Depreciation on machinery in plant
- Steel
- Accountant's salary
- Rent on factory building
- Rent on office equipment
- Maintenance workers' wages
- Utilities in the plant
- Maintenance on office equipment

Answer

a. Direct labor	f. Factory overhead
b. Period	g. Period
c. Factory overhead	h. Factory overhead
d. Direct materials	i. Factory overhead
e. Period	j. Period

5. Essay: Big Foot Athletics designs and manufa...

Points: 10

Question	Big Foot Athletics designs and manufactures running shoes. A new model of shoes, Fast Track, has been developed and is ready for production.	
	<u>Required:</u>	
	Which costs will the production manager collect from the value chain, and how would these costs be used in different decisions?	
	a. traditional product costs b. operating product costs c. value-chain product costs	
Answer	Production costs would be included in all of these definitions.	
	a. traditional product costs:	Direct materials, direct labor and manufacturing overhead are the traditional product costs. They would be used for external reporting, budgeting, and control of costs.

- b.

operating product costs:

In addition to the traditional product costs, marketing and customer service costs would be considered in analyzing profitability of the product. Strategic questions about the operating design, i.e., materials and plant layout, would be addressed. The focus is on the revenue and cost of Fast Track.
- c.

value-chain product costs:

Production costs of Fast Track must be viewed in relation to other products. Strategic pricing and product mix decisions must be made. The profitability of all the product lines is at issue.

6. Essay: Information from the records of the F...

Points: 10

Question Information from the records of the Fisher Enterprises for the month of March 2011 is as follows:

Purchases of direct materials	\$ 54,000
Indirect labor	15,000
Direct labor	31,200
Depreciation on machinery	9,000
Sales	165,900
Selling and administrative expenses	18,900
Rent on factory building	21,000

	Inventories	
	March 1, 2011	March 31, 2011
Direct materials	\$24,000	\$26,100
Work in process	6,300	9,600
Finished goods	15,000	17,100

Required:

- a. Prepare a statement of cost of goods manufactured for the month of March.
- b. Prepare an income statement for the month of March.
- c. Determine prime and conversion costs.

Answer

a.	Fisher Enterprises
	Statement of Cost of Goods Manufactured
	For the Month of March 2011
Direct materials:	
Beginning inventory	\$ 24,000
Add: Purchases	54,000
Materials available	\$ 78,000
Less: Ending inventory	26,100
Direct materials used in production	\$ 51,900
Direct labor	

Manufacturing overhead:		31,200
Indirect labor	\$ 15,000	
Depreciation on machinery	9,000	
Rent on factory	<u>21,000</u>	<u>45,000</u>
Total manufacturing costs added		\$128,100
Add: Beginning work-in-process inventory		<u>6,300</u>
Total costs in process		\$134,400
Less: Ending work-in-process inventory		<u>9,600</u>
Cost of goods manufactured		<u>\$124,800</u>

b.	Fisher Enterprises	
	Income Statement	
	For the Month of March 2011	
Sales		\$165,900
Less: Cost of goods sold:		
Add: Cost of goods manufactured	\$124,800	
Beginning inventory finished goods	<u>15,000</u>	
Cost of goods available for sale	\$139,800	
Less: Ending inventory finished goods	<u>17,100</u>	<u>122,700</u>
Gross margin		\$ 43,200
Less: Selling and administrative expenses		<u>18,900</u>
Operating income		<u>\$ 24,300</u>

c. Prime costs = \$51,900 + \$31,200 = \$83,100

Conversion costs = \$31,200 + \$45,000 = \$76,200

7. Essay: The following information pertains to...

Points: 10

Question	The following information pertains to Davis, Inc.:	
	Direct materials purchases	\$ 62,400
	Beginning direct materials	10,400
	Factory overhead	58,400
	Beginning work in process	10,600
	Cost of goods manufactured	164,000
	Ending finished goods	20,000
	Gross margin	21,000
	Selling and administrative expenses	7,000
	Beginning finished goods	16,000
	Ending work in process	8,000
	Ending direct materials	12,400
	Direct labor	?
	Direct materials used	?
	Net income (loss)	?
	Total manufacturing costs added	?
	Cost of goods sold	?

Sales ?

Required:

Determine the following values:

- a. Net income
- b. Total manufacturing costs added
- c. Cost of goods sold
- d. Sales
- e. Direct materials used
- f. Direct labor

Answer

- a. $\$21,000 - \$7,000 = \$14,000$
- b. $\$164,000 + \$8,000 - \$10,600 = \$161,400$
- c. $\$16,000 + \$164,000 - \$20,000 = \$160,000$
- d. $\$21,000 + \$160,000^* = \$181,000$
- e. $\$10,400 + \$62,400 - \$12,400 = \$60,400$
- f. $\$161,400^{**} - \$60,400^{***} - \$58,400 = \$42,600$

*Found in c
**Found in b
***Found in e

8. Essay: Information about Carter Company for ...

Points: 10

Question Information about Carter Company for the year ending December 31, 2011, is as follows:

Sales	\$300,000
Selling and administrative expenses	18,000
Net income	8,000

Beginning inventories:

Direct materials	20,000
Work in process	18,000
Finished goods	62,000

Ending direct materials is 20 percent larger than beginning direct materials. Ending work in process is half of the beginning work in process. Ending finished goods increased by \$8,000 during the year. Prime costs and conversion costs are 70 percent and 60 percent of total manufacturing costs added, respectively. Materials purchases are \$113,200.

Required:

- a. Prepare a statement of cost of goods manufactured.
- b. Prepare an income statement.

Note: Find the numbers for the income statement first.

Answer

a.

Carter Company
Statement of Cost of Goods Manufactured
For the Year Ended December 31, 2011

Direct materials:	
Beginning inventory*	\$ 20,000
Add: Purchases*	<u>113,200</u>
Materials available	\$133,200
Less: Ending inventory* (\$20,000 ´ 1.20)	<u>24,000</u>
Direct materials used in production	\$109,200
Direct labor [(7 ´ 273,000) – 109,200]	81,900
Manufacturing overhead [(6 ´ 273,000) – 81,900]	<u>81,900</u>
Total manufacturing costs added	\$273,000
Add: Beginning work-in-process inventory*	<u>18,000</u>
Total costs in process	\$291,000
Less: Ending work-in-process inventory* (\$18,000 ´ 0.50)	<u>9,000</u>
Cost of goods manufactured	<u>\$282,000</u>

b.

Carter Company
Income Statement
For the Year Ended December 31, 2011

Sales*	\$300,000
Less: Cost of goods sold:	
Add: Cost of goods manufactured	\$282,000
Beginning inventory finished goods*	<u>62,000</u>
Cost of goods available for sale	\$344,000
Less: Ending inventory finished goods* (\$62,000 + \$8,000)	<u>70,000</u>
	<u>274,000</u>
Gross margin	\$ 26,000
Less: Selling and administrative expenses*	<u>18,000</u>
Net income*	<u>\$ 8,000</u>

*These items are provided.

9. Essay: Best Corporation incurred the followi...

Points: 10

Question Best Corporation incurred the following costs:

Beginning direct materials inventory	\$ 17,000
Beginning work-in-process inventory	8,000
Beginning finished goods inventory	18,000
Ending direct materials inventory	15,000
Ending work in process	13,000
Ending finished goods	24,000
Factory supervisor's salary	25,000
Depreciation on plant	10,000
Sales	650,000
Selling and administrative expenses	100,000
Plant maintenance	5,000
Plant utilities	9,000

Direct material purchases	185,000
Direct labor	200,000

Required:

Calculate the following values:

- a. Direct materials used
- b. Cost of goods manufactured
- c. Cost of goods sold
- d. Net income

Answer

- a. $\$17,000 + \$185,000 - \$15,000 = \underline{\$187,000}$
- b. $\$187,000 + \$200,000 + \$25,000 + \$10,000 + \$5,000 + \$9,000 + \$8,000 - \$13,000 = \underline{\$431,000}$
- c. $\$18,000 + \$431,000 - \$24,000 = \underline{\$425,000}$
- d. $\$650,000 - \$425,000 - \$100,000 = \underline{\$125,000}$

10. Essay: Hoiberg Corporation incurred the foll...

Points: **10**

Question

Hoiberg Corporation incurred the following costs:

Direct labor	\$ 600,000
Direct material purchases	555,000
Depreciation on plant	30,000
Factory supervisor's salary	75,000
Plant maintenance	15,000
Plant utilities	27,000
Sales	1,950,000
Selling and administrative expenses	300,000
Beginning direct materials inventory	51,000
Beginning work-in-process inventory	24,000
Beginning finished goods inventory	54,000
Ending direct materials inventory	45,000
Ending work in process	39,000
Ending finished goods	72,000

Required:

Calculate the following values:

- a. Direct materials used
- b. Cost of goods manufactured
- c. Cost of goods sold
- d. Net income

Answer

- a. $\$51,000 + \$555,000 - \$45,000 = \underline{\$561,000}$
- b. $\$561,000 + \$600,000 + \$75,000 + \$30,000 + \$15,000 + \$27,000 + \$24,000 - \$39,000 = \underline{\$1,293,000}$
- c. $\$54,000 + \$1,293,000 - \$72,000 = \underline{\$1,275,000}$
- d. $\$1,950,000 - \$1,275,000 - \$300,000 = \underline{\$375,000}$

11. Essay: The cost of goods sold for the Tricky...

Points: 10

Question The cost of goods sold for the Tricky Corporation for the month of June 2011 was \$450,000. Work-in-process inventory at the end of June was 95 percent of the work-in-process inventory at the beginning of the month. Overhead is 80 percent of the direct labor cost. During the month, \$110,000 of direct materials were purchased. Revenues for Tricky were \$600,000, and the selling and administrative costs were \$70,000. Other information about Tricky's inventories and production for June was as follows:

Ending inventories-June 30

Direct materials	\$ 19,000
Work in process	?
Finished goods	105,000

Beginning inventories-June 1

Direct materials	\$ 22,200
Work in process	40,000
Finished goods	208,500

- Required:
- a. Prepare a cost of goods manufactured and cost of goods sold statements.
 - b. Prepare an income statement.
 - c. What are the prime costs, conversion costs, and period costs?

Answer

a.

Tricky Corporation
Statement of Cost of Goods Manufactured
For Month of June 2011

Direct materials:	
Beginning inventory*	\$ 22,200
Add: Purchases*	<u>110,000</u>
Materials available	\$132,200
Less: Ending inventory*	<u>19,000</u>
Direct materials used in production	\$113,200
Direct labor below	128,500
Manufacturing overhead (\$128,500 ´ 0.80)	<u>102,800</u>
Total manufacturing costs added	\$344,500
Add: Beginning work-in-process inventory*	<u>40,000</u>
Total costs in process	\$384,500
Less: Ending work-in-process inventory (\$40,000 ´ 0.95)	<u>38,000</u>
Cost of goods manufactured (from COGS statement)	<u>\$346,500</u>
DM used = \$22,200 + \$110,000 – \$19,000 = \$113,200	
CGM = \$450,000 + \$105,000 – \$208,500 = \$346,500	
Total manufacturing costs added = DM + DL + MOH	
	\$344,500 = 113,200 + DL + MOH
	\$231,300 = DL + MOH
	\$231,300 = DL + {MOH = 0.80 ´ DL}

$$\begin{aligned} \$231,300 &= \text{DL} + .8\text{DL} \\ \$231,300 &= 1.8\text{DL} \\ \$128,500 &= \text{DL} \\ \text{MOH} &= 0.80 \times \text{DL} \\ \text{MOH} &= 0.80 \times 128,500 = 102,800 \end{aligned}$$

Tricky Company
Cost of Goods Sold Statement
For Month of June 2011

Cost of goods sold*	
Add: Cost of goods manufactured	\$346,500
Beginning inventory finished goods*	<u>208,500</u>
Cost of goods available for sale	\$555,000
Less: Ending inventory finished goods*	<u>105,000</u>
Cost of Goods Sold*	<u>\$450,000</u>
*These items are provided.	

b. Tricky Company
Income Statement
For Month of June 2011

Sales*		\$600,000
Less: Cost of goods sold*		
Add: Cost of goods manufactured	\$346,500	
Beginning inventory finished goods*	<u>208,500</u>	
Cost of goods available for sale	\$555,000	
Less: Ending inventory finished goods*	105,000	450,000
Gross margin		\$150,000
Less: Selling and administrative expenses*		<u>70,000</u>
Net income		<u>\$ 80,000</u>

*These items are provided.

c. Conversion costs = direct labor and overhead = \$231,300

$$= \$128,500 + \$102,800 = \$231,300$$

Prime costs = DM + DL = \$113,200 + \$128,500 = \$241,700

Period costs = \$70,000

12. Essay: Home Designs Company designs decks, g...

Points: 10

Question	Home Designs Company designs decks, gazebos, and play equipment for residential homes. The following was provided for the year ended June 30, 2011:
Direct labor	\$600,000
Direct material purchases	40,000
Administrative	130,000

Overhead	75,000
Selling	265,000
Beginning direct materials inventory	20,000
Beginning designs in process	14,000
Ending direct materials inventory	10,000
Ending designs in process	39,000

The average design fee is \$700. There were 2,000 designs processed during the year.

Required:

- a. Prepare a statement of cost of services sold.
- b. Prepare an income statement.
- c. Discuss three differences between services and tangible products.

Answer

a.	Home Designs Company Cost of Services Sold For the Year Ended June 30, 2011	
	Beginning materials	\$ 20,000
	Purchases	<u>40,000</u>
	Materials available	60,000
Less	Ending materials	<u>10,000</u>
	Materials used	50,000
	Direct labor	600,000
	Overhead	75,000
	Beginning design in process	14,000
	Ending designs in process	39,000
	Cost of Services Sold	\$700,000

b.	Home Designs Company Income Statement For the Year Ended June 30, 2011	
	Sales	\$1,400,000
	Cost of services sold	<u>700,000</u>
	Gross margin	700,000
	Selling	265,000
	Administrative	<u>130,000</u>
	Net income	<u>\$ 305,000</u>

- c. Services have three attributes that are not possessed by tangible products: intangibility, perishability, and inseparability.

13. Essay: Describe several of the major differences...

Points: 10

Question

Describe several of the major differences between a functional-based cost management system and an activity-based cost management system.

Answer

The functional-based cost accounting system assumes that all costs can be classified as fixed or variable with respect to changes in the units or volume of product produced.

The activity-based cost management system's objective is to improve the quality, content, relevance, and timing of information.

A comparison of the two systems is shown below:

Functional-based	Activity-based
1. Unit-based drivers	1. Unit and nonunit-based drivers
2. Allocation-intensive	2. Tracing-intensive
3. Narrow and rigid product costing	3. Broad, flexible product costing
4. Focus on managing costs	4. Focus on managing activities
5. Sparse activity information	5. Detailed activity information
6. Maximization of individual unit performance	6. Systemwide performance maximization
7. Uses financial measures of performance	7. Uses both financial and nonfinancial measures of performance

14. Essay: Define activity-based management. In ...

Points: 10

Question

Define activity-based management. In your answer, present the activity-based management model in good form.

Answer

Activity-based management focuses on the management of activities with the objective of improving the value received by the customer and the profit received by providing this value; it includes driver analysis, activity analysis, and performance evaluation and draws on activity-based costing as a major source of information. Exhibit 2-7 in the text presents the model.

15. Essay: In choosing a cost management system,...

Points: 10

Question

In choosing a cost management system, the controller must balance the total costs of implementing such systems. What costs must be balanced to determine total cost? How do functional-based and activity-based cost systems balance the trade-offs?

Answer

Error costs and measurement costs must be considered in choosing a cost management system. Activity-based cost management has greater measurement costs due to analyzing many activities but has greater accuracy and fewer error costs. Functional-based cost systems have lower measurement costs but higher error costs. Controllers must assess the need for accuracy in costing, pricing, and managing profitability.

16. Essay: For each of the following situations,...

Points: 10

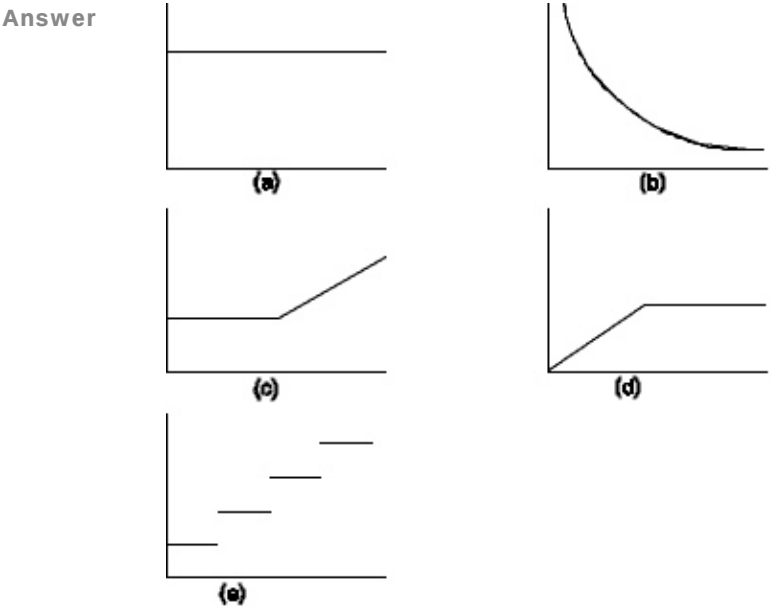
- Question**
- For each of the following situations, draw a graph that best describes the cost behavior pattern. The vertical axis represents costs, and the horizontal axis represents volume.
- a. Direct materials per unit

b. Depreciation expense on a building per unit

c. An employee paid \$50 per hour with a guaranteed salary of \$1,000 per week

d. A consultant paid \$100 per hour with a maximum fee of \$2,000

e. Salaries of teachers where each teacher can handle a maximum of 15 students



17. Essay: Ross Company has the following inform...

Points: **10**

Question

Ross Company has the following information available regarding costs at various levels of monthly production:

Production volume	<u>7,000</u>	<u>10,000</u>
Direct materials	\$ 70,000	\$100,000
Direct labor	56,000	80,000
Indirect materials	21,000	30,000
Supervisors' salaries	12,000	12,000
Depreciation on plant and equipment	10,000	10,000
Maintenance	32,000	44,000
Utilities	15,000	21,000
Insurance on plant and equipment	1,600	1,600
Property taxes on plant and equipment	<u>2,000</u>	<u>2,000</u>
Total	<u>\$219,600</u>	<u>\$300,600</u>

Required:

a. Identify each cost as being variable, fixed, or mixed by writing the name of each cost under one of the following headings:

Variable Costs Fixed Costs Mixed Costs

- b. Develop an equation for total monthly production costs.
- c. Predict total costs for a monthly production volume of 8,000 units.

Answer

- a. Variable Costs Fixed Costs Mixed Costs
- Direct materials Supervisors' salaries Maintenance
- Direct labor Depreciation Utilities
- Indirect materials Insurance
- Property taxes
- b. Variable costs = $(\$300,600 - \$219,600)/(\$10,000 - \$7,000) = \$27.00$
- Fixed costs = $\$300,600 - (\$27.00 \times 10,000) = \$30,600$ per month
- Total monthly production costs = $\$30,600 + \$27.00(\# \text{ of units})$
- c. Total costs = $\$30,600 + (\$27.00 \times 8,000) = \underline{\$246,600}$

18. Essay: The Valley Forge Company cost account...

Points: 10

Question

The Valley Forge Company cost accountant wants to determine the cost behavior for overhead. Based on observation and discussion with the plant workers, the following accounts have been identified as the most relevant: Supervisor salaries and depreciation are believed to be generally be fixed; Indirect labor, Utilities, and Purchasing are generally believed to be variable; Indirect labor primarily is responsible for moving materials; Utility cost is primarily caused by the electricity to run machinery; and Purchasing costs are driven by the number of purchase orders. These accounts and their balances are given below:

	Indirect Labor	Utilities	Purchasing	Supervisory Salaries	Depreciation on Plant and Equipment
July	\$ 28,500	\$ 24,000	\$ 76,400	\$ 40,000	\$ 13,000
August	31,600	21,200	70,800	46,000	13,000
September	33,600	25,000	75,200	64,000	13,000
October	41,400	25,000	80,400	55,600	13,000
November	40,000	25,000	79,800	50,800	13,000
December	34,000	25,000	79,400	34,000	13,000
Total	\$209,100	\$145,200	\$ 462,000	\$ 290,400	\$ 78,000

Information on the activities is given below:

	# of moves	machine hours	purchase orders
July	340	5,400	250
August	380	5,200	300
September	400	5,800	450
October	500	6,200	380
November	480	6,000	340
December	420	5,600	200
Total	2,520	34,200	1,920

Required:			
1	Why did the cost accountant decide that salaries and depreciation were fixed?		
2	Calculate the average account balance for each of the 5 accounts and calculate the average monthly amount for each of the three drivers.		
3	Calculate the fixed overhead and variable rates for each of the costs. Write an equation for the total overhead cost.		
4	In January, 490 moves; 4,375 machine hours, and 220 purchase orders were expected. What is the amount of overhead predicted?		

Answer 1. Depreciation is fixed. Salaries is fixed because it does not vary with the drivers.

2.	Indirect Depreciation on	Utilities labor	Purchasing	Supervisory Salaries	Plant Equipment
Total	\$209,100	\$145,200	\$ 462,000	\$ 290,400	\$ 78,000
# of months	6	6	6	6	6
AVG	\$34,850	\$ 24,200	\$ 77,000	\$ 48,400	\$ 13,000

	# of moves	machine hours	purchase orders
Total	2,520	34,200	1,920
# of months	6	6	6
avg	420	5,700	320

3. $FOH = \$48,400 + \$13,000 = \$61,400$
 $VC = IL \ \$34,850/420 = \82.98
 $Utilities = \$24,200/5,700 = \4.246
 $Purchasing = \$77,000/320 = \240.625
 $Total\ OH = \$61,400 + \$82.98(moves) + \$4.246(MHR) + \$240.625(PO)$

4. $Total\ OH = \$61,400 + \$82.98(490) + \$4.246(4,375) + \$240.625(220) = \$173,573.95$

19. Essay: The average unit cost at a monthly vo...

Points: **10**

Question The average unit cost at a monthly volume of 9,000 units is \$3, and the average unit cost at a monthly volume of 22,500 units is \$2.10.

Required:

Develop an equation for total monthly costs.

Answer

Volume	x	Average Unit Cost	=	Total Costs
9,000		\$3.00	=	\$27,000
22,500		2.10	=	47,250

Variable cost per unit = $(\$47,250 - \$27,000)/(22,500 - 9,000) = \1.50

Fixed costs per month = $\$27,000 - (\$1.50 \times 9,000) = \$13,500$

Total monthly costs = $\$13,500 + \$1.50(\# \text{ of units})$

20. Essay: The Smith Company has the following c...

Points: 10

Question The Smith Company has the following cost data pertaining to the production of small desks:

<u>Units Produced</u>	<u>Direct Labor</u> <u>Costs</u>	<u>Overhead Costs</u>
150	\$1,600	\$2,800
120	1,500	2,570
210	1,750	2,910
190	1,700	2,850
140	1,600	2,600

Required:

- a. Plot the preceding direct labor costs and overhead costs using the scatterplot method. Overhead costs should be on the vertical axis.
- b. Compute the fixed and variable components of the overhead costs using the high-low method.

Answer



- b. $b = (\$2,910 - \$2,570) / (1,750 - 1,500) = 136\%$ of DL Costs
 $a = \$2,910 - (\$1,750 \times 1.36) = \$530$
Factory overhead costs = $\$530 + 1.36(\text{DL Costs})$

21. Essay: The following data were obtained from...

Points: 10

Question The following data were obtained from the books of Thomas Company:

Month	Overhead Costs	Direct Labor Hours
1	\$14	3
2	18	5
3	25	7
4	12	4
5	26	8
6	8	2

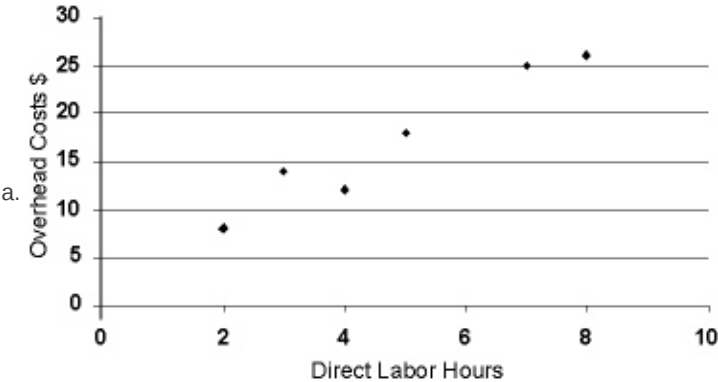
The normal equations are $SXY = aSX + bSX^2$

$SY = an + bSX$

Required:

- Use a computer or calculator to prepare the following:
- a. Plot the data for overhead cost as a function of direct labor hours using the scatterplot method.
 - b. Compute the fixed and variable components of the overhead costs using the high-low method.
 - c. Compute the fixed and variable components of the overhead costs using the least-squares method.
 - d. Discuss the strengths and weaknesses of the three different cost estimation techniques used in parts a, b, and c.

Answer



b. $b = (\$26 - \$8) / (8 - 2) = \$3$ per DLH
 $a = \$26 - (8 \times \$3) = \$2$
Overhead costs = $\$2 + \$3(DLH)$

c.

X	Y	XY	X ²
3	14	42	9
5	18	90	25
7	25	175	49
4	12	48	16
8	26	208	64
2	8	16	4
29	103	579	167

Normal equations:

(1) $579 = 29a + 167b$
(2) $103 = 6a + 29b$

Multiplying (1) by 6 and (2) by 29, we get:

$3,474 = 174a + 1,002b$
 $-2,987 = 174a + 841b$
 $487 = 161b$

$b = \$3.0248$

Substituting 3.0248 into the first equation for b, we get:

$579 = 29a + (167 \times 3.0248)$

a = \$2.5468

The least-squares cost estimation equation is

Overhead costs = \$2.5468 + \$3.0248(DLH)

- d. Scatterplot Method: Scattergraphs help identify representative high and low volumes. They also are useful in determining if costs can be reasonably approximated by a straight line. Scatter graphs are simple to use, but professional judgment is required to draw a representative straight line through the plot of historical data. This method is subjective in nature and probability intervals cannot be developed.

High-Low Method: This method uses data from two time periods to estimate fixed and variable costs. This is a good method to use when data is limited. It is a subjective method and probability intervals cannot be developed. It is very important that the high and low volumes represent the normal operating conditions of all observations. Again, professional judgment is required to select the appropriate data.

Least-Squares Method: This method uses all available data. It uses a mathematical criterion, which provides for an objective approach to cost estimation. In addition, this method can provide information on how good the cost estimating equation fits the historical cost data and information needed to construct probability intervals for cost estimates. It also can be used to develop equations that are not linear in nature. This method requires more data points than the high-low or scatterplot methods.

22. Essay: Machine hours and electricity costs f...

Points: 10

Question Machine hours and electricity costs for Wells Industries for the year 2011 are as follows:

Month	Machine Hours	Electricity Costs
January	2,000	\$ 9,200
February	2,320	10,500
March	1,520	6,750
April	2,480	11,500
May	3,040	14,125
June	2,640	11,000
July	3,280	12,375
August	2,800	11,375
September	1,600	7,750
October	2,960	13,000
November	3,760	15,500
December	3,360	13,875

Required:

- a. Using the high-low method, develop an estimate of variable electricity costs per machine hour.
- b. Using the high-low method, develop an estimate of fixed electricity costs per month.
- c. Using the high-low method, develop a cost function for monthly electricity costs.

- d. Estimate electricity costs for a month in which 3,000 machine hours are worked.

Answer

- a. \$3.91 $[(\$15,500 - \$6,750)/(3,760 - 1,520)]$
b. \$798.40 $[\$15,500 - (\$3.91 \times 3,760)]$
c. $Y = \$798.40 + \$3.91X$, or
Electricity costs = $\$798.40 + (\$3.91 \times \text{Machine hours})$
d. \$12,528.40 $[\$798.40 + (\$3.91 \times 3,000)]$

23. Essay: Given the following information:Month...

Points: 10

Question

Given the following information:

Month	HR Dept Costs	# new hires	# terminations
January	\$785,000	444	137
February	\$569,000	276	250
March	\$603,000	219	138
April	\$445,000	343	99
May	\$463,000	355	75
June	\$489,000	298	83
July	\$400,000	196	47
August	\$423,000	258	92
September	\$469,000	307	101
October	\$538,000	389	175
November	\$667,000	402	23
December	\$403,000	361	10

Required:

- a. Calculate an estimate of HR department costs using the hi-low method using # of new hires as the variable parameter
b. Calculate an estimate of HR department costs using the hi-low method using # termination as the variable parameter
c. Which parameter do you feel is a better driver of HR cost?

Answer

Solution:

- a. Variable using New Hires = $(\$785,000 - \$400,000) / (444 - 196) =$ \$1,552.42
b. Variable using Terminations = $(\$785,000 - \$400,000) / (137 - 47) =$ \$4,277.78

a. Fixed using new hires = $\$785,000 - (444 \times \$1,552.42) =$ \$95,725.52
b. Fixed using terminations = $\$785,000 - (137 \times \$4,277.78) =$ \$198,944.14

c. There is no good way to determine which driver is a better predictor of HR costs in a given period. Using a regression analysis is the best way to determine if your parameters correlate to the prediction of overall cost.

24. Essay: The plant manager requested informati...

Points: 10

Question

The plant manager requested information to assist in estimating

maintenance costs. The following computer printout was generated using the least-squares method:

Intercept	2550
Slope	1.85
Correlation coefficient	0.84
Activity variable	Units of production volume

Required:

- a. Using the information from the computer printout, develop a cost function that can be used to estimate maintenance costs at different volume levels.
- b. Estimate maintenance costs if expected production for next month is 10,000 units.

Answer

- a. Total maintenance costs = \$2,550 + \$1.85X
- b. Total maintenance costs = \$2,550 + (\$1.85 ´ 10,000) = \$21,050

25. Essay: The following excel printout provides...

Points: 10

Question The following excel printout provides information to estimate overhead costs using regression:

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	6035.987027	1411.05464	4.277642	0.002696	2782.0871	9289.8869
DLH	4.558482698	1.609683731	2.831912	0.022085	0.846543	8.270422
# setups	771.1028938	54.93418317	14.03685	6.44E-07	644.42436	897.78143
# moves	29.9411124	2.874675342	10.41548	6.26E-06	23.312095	36.57013

Regression Statistics	
Multiple R	0.996584412
R Square	0.99318049
Adjusted R Square	0.990623174
Standard Error	347.9563597
Observations	12

Required:

- a. Write the multiple regression model (round to nearest cent).
- b. What does the 't Stat' measure?
- c. What is the estimate of overhead if the department has 1,205 DLH, 55 setups and 125 moves?

Answer

- a. Overhead = \$6,035.99 + \$4.56 (DLH) + \$771.10 (#setups) + \$29.94 (#moves)
- b. There is a tStat for each parameter. These t-statistics are used to test the hypothesis that the parameters are significantly different from zero. The column labeled "P-value" measures the level of significance achieved for each t-statistic.
- c. Overhead = \$6,035.99 + \$4.56 (DLH) + \$771.10 (#setups) + \$29.94 (#moves)
Overhead = \$6,035.99 + \$4.56(1,205) + \$771.10(55) + \$29.94(125) = \$57,683

26. Essay: Rush Company is trying to find an app...

Points: 10

Question Rush Company is trying to find an appropriate allocation base for factory overhead. Presented are five months of data:

Month	Direct Labor Hours	Machine Hours	Factory Overhead
January	10	3	\$45
February	20	5	75
March	15	4	70
April	30	5	130
May	25	3	80

$$r = \frac{\sum(X-X)(Y-Y)}{(\sum(X-X)^2 \sum(Y-Y)^2)^{.5}}$$

Required:

- a. Calculate the correlation coefficient between factory overhead and direct labor hours.
- b. Calculate the correlation coefficient between factory overhead and machine hours.
- c. Should Rush Company use direct labor hours or machine hours for their allocation base for factory overhead? Why?

Answer

a.							
	X	(X - X)	(X - X)²	Y	(Y - Y)	(Y - Y)²	(X - X)(Y - Y)
	10	-10	100	45	-35	1,225	350
	20	0	0	75	-5	25	0
	15	-5	25	70	-10	100	50
	30	10	100	130	50	2,500	500
	25	5	25	80	0	0	0
	100		250	400		3,850	900
		X = 20			Y = 80		
	$r = (900)/(250 \times 3,850)^{.5} = 0.91736$						

b.							
	X	(X - X)	(X - X)²	Y	(Y - Y)	(Y - Y)²	(X - X)(Y - Y)
	3	-1	1	45	-35	1,225	35
	5	1	1	75	-5	25	-5
	4	0	0	70	-10	100	0
	5	1	1	130	50	2,500	50
	3	-1	1	80	0	0	0

	20		4	400		3,850	80
		X = 4			Y = 80		
	r = (80)/(4 x 3,850) .5 = 0.64466						

- c. Use direct labor hours because the correlation is 0.91736. The higher correlation indicates that the overhead is more closely related to direct labor hours than machine hours.

27. Essay: The following computer printout estim...

Points: 10

Question The following computer printout estimated overhead costs using linear regression:

Parameter	Estimate	t for H(0)		Std. error of parameter
		Parameter = 0	Pr > t	
Intercept	75	2.25	0.0250	33.33
Setup hours	13	5.10	0.0001	2.45
# of parts	50	1.65	0.0500	30.30
R Square (R ²)		0.83		
Standard Error (S _e)		50.00		
Observations		70		

- Required:
- a. Write the multiple regression model.
 - b. What does R Square mean?
 - c. Provide a 95 percent confidence interval around the number of parts parameter.

Answer

- a. Overhead costs = \$75 + \$13(setup hours) + \$50(# of parts)
- b. Eighty-three percent of the variation in overhead costs is explained by setup hours and number of parts.
- c. df = 70 - 3 = 67
t is about 2.00
\$50 ± 2(30.30) = [\$(10.60), \$110,60]

28. Essay: The Knapp Company needs to predict th...

Points: 10

Question The Knapp Company needs to predict the labor cost in producing small carrot patch dolls. The following production information is available:

Year	Dolls Produced	Labor Hours	Labor Dollars
2005	1,150	850	\$17,000
2006	1,600	975	23,400

2007	1,100	800	25,600
2008	2,100	1,150	36,800
2009	1,500	950	34,200
2010	1,300	875	35,000

Wage rates have steadily increased since 2005; however, management expects no further increases in 2011.

Required:

- a. Select the appropriate independent variable for predicting labor cost. Explain the reason for your selection.
- b. Develop an equation to predict for 2011 the labor cost of producing carrot patch dolls. Use the high-low method.

Answer

- a. In periods of changing prices, unadjusted cost data should not be used as the dependent variable. Assuming that the technology has not changed, labor hours used in doll production can be substituted for labor dollars in developing the cost-estimating equation:

$Y = a + bX$

Total labor hours = a constant + (b ´ # of dolls produced)

After solving for total labor hours, the dependent variable can be restated in terms of labor dollars since wage rates in 2011 have not increased over wage rates in 2010, and for 2011:

Total labor dollars/Total labor hours = Labor rate per hour

This labor rate per hour applied to 2011 estimates will give total labor dollars for 2011.

- b. Using labor hours:

$b = (1,150 - 800)/(\$2,100 - 1,100)$
 $= 0.35$ variable labor hours per doll

$a = 1,150 - (0.35 ´ 2,100)$
 $= 415$ fixed labor hours per year

Total labor hours = 415 + 0.35 (# of dolls produced)

The wage rate for 2011 is the same as in 2010.

For 2011, $\$35,000/875 = \40 per labor hour.

Total labor costs = Total labor hours ´ \$40
 $= 415(\$40) + 0.35(\$40)(\text{\# of dolls produced})$
 $= \$16,600 + \$14.00(\text{\# of dolls produced})$

29. Essay: Innova, Inc., is beginning the produc...

Points: 10

Question Innova, Inc., is beginning the production of a new product. Management believes that 500 labor hours will be required to complete the new unit. A 90 percent cumulative average-time learning curve model for direct labor hours is assumed to be valid. Data on costs are as follows:

Direct materials	\$50,000 per unit
Direct labor	\$20 per direct labor hour
Variable manufacturing overhead	\$30 per direct labor hour

Required:

- a. Set up a table with columns for cumulative number of units, cumulative average time per unit in hours, and cumulative total time in hours using the cumulative average-time learning curve. Complete the table for 1, 2, 4, and 8 units.
- b. Set up a similar table assuming an 80 percent cumulative average-time learning curve.
- c. What is the difference in variable cost of producing four units?

Answer

a.

<u>Units</u>	<u>90%</u>	<u>Total Hrs.</u>
1	500	500
2	450	900
4	405	1,620
8	364.5	2,916

b.

<u>Units</u>	<u>80%</u>	<u>Total Hrs.</u>
1	500	500
2	400	800
4	320	1,280
8	256	2,048

- c. $0.90 \text{ model} = \$200,000 + 50(1,620) = \$281,000 / 4 = \$70,250$
 $0.80 \text{ model} = \$200,000 + 50(1,280) = \$264,000 / 4 = \$66,000$
The difference is \$4,250.

30. Essay: Innova, Inc., is beginning the produc...

Points: 10

Question Innova, Inc., is beginning the production of a new product. Management believes that 500 labor hours will be required to complete the new unit. An 80 percent incremental unit-time learning curve model for direct labor hours is assumed to be valid. Assume the $q = -0.3219$. Data on costs are as follows:

Direct materials	\$50,000 per unit
Direct labor	\$20 per direct labor hour
Variable manufacturing overhead	\$30 per direct labor hour

Required:

- a. Set up a table with columns for cumulative number of units showing the cumulative total time in hours using the incremental unit-time learning curve. Complete the table for 1, 2, 3, and 4 units given the individual unit time for the nth unit as 500, 400, 351, and 320 for 1 to 4 units respectively.
- b. Set up a similar table assuming a 90 percent with the incremental unit-time learning curve with the individual unit time for the nth unit as 500, 450, 430, 405 for 1 to 4 units respectively.
- c. What is the difference in variable cost of producing four units?

Answer

a.	<u>Units</u>	<u>80%</u>	<u>Total Hrs.</u>
	1	500	500
	2	400	900
	3	351	1,251
	4	320	1,571

b.	<u>Units</u>	<u>90%</u>	<u>Total Hrs.</u>
	1	500	500
	2	450	950
	3	430	1,380
	4	405	1,785

c. 0.80 model = \$200,000 + (50 x 1,571) = \$278,550/4 = \$69,637.50

0.90 model = \$200,000 + (50 x 1,785) = \$289,250/4 = \$72,312.50

31. Multiple Choice: A(n) _____ is a set of inte...

Points: 10

Question A(n) _____ is a set of interrelated parts that performs one or more processes to accomplish specific objectives.

- Answer**
- cost objective
 - ☒ system
 - activity
 - cost driver

32. Multiple Choice: In a company that supplies garlic bre...

Points: 10

Question In a company that supplies garlic bread to pizza restaurants, which of the following would be considered an input?

- Answer**
- delivered garlic bread
 - ☒ flour
 - baking
 - none of these

33. Multiple Choice: In a company that supplies garlic bre...

Points: 10

Question

In a company that supplies garlic bread to pizza restaurants, which of the following would NOT be considered an input?

Answer

☒

delivered garlic bread

flour

garlic

oil

34. Multiple Choice: In a company that supplies garlic bre...

Points: 10

Question

In a company that supplies garlic bread to pizza restaurants, which of the following would NOT be considered a transforming process?

Answer

☒

delivered garlic bread

baking

packaging

mixing

35. Multiple Choice: In a company that supplies garlic bre...

Points: 10

Question

In a company that supplies garlic bread to pizza restaurants, which of the following would be considered a transforming process?

Answer

delivered garlic bread

☒

baking

garlic

oil

36. Multiple Choice: In a company that supplies garlic bre...

Points: 10

Question

In a company that supplies garlic bread to pizza restaurants, delivered garlic bread to pizza restaurants would be a(n)

Answer

interrelated part.

input.

☒

output.

process.

37. Multiple Choice: In an accounting information system, ...

Points: 10

Question

In an accounting information system, which of the following is NOT a transformation process?

Answer

collecting data

analyzing data

☒

performance reports

summarizing data

38. Multiple Choice: The overall objective of accounting i...

Points: 10

Question

The overall objective of accounting information systems is to

Answer

☒

provide information to users.

manage the organization.

prepare financial reports.

report to the government.

39. Multiple Choice: In an accounting information system, ...

Points: 10

Question In an accounting information system, the inputs are usually

- Answer**
- financial statements.
 - analyzing data.
 - performance reports.
 - ☒ economic events.

40. Multiple Choice: Which of the following is a cost mana...

Points: 10

Question Which of the following is a cost management subsystem designed to assign costs to individual products and services and other objects, as specified by management?

- Answer**
- financial accounting information system
 - operational control information system
 - ☒ cost accounting information system
 - all of these

41. Multiple Choice: Which of the following is a cost mana...

Points: 10

Question Which of the following is a cost management subsystem designed to provide accurate and timely feedback concerning the performance of managers and others relative to their planning and control of activities?

- Answer**
- financial accounting information system
 - ☒ operational control information system
 - cost accounting information system
 - all of these

42. Multiple Choice: The _____ is an accounting ...

Points: 10

Question The _____ is an accounting information subsystem that is primarily concerned with producing outputs for external users.

- Answer**
- cost management information system
 - computer system
 - internal accounting system
 - ☒ financial accounting information system

43. Multiple Choice: High quality cost management systems ...

Points: 10

Question High quality cost management systems should have an organization-wide perspective. Which of the following would NOT be a benefit of a cost management system?

- Answer**
- ☒ increases speed by ignoring non-financial information
 - reduces duplicate data storage and use of data
 - improves timeliness of reports
 - increases the efficiency of generating reliable and accurate information

44. Multiple Choice: Which of the following is a major sub...

Points: 10

Question

Which of the following is a major subsystem of the cost accounting information system?

Answer

ERP

☒ operational control information system

OLAP

EDI

45. Multiple Choice: A(n) _____ is a computerize... Points: 10

Question

A(n) _____ is a computerized information system that strives to input data once and to make it available to people across the company for different purposes.

Answer

cost management information system

☒ enterprise resource planning system

internal accounting system

financial accounting information system

46. Multiple Choice: The _____ is a cost mana... Points: 10

Question

The _____ is a cost management subsystem designed to provide accurate and timely feedback concerning the performance of managers and others relative to their planning and control activities.

Answer

cost accounting information system

financial accounting system

☒ operational control information system

tax reporting system

47. Multiple Choice: Which of the following is NOT one of ... Points: 10

Question

Which of the following is NOT one of the features of an operational control information system?

Answer

to assist in continuous improvement of all aspects of the business

to improve the value received by customers

to improve profits by improving value

☒ to provide product cost information needed by management

48. Multiple Choice: Which of the following is NOT an obje... Points: 10

Question

Which of the following is NOT an objective of the operational control system?

Answer

increasing value to customers

increasing profit by providing value

☒ Increasing post purchase costs

all of these

49. Multiple Choice: _____ represents the resour... Points: 10

Question

_____ represents the resources given up that are expected to bring a current or future benefit to the organization.

- Answer

☒ Cost

Expired cost

Expense

Loss

50. Multiple Choice: _____ is(are) the cash or c...

Points: 10

- Question

_____ is(are) the cash or cash equivalent value sacrificed for goods and services that are expected to bring a current or future benefit to the organization.
- Answer

Expenses

☒ Cost

An activity

A loss

51. Multiple Choice: A cost used up in the production of r...

Points: 10

- Question

A cost used up in the production of revenues is a(n)
- Answer

unexpired cost.

☒ expense.

loss.

asset.

52. Multiple Choice: Which of the following is an example ...

Points: 10

- Question

Which of the following is an example of a loss?
- Answer

the cost of a product delivered to a customer

the cost of a delivered advertising campaign

the cost of the purchase of equipment

☒ the write-off of an obsolete product

53. Multiple Choice: Which of the following is an example ...

Points: 10

- Question

Which of the following is an example of an expense?
- Answer

☒ the cost of a product delivered to a customer

the cost of a proposed advertising campaign

the cost of the purchase of equipment

the write-off of an obsolete product

54. Multiple Choice: Which of the following is an example ...

Points: 10

- Question

Which of the following is an example of a possible cost object?
- Answer

a product

a customer

a department

☒ all of these

55. Multiple Choice: Traceability is a function of

Points: 10

Question

Traceability is a function of

Answer

an indirect relationship to the cost object.
distortion.

☒ a causal relationship.

none of these.

56. Multiple Choice: Factors that cause changes in resourc...

Points: 10

Question

Factors that cause changes in resource usage, activity usage, costs and revenues are called

Answer

indirect costs.

☒ drivers.

assignments.

cost objects.

57. Multiple Choice: Which cost assignment method would li...

Points: 10

Question

Which cost assignment method would likely assign the cost of an assembly-line supervisor when the assembly line is the cost object?

Answer

driver tracing

☒ direct tracing

allocation

arbitration

58. Multiple Choice: Which cost assignment method would li...

Points: 10

Question

Which cost assignment method would likely assign the cost of heating in a plant that makes chairs and go-carts when the chair product line is the cost object?

Answer

driver tracing

direct tracing

☒ allocation

arbitration

59. Multiple Choice: Which cost assignment method would li...

Points: 10

Question

Which cost assignment method would likely assign the cost of maintenance for machines in a department that does cutting when the cutting activity is the cost object?

Answer

☒ driver tracing

direct tracing

allocation

arbitration

60. Multiple Choice: Which of the following expenses incur...

Points: 10

Question

Which of the following expenses incurred by a department store is a direct cost for the women's shoe department?

Answer

☒ the salespersons' commissions in the women's shoe department

the salaries for individuals working in the accounting department
the advertising expense for the service department
the allocated rent expense for the clothing department

61. Multiple Choice: Which of the following costs incurred...

Points: 10

Question Which of the following costs incurred by a chair manufacturer would be traced to the product cost through direct tracing?

- Answer**
- the depreciation on factory equipment
 - the supervisor's salary
 - the insurance on the factory building
 - ☒ the woodworker's salary

62. Multiple Choice: Direct costs

Points: 10

Question Direct costs

- Answer**
- are incurred for the benefit of the business as a whole.
 - would continue even if a particular product were discontinued.
 - can be assigned to products only by a process of allocation.
 - ☒ are those costs that can be easily and accurately traced to a cost object.

63. Multiple Choice: The direct costs of operating a unive...

Points: 10

Question The direct costs of operating a university computer center would NOT include

- Answer**
- rent paid for computers.
 - ☒ a fair share of university utilities.
 - paper used by the center.
 - computer consultants' salaries.

64. Multiple Choice: Which of the following methods of ass...

Points: 10

Question Which of the following methods of assigning costs is based on convenience or some assumed linkage, and reduces the overall accuracy of the cost assignments?

- Answer**
- direct tracing
 - driver tracing
 - ☒ allocation
 - all of these

65. Multiple Choice: Which of the following costs incurred...

Points: 10

Question Which of the following costs incurred by a bus manufacturer would NOT be directly attributable to the finished product?

- Answer**
- the wages paid to assembly-line production workers
 - the tires for buses
 - the windshields for buses
 - ☒ the depreciation on factory building

66. Multiple Choice: _____ refers to

Points: 10

the assignm...

Question

_____ refers to the assignment of indirect costs to cost objects.

Answer

☒

 Allocation

Direct tracing

Physical observation

Cost management

67. Multiple Choice: What is a disadvantage of assigning c...

Points: 10

Question

What is a disadvantage of assigning costs evenly over all cost objects?

Answer

not all costs will be assigned

total costs will be distorted

☒

 costs may be distorted by consumption patterns of other cost objects

none of these

68. Multiple Choice: The insurance paid on the factory is

Points: 10

Question

The insurance paid on the factory is

Answer

a direct cost if the cost object is the factory.

an indirect cost if the cost object is the product produced.

could be either a direct cost or an indirect cost, depending on the cost object.

☒

 all of these.

69. Multiple Choice: Which of the following would NOT be a...

Points: 10

Question

Which of the following would NOT be a cost that could be directly traced to a custom piece of furniture based upon physical observation?

Answer

the wood and upholstery materials that are in the final piece

the labor of the worker assembling the piece of furniture

☒

 the depreciation paid on factory equipment

the labor of the woodworker who finishes the wood of the piece

70. Multiple Choice: The precision of driving tracing depe...

Points: 10

Question

The precision of driving tracing depends upon

Answer

physically observable relationships.

allocation estimations.

☒

 the strength of causal relationships described by the driver.

both b and c.

71. Multiple Choice: If physical observation can NOT be us...

Points: 10

Question

If physical observation can NOT be used to identify the exact amount of resources consumed by a cost object, the next best approach is

Answer

☒

 driver tracing.

allocation.

estimation.

none of these.

72. Multiple Choice: Services differ from tangible product...

Points: 10

Question	Services differ from tangible products in which of the following dimensions?
Answer	intangibility inseparability perishability ☒ all of these

73. Multiple Choice: With regards to products, perishability...

Points: 10

Question	With regards to products, perishability can be defined as
Answer	buyers of products who can not see, feel, hear or taste the product before it is bought. ☒ services that cannot be stored. buyers and sellers who must be in direct contact for the sale to take place. buyers of the product who do not need direct contact with the manufacturer of the product.

74. Multiple Choice: Intangibility of services means that

Points: 10

Question	Intangibility of services means that
Answer	☒ products cannot be seen, tasted, heard or felt before the purchase. products cannot be stored. exchange takes place in direct contact. both a and c.

75. Multiple Choice: An example of a tangible product, rat...

Points: 10

Question	An example of a tangible product, rather than a service, would be
Answer	housekeeping. insurance coverage. ☒ paper. medical exam.

76. Multiple Choice: With regard to services, inseparability...

Points: 10

Question	With regard to services, inseparability means that
Answer	products cannot be stored. ☒ direct contact must take place for a sale. products have a physical presence. none of the above apply to inseparability.

77. Multiple Choice: An example of a service, rather than ...

Points: 10

Question	An example of a service, rather than a tangible product, would be
----------	---

- Answer**
- radios.
- cloths.
- trucks.
- ☒

 medical exams.

78. Multiple Choice: Which of the following is a service o...

Points: **10**

Question

Which of the following is a service organization?

- Answer**
- grocery store
- department store
- cattle ranch
- ☒

 CPA firm

79. Multiple Choice: Which of the following costs would be...

Points: **10**

Question

Which of the following costs would be included in value-chain product costs?

- Answer**
- research and development
- production
- customer service
- ☒

 all of these

80. Multiple Choice: Value-chain product costs include whi...

Points: **10**

Question

Value-chain product costs include which of the following?

- Answer**
- customer service costs
- marketing costs
- research and development
- ☒

 all of these

81. Multiple Choice: Product value-chain costs assist mana...

Points: **10**

Question

Product value-chain costs assist managers in meeting which of the following objectives?

- Answer**
- ☒

 product mix decisions
- tactical profitability analysis
- external financial reporting
- strategic design decisions

82. Multiple Choice: Which of the following costs would NO...

Points: **10**

Question

Which of the following costs would NOT be included in operating product costs?

- Answer**
- ☒

 research and development
- production
- marketing
- all of these

83. Multiple Choice: Which of the following

Points: **10**

costs would be...

Question	Which of the following costs would be included in traditional product costs used for external reporting?
Answer	research and development ☒ production marketing all of these

84. Multiple Choice: Which of the following costs is NOT a...

Points: 10

Question	Which of the following costs is NOT a product cost?
Answer	☒ rent on an office building indirect labor repairs on manufacturing equipment steel used in inventory items produced

85. Multiple Choice: Which of the following costs is an ex...

Points: 10

Question	Which of the following costs is an example of product costs?
Answer	selling commissions nonfactory office salaries ☒ direct materials advertising expense

86. Multiple Choice: Which of the following costs incurred...

Points: 10

Question	Which of the following costs incurred by a furniture manufacturer would be a product cost?
Answer	☒ lumber office salaries commissions paid to sales staff controller's salary

87. Multiple Choice: Which of the following costs is a pro...

Points: 10

Question	Which of the following costs is a product cost?
Answer	lease payments on cars used by salespersons president's salary ☒ property taxes on factory building depreciation on office equipment

88. Multiple Choice: Which of the following costs is a per...

Points: 10

Question	Which of the following costs is a period cost for a manufacturing company?
Answer	☒ controller's salary wages of machine operators insurance on factory equipment fringe benefits for factory employees

89. Multiple Choice: In a traditional manufacturing compan...

Points: 10

Question In a traditional manufacturing company, product costs include

- Answer
- direct materials only.
 - ☒ direct materials, direct labor, and factory overhead.
 - direct materials and direct labor only.
 - direct labor only.

90. Multiple Choice: Which of the following costs is an in...

Points: 10

Question Which of the following costs is an indirect product cost?

- Answer
- ☒ property taxes on plant facilities
 - wages of assembly workers
 - materials used
 - president's salary

91. Multiple Choice: If the total warehousing cost for the...

Points: 10

Question If the total warehousing cost for the year amounts to \$350,000, and 40 percent of the warehousing activity is associated with finished goods and 60 percent with direct materials, how much of the cost would be charged as a product cost?

- Answer
- \$70,000
 - \$140,000
 - ☒ \$210,000
 - \$350,000

Correct Feedback SUPPORTING CALCULATIONS:
 $\$350,000 \times 0.60 = \$210,000$

Incorrect Feedback SUPPORTING CALCULATIONS:
 $\$350,000 \times 0.60 = \$210,000$

92. Multiple Choice: All of Jill Enterprise's operati...

Points: 10

Question All of Jill Enterprise's operations are housed in one building with the costs of occupying the building accumulated in a separate account. The total costs incurred in May amounted to \$24,000. The company allocates these costs on the basis of square feet of floor space occupied. Administrative offices, sales offices, and factory operations occupy 9,000, 6,000, and 30,000 square feet, respectively. How much will be classified as a product cost for May?

- Answer
- \$4,800
 - \$3,200
 - ☒ \$16,000
 - \$24,000

Correct Feedback SUPPORTING CALCULATIONS:
 $[30,000 / (9,000 + 6,000 + 30,000)] \times \$24,000 = \$16,000$

Incorrect Feedback SUPPORTING CALCULATIONS:
 $[30,000 / (9,000 + 6,000 + 30,000)] \times \$24,000 = \$16,000$

93. Multiple Choice: Which of the following

Points: 10

costs would be...

Question	Which of the following costs would be included as part of direct materials in the production of an automobile?
Answer	glue for a sticker applied to the automobile ☒ steel gasoline used to fuel machines in production none of these

94. Multiple Choice: Which of the following costs would be...

Points: 10

Question	Which of the following costs would be considered a direct material?
Answer	glue in the production of automobiles labor used to finish product depreciation on the corporation's office building ☒ paper used in the production of books

95. Multiple Choice: The difference between a supply and a...

Points: 10

Question	The difference between a supply and an indirect material is that
Answer	supplies are not necessary for production. indirect materials are not physically part of the product. supplies are not necessary for production and are not physically part of the product. ☒ supplies are necessary for production and are not physically part of the product.

96. Multiple Choice: Which of the following costs would be...

Points: 10

Question	Which of the following costs would be included as part of direct labor?
Answer	☒ a cutter in the production of shelving a materials handler an assembly-line supervisor a janitor

97. Multiple Choice: Which of the following costs would be...

Points: 10

Question	Which of the following costs would be included as part of factory overhead?
Answer	☒ depreciation of plant equipment paint used for product finish depreciation on the corporation's office building paper used in the production of books

98. Multiple Choice: Which of the following items would NO...

Points: 10

Question	Which of the following items would NOT be classified as part of factory overhead of a firm that makes sailboats?
Answer	factory supplies used ☒ canvas used in sail depreciation of factory buildings

indirect materials

99. Multiple Choice: Wages paid to a janitor in the factor...

Points: 10

Question Wages paid to a janitor in the factory would be classified as

- Answer
- direct labor.
 - direct janitor salaries.
 - supervisor salaries.
 - ☒ factory overhead.

100. Multiple Choice: All of the following costs are includ...

Points: 10

Question All of the following costs are included in factory overhead EXCEPT

- Answer
- factory supplies.
 - indirect labor.
 - plant foreman's salary.
 - ☒ direct labor.

101. Multiple Choice: Selling and administrative costs are ...

Points: 10

Question Selling and administrative costs are classified as

- Answer
- product costs.
 - conversion costs.
 - ☒ period costs.
 - factory overhead.

102. Multiple Choice: Which of the following costs is NOT a...

Points: 10

Question Which of the following costs is NOT a period cost?

- Answer
- ☒ steel used in steel railings
 - receptionist's salary
 - depreciation on sales staffs' cars
 - sales commission

103. Multiple Choice: Which of the following costs is a per...

Points: 10

Question Which of the following costs is a period cost?

- Answer
- depreciation of factory equipment
 - transportation-in for material shipments
 - amortization of a patent for the company's product
 - ☒ depreciation of office computers

104. Multiple Choice: An example of a period cost is

Points: 10

Question An example of a period cost is

- Answer
- insurance on factory equipment.
 - ☒ president's salary.
 - property taxes on factory building.

wages of factory custodians.

105. Multiple Choice: An example of a nonproduction cost is

Points: 10

Question

An example of a nonproduction cost is

Answer

wages paid to assembly-line employees.
manufacturing supplies.
insurance on manufacturing facilities.
☒ the treasurer's salary.

106. Multiple Choice: _____ are expensed in the p...

Points: 10

Question

_____ are expensed in the period in which they are incurred.

Answer

Direct materials
Product costs
Factory overhead
☒ Nonproduction costs

107. Multiple Choice: Order-getting costs would NOT include

Points: 10

Question

Order-getting costs would NOT include

Answer

marketing costs.
☒ customer service costs.
advertising.
salaries of sales personnel.

108. Multiple Choice: Period costs do NOT include

Points: 10

Question

Period costs do NOT include

Answer

order-getting costs.
☒ order-making costs.
order-filling costs.
All of these are period costs.

109. Multiple Choice: Prime product costs include

Points: 10

Question

Prime product costs include

Answer

only factory overhead.
only direct labor.
direct labor and factory overhead.
☒ direct materials and direct labor.

110. Multiple Choice: The sum of direct labor and factory o...

Points: 10

Question

The sum of direct labor and factory overhead is referred to as

Answer

period costs.
☒ conversion costs.
prime costs.

direct product costs.

111. Multiple Choice: Conversion costs do NOT include

Points: 10

Question Conversion costs do NOT include

- Answer ☒ direct materials.
direct labor.
factory overhead.
any of these costs.

112. Multiple Choice: Which of the following would NOT be i...

Points: 10

Question Which of the following would NOT be included in the conversion cost of an automobile?

- Answer ☒ steel
assembly worker wages
depreciation on machinery
washers used inassembly

113. Multiple Choice: Figure 2-11Information from the recor...

Points: 10

Question

Figure 2-11

Information from the records of the Cain Corporation for August 2011 was as follows:

Sales	\$1,230,000
Selling and administrative expenses	210,000
Direct materials used	264,000
Direct labor	300,000
Factory overhead *	405,000

*variable overhead is \$205,000, fixed overhead is \$200,000

Inventories

	<u>August 1, 2011</u>	<u>August 31, 2011</u>
Direct materials	\$36,000	\$42,000
Work in process	75,000	84,000
Finished goods	69,000	57,000

Refer to Figure 2-11. The conversion cost is

- Answer \$960,000
\$1,179,000
☒ \$705,000
\$564,000

Correct Feedback \$300,000 + \$405,000 = \$705,000

Incorrect Feedback \$300,000 + \$405,000 = \$705,000

114. Multiple Choice: Figure 2-11Information

Points: 10

from the recor...

Question

Figure 2-11

Information from the records of the Cain Corporation for August 2011 was as follows:

Sales	\$1,230,000
Selling and administrative expenses	210,000
Direct materials used	264,000
Direct labor	300,000
Factory overhead *	405,000

*variable overhead is \$205,000, fixed overhead is \$200,000

	<u>Inventories</u>	
	<u>August 1, 2011</u>	<u>August 31, 2011</u>
Direct materials	\$36,000	\$42,000
Work in process	75,000	84,000
Finished goods	69,000	57,000

Refer to Figure 2-11. The prime costs are

Answer

- \$210,000
- \$264,000
- \$300,000
- ☒ \$564,000

Correct Feedback \$264,000 + \$300,000 = \$564,000

Incorrect Feedback \$264,000 + \$300,000 = \$564,000

115. Multiple Choice: Figure 2-11Information from the recor...

Points: 10

Question

Figure 2-11

Information from the records of the Cain Corporation for August 2011 was as follows:

Sales	\$1,230,000
Selling and administrative expenses	210,000
Direct materials used	264,000
Direct labor	300,000
Factory overhead *	405,000

*variable overhead is \$205,000, fixed overhead is \$200,000

	<u>Inventories</u>	
	<u>August 1, 2011</u>	<u>August 31, 2011</u>
Direct materials	\$36,000	\$42,000
Work in process	75,000	84,000
Finished goods	69,000	57,000

Refer to Figure 2-11. The variable product costs are

Answer

\$ 969,000

☒ \$ 769,000

\$ 764,000

\$1,179,000

Correct Feedback

$\$264,000 + \$300,000 + \$205,000 = \$769,000$

Incorrect Feedback

$\$264,000 + \$300,000 + \$205,000 = \$769,000$

116. Multiple Choice: Figure 2-11Information from the recor...Points: 10

Question

Figure 2-11

Information from the records of the Cain Corporation for August 2011 was as follows:

Sales	\$1,230,000
Selling and administrative expenses	210,000
Direct materials used	264,000
Direct labor	300,000
Factory overhead *	405,000

*variable overhead is \$205,000, fixed overhead is \$200,000

	Inventories	
	August 1, 2011	August 31, 2011
Direct materials	\$36,000	\$42,000
Work in process	75,000	84,000
Finished goods	69,000	57,000

Refer to Figure 2-11. The total product cost is

Answer

\$1,179,000

☒ \$ 969,000

\$ 615,000

\$ 764,000

Correct Feedback

$\$264,000 + \$300,000 + 405,000 = \$969,000$

Incorrect Feedback

$\$264,000 + \$300,000 + 405,000 = \$969,000$

117. Multiple Choice: Figure 2-12Information fr...Points: 10

Question

Figure 2-12

Information from the records of the Scully Company for July 2011 was as follows:

Sales	\$307,500
Selling and administrative expenses	52,500
Direct materials used	66,000
Direct labor	75,000
Variable factory overhead	50,000
Factory overhead	51,250

Inventories

	<u>July 1,</u> <u>2011</u>	<u>July 31,</u> <u>2011</u>
Direct materials	\$ 8,000	\$10,500
Work in process	18,750	21,000
Finished goods	17,250	14,250

Scully Corporation produced 20,000 units.

Refer to Figure 2-12. The prime costs per unit for July were

Answer

\$ 20.00

\$ 14.7375

\$ 8.8125

☒ \$ 7.05

Correct Feedback

\$66,000 + \$75,000 = \$141,000/20,000 units = \$7.05 per unit

Incorrect Feedback

\$66,000 + \$75,000 = \$141,000/20,000 units = \$7.05 per unit

118. Multiple Choice: Figure 2-12Information fr...Points: 10

Question

Figure 2-12

Information from the records of the Scully Company for July 2011 was as follows:

Sales	\$307,500
Selling and administrative expenses	52,500
Direct materials used	66,000
Direct labor	75,000
Variable factory overhead	50,000
Factory overhead	51,250

Inventories

	<u>July 1,</u> <u>2011</u>	<u>July 31,</u> <u>2011</u>
Direct materials	\$ 8,000	\$10,500
Work in process	18,750	21,000
Finished goods	17,250	14,250

Scully Corporation produced 20,000 units.

Refer to Figure 2-12. What are the conversion costs per unit?

Answer

\$ 7.05

☒ \$ 8.8125

\$ 12.1125

\$ 14.7375

Correct Feedback

\$75,000 + \$50,000 + \$51,250 = \$176,250/ 20,000 units = \$ 8.8125

Incorrect Feedback

\$75,000 + \$50,000 + \$51,250 = \$176,250/ 20,000 units = \$ 8.8125

119. Multiple Choice: Figure 2-12Information fr...Points: 10

Question

Figure 2-12

Information from the records of the Scully Company for July 2011 was as follows:

Sales	\$307,500
Selling and administrative expenses	52,500
Direct materials used	66,000
Direct labor	75,000
Variable factory overhead	50,000
Factory overhead	51,250

Inventories		
	<u>July 1,</u> <u>2011</u>	<u>July 31,</u> <u>2011</u>
Direct materials	\$ 8,000	\$10,500
Work in process	18,750	21,000
Finished goods	17,250	14,250

Scully Corporation produced 20,000 units.

Refer to Figure 2-12. If production increased to 32,000 units next year, what is the effect on variable product costs per unit and total product costs per unit respectively?

Answer

- ☒ remain the same; decrease
- ☐ remain the same; remain the same
- ☐ increase; remain the same
- ☐ decrease; increase

Correct Feedback

variable product cost per unit remain the same; total product cost per unit will decrease

Incorrect Feedback

variable product cost per unit remain the same; total product cost per unit will decrease

120. Multiple Choice: Figure 2-12Information fr...

Points: 10

Question

Figure 2-12

Information from the records of the Scully Company for July 2011 was as follows:

Sales	\$307,500
Selling and administrative expenses	52,500
Direct materials used	66,000
Direct labor	75,000
Variable factory overhead	50,000
Factory overhead	51,250

Inventories		
	<u>July 1,</u> <u>2011</u>	<u>July 31,</u> <u>2011</u>

Direct materials	\$ 8,000	\$10,500
Work in process	18,750	21,000
Finished goods	17,250	14,250

Scully Corporation produced 20,000 units.

Refer to Figure 2-12. What are the total variable costs per unit?

Answer	\$ 7.05
	☒ \$ 9.55
	\$12.175
	\$ 6.25
Correct Feedback	$\$66,000 + 75,000 + 50,000 = \$191,000 / 20,000 \text{ units} = \9.55 per unit
Incorrect Feedback	$\$66,000 + 75,000 + 50,000 = \$191,000 / 20,000 \text{ units} = \9.55 per unit

121. Multiple Choice: Figure 2-12Information fr... Points: 10

Question

Figure 2-12

Information from the records of the Scully Company for July 2011 was as follows:

Sales	\$307,500
Selling and administrative expenses	52,500
Direct materials used	66,000
Direct labor	75,000
Variable factory overhead	50,000
Factory overhead	51,250

Inventories

	<u>July 1, 2011</u>	<u>July 31, 2011</u>
Direct materials	\$ 8,000	\$10,500
Work in process	18,750	21,000
Finished goods	17,250	14,250

Scully Corporation produced 20,000 units.

Refer to Figure 2-12. What is the total product cost per unit?

Answer	\$14.7375
	☒ \$12.1125
	\$12.175
	\$12.2375
Correct Feedback	$\$66,000 + \$75,000 + \$50,000 + \$51,250 = \$242,250 / 20,000 = \12.1125
Incorrect Feedback	$\$66,000 + \$75,000 + \$50,000 + \$51,250 = \$242,250 / 20,000 = \12.1125

122. Multiple Choice: _____ are expensed in the p... Points: 10

Question _____ are expensed in the period in which they are incurred.

- Answer**
- Direct materials
 - Product costs
 - ☒ Noninventoriable costs
 - Inventoriable costs

123. Multiple Choice: Product costs are converted from cost...

Points: **10**

Question Product costs are converted from cost to expense when

- Answer**
- units are completed.
 - materials are purchased.
 - ☒ units are sold.
 - materials are requisitioned.

124. Multiple Choice: A company has purchased some steel to...

Points: **10**

Question A company has purchased some steel to use in the production of steel railings. If this steel has NOT been put into production, it would be classified as

- Answer**
- ☒ direct materials inventory.
 - factory supplies.
 - work-in-process inventory.
 - finished goods inventory.

125. Multiple Choice: The income statement prepared for ext...

Points: **10**

Question The income statement prepared for external reporting is

- Answer**
- based on a functional classification.
 - referred to as absorption-costing income.
 - called full-costing income.
 - ☒ all of these.

126. Multiple Choice: Which of the following costs would NO...

Points: **10**

Question Which of the following costs would NOT be included in calculating inventory values under the absorption-costing basis?

- Answer**
- direct materials
 - fixed overhead
 - ☒ selling and administrative expenses
 - direct labor

127. Multiple Choice: When calculating the absorption-costi...

Points: **10**

Question When calculating the absorption-costing income for external reporting, all

- Answer**
- manufacturing costs ultimately become nonmanufacturing costs.
 - manufacturing costs are product costs and product costs are never expensed.
 - costs of selling manufactured products are classified as product costs.
 - ☒ selling and administrative costs are classified as nonmanufacturing costs.

128. Multiple Choice: Which of the following accounts would...

Points: 10

Question Which of the following accounts would appear on the financial statements of ONLY a manufacturing firm?

Answer bonds payable
☒ materials inventory
prepaid insurance
retained earnings

129. Multiple Choice: Which type of inventory is normally s...

Points: 10

Question Which type of inventory is normally sold to other organizations?

Answer direct materials
factory supplies
work in process
☒ finished goods

130. Multiple Choice: The merchandise inventory in a mercha...

Points: 10

Question The merchandise inventory in a merchandising business corresponds most closely to which of the following items in a manufacturing firm?

Answer materials inventory
cost of goods available for sale
cost of goods manufactured
☒ finished goods inventory

131. Multiple Choice: Information from the records of Place...

Points: 10

Question Information from the records of Place, Inc., for December 2011 is as follows:

Sales	\$820,000
Selling and administrative expenses	140,000
Direct materials purchases	176,000
Direct labor	200,000
Factory overhead	270,000
Direct materials, December 1	24,000
Work in process, December 1	50,000
Finished goods, December 1	46,000
Direct materials, December 31	28,000
Work in process, December 31	56,000
Finished goods, December 31	38,000

The net income for the month of December is

Answer \$644,000.
☒ \$36,000.
\$636,000.
\$180,000.

Correct Feedback SUPPORTING CALCULATIONS:

COGM (\$24,000 + \$176,000 - \$28,000) + \$200,000 + \$270,000
= +
\$50,000 - \$56,000 = \$636,000

COGS = \$636,000 + \$46,000 - \$38,000 =
\$644,000

NI = \$820,000 - \$140,000 - \$644,000 = \$36,000

Incorrect Feedback SUPPORTING CALCULATIONS:

COGM (\$24,000 + \$176,000 - \$28,000) + \$200,000 + \$270,000
= +
\$50,000 - \$56,000 = \$636,000

COGS = \$636,000 + \$46,000 - \$38,000 =
\$644,000

NI = \$820,000 - \$140,000 - \$644,000 = \$36,000

132. Multiple Choice: If beginning work-in-process inventor...

Points: **10**

Question If beginning work-in-process inventory is \$120,000, ending work-in-process inventory is \$160,000, cost of goods manufactured is \$400,000, and direct materials used are \$100,000, what are the conversion costs?

- Answer**
- \$140,000
 - \$280,000
 - \$300,000
 - ☒ \$340,000

Correct Feedback SUPPORTING CALCULATIONS:
\$400,000 + \$160,000 - \$120,000 - \$100,000 = \$340,000

Incorrect Feedback SUPPORTING CALCULATIONS:
\$400,000 + \$160,000 - \$120,000 - \$100,000 = \$340,000

133. Multiple Choice: The following information pertains to...

Points: **10**

Question The following information pertains to Fry Enterprises:

Cost of goods manufactured	\$450,000
Beginning work-in-process inventory	210,000
Ending work-in-process inventory	180,000
Manufacturing overhead	150,000

What are the prime costs for the year?

- Answer**
- \$360,000
 - \$480,000
 - ☒ \$270,000
 - \$300,000

Correct Feedback SUPPORTING CALCULATIONS:
\$450,000 + \$180,000 - \$210,000 - \$150,000 = \$270,000

Incorrect Feedback SUPPORTING CALCULATIONS:
 $\$450,000 + \$180,000 - \$210,000 - \$150,000 = \$270,000$

134. Multiple Choice: Inventory balances for Ray, Inc., in ...

Points: 10

Question

Inventory balances for Ray, Inc., in March 2011 are as follows:

	<u>March 1, 2011</u>	<u>March 31, 2011</u>
Raw materials	\$1,125	\$ 875
Work in process	2,000	1,550
Finished goods	4,500	3,750

During March, purchases of direct materials were \$1,500. Direct labor and factory overhead costs were \$2,500 and \$3,500, respectively.

Conversion costs for March were

Answer

☒

 \$6,000.

☐

 \$7,500.

☐

 \$7,750.

☐

 \$8,200.

Correct Feedback

SUPPORTING CALCULATIONS:
 $\$2,500 + \$3,500 = \$6,000$

Incorrect Feedback

SUPPORTING CALCULATIONS:
 $\$2,500 + \$3,500 = \$6,000$

135. Multiple Choice: Inventory balances for the James Ente...

Points: 10

Question

Inventory balances for the James Enterprises in February 2011 are as follows:

	<u>February 1, 2011</u>	<u>February 28, 2011</u>
Raw materials	\$ 27,000	\$21,000
Work in process	48,000	37,200
Finished goods	108,000	90,000

During February, purchases of direct materials were \$36,000. Direct labor and factory overhead costs were \$60,000 and \$84,000, respectively.

Prime costs for February were

Answer

☐

 \$81,000.

☐

 \$87,000.

☐

 \$96,000.

☒

 \$102,000.

Correct Feedback

SUPPORTING CALCULATIONS:
 $(\$27,000 + \$36,000 - \$21,000) + \$60,000 = \$102,000$

Incorrect Feedback

SUPPORTING CALCULATIONS:
 $(\$27,000 + \$36,000 - \$21,000) + \$60,000 = \$102,000$

136. Multiple Choice: Figure 2-13Inventory balances for the...

Points: 10

Question

Figure 2-13

Inventory balances for the James Enterprises in February 2011 are as follows:

	<u>February 1.</u> <u>2011</u>	<u>February 28.</u> <u>2011</u>
Raw materials	\$ 27,000	\$21,000
Work in process	48,000	37,200
Finished goods	108,000	90,000

During February, purchases of direct materials were \$36,000. Direct labor and factory overhead costs were \$60,000 and \$84,000, respectively.

Refer to Figure 2-13. What is the cost of materials used in production?

- Answer
- ☐

 \$ 36,000
- ☐

 \$ 47,800
- ☐

 \$ 54,000
- ☒

 \$ 42,000

Correct Feedback \$27,000 +\$ 36,000 - \$21,000 = \$42,000

Incorrect Feedback \$27,000 +\$ 36,000 - \$21,000 = \$42,000

137. Multiple Choice: Figure 2-13Inventory balances for the...

Points: 10

Question

Figure 2-13

Inventory balances for the James Enterprises in February 2011 are as follows:

	<u>February 1.</u> <u>2011</u>	<u>February 28.</u> <u>2011</u>
Raw materials	\$ 27,000	\$21,000
Work in process	48,000	37,200
Finished goods	108,000	90,000

During February, purchases of direct materials were \$36,000. Direct labor and factory overhead costs were \$60,000 and \$84,000, respectively.

Refer to Figure 2-13. What are the total manufacturing costs added?

- Answer
- ☒

 \$ 186,000
- ☐

 \$ 180,000
- ☐

 \$ 144,000
- ☐

 \$ 174,200

Correct Feedback \$ 42,000 + \$60,000 + \$84,000 = \$186,000

Incorrect Feedback \$ 42,000 + \$60,000 + \$84,000 = \$186,000

138. Multiple Choice: Figure 2-13Inventory balances for the...

Points: 10

Question

Figure 2-13

Inventory balances for the James Enterprises in February 2011 are as follows:

	February 1. 2011	February 28. 2011
Raw materials	\$ 27,000	\$21,000
Work in process	48,000	37,200
Finished goods	108,000	90,000

During February, purchases of direct materials were \$36,000. Direct labor and factory overhead costs were \$60,000 and \$84,000, respectively.

Refer to Figure 2-13. What is the cost of goods manufactured?

- Answer
- \$ 180,000

\$ 186,000

\$ 194,000

☒ \$ 196, 800

Correct Feedback \$42,000 + \$60,000 + \$84,000 + \$48,000 - \$37,200 = \$196,800

Incorrect Feedback \$42,000 + \$60,000 + \$84,000 + \$48,000 - \$37,200 = \$196,800

139. Multiple Choice: The sum of the total additions to wor...

Points: 10

- Question
- The sum of the total additions to work in process during a period is
- Answer
- ☒ total manufacturing costs added.

factory overhead applied.

material used.

cost of goods manufactured.

140. Multiple Choice: The ending work-in-process inventory ...

Points: 10

- Question
- The ending work-in-process inventory is deducted on the
- Answer
- balance sheet.

☒ statement of cost of goods manufactured.

income statement.

statement of cash flows.

141. Multiple Choice: Cost of goods sold equals cost of goo...

Points: 10

- Question
- Cost of goods sold equals cost of goods manufactured
- Answer
- ☒ when finished goods inventories remain constant.

when work-in-process inventories remain constant.

plus beginning work-in-process inventory minus ending work-in-process inventory.

when materials inventories remain constant.

142. Multiple Choice: The following information has been pr...

Points: 10

- Question
- The following information has been provided:
- Cost of goods manufactured

\$100

Work in process:

Beginning	15
Ending	20
Direct labor	30
Direct materials used	?
Factory overhead	45

What is the amount of direct materials used?

- Answer
- \$25

☒ \$30

\$35

\$100

Correct Feedback

SUPPORTING CALCULATIONS:
\$100 + \$20 - \$15 - \$30 - \$45 = \$30

Incorrect Feedback

SUPPORTING CALCULATIONS:
\$100 + \$20 - \$15 - \$30 - \$45 = \$30

143. Multiple Choice: Inventory balances for Rude, Inc., in...

Points: 10

Question Inventory balances for Rude, Inc., in April 2011 are as follows:

	<u>April 1, 2011</u>	<u>April 30, 2011</u>
Materials	\$ 9,000	\$ 7,000
Work in process	16,000	12,400
Finished goods	36,000	30,000

During April, purchases of direct materials were \$18,000. Direct labor and factory overhead costs were \$20,000 and \$28,000, respectively.

The cost of goods manufactured in April was

- Answer
- \$68,000.

\$77,600.

\$74,000.

☒ \$71,600.

Correct Feedback

SUPPORTING CALCULATIONS:
\$9,000 + \$18,000 - \$7,000 + \$20,000 + \$28,000 + \$16,000 - \$12,400 = \$71,600

Incorrect Feedback

SUPPORTING CALCULATIONS:
\$9,000 + \$18,000 - \$7,000 + \$20,000 + \$28,000 + \$16,000 - \$12,400 = \$71,600

144. Multiple Choice: Selected data concerning the past yea...

Points: 10

Question Selected data concerning the past year's operations of the Beach Corporation are as follows:

Selling and administrative expenses	\$225,000
Direct materials used	397,500
Direct labor (50,000 hours)	450,000
Factory overhead application rate	8 per DLH

<u>Inventories</u>		
	<u>Beginning</u>	<u>Ending</u>
Direct material	\$ 75,000	\$ 67,500
Work in process	112,500	135,000
Finished goods	60,000	37,500
The cost of direct materials purchased is		
Answer	\$397,500.	
	☒ \$390,000.	
	\$367,500.	
	\$405,000.	
Correct Feedback	SUPPORTING CALCULATIONS: \$397,500 + \$67,500 - \$75,000 = <u>\$390,000</u>	
Incorrect Feedback	SUPPORTING CALCULATIONS: \$397,500 + \$67,500 - \$75,000 = <u>\$390,000</u>	

145. Multiple Choice: Figure 2-14Selected data concerning t...Points: 10

Question	Figure 2-14															
	Selected data concerning the past year's operations of the Karl Enterprises are as follows:															
	<table><tr><td>Selling and administrative expenses</td><td>\$75,000</td></tr><tr><td>Direct materials used</td><td>265,000</td></tr><tr><td>Direct labor (25,000 hours)</td><td>300,000</td></tr><tr><td>Factory overhead application rate</td><td>16 per DLH</td></tr></table>	Selling and administrative expenses	\$75,000	Direct materials used	265,000	Direct labor (25,000 hours)	300,000	Factory overhead application rate	16 per DLH							
Selling and administrative expenses	\$75,000															
Direct materials used	265,000															
Direct labor (25,000 hours)	300,000															
Factory overhead application rate	16 per DLH															
	<table><tr><th colspan="3"><u>Inventories</u></th></tr><tr><th></th><th><u>Beginning</u></th><th><u>Ending</u></th></tr><tr><td>Direct materials</td><td>\$50,000</td><td>\$45,000</td></tr><tr><td>Work in process</td><td>75,000</td><td>90,000</td></tr><tr><td>Finished goods</td><td>40,000</td><td>25,000</td></tr></table>	<u>Inventories</u>				<u>Beginning</u>	<u>Ending</u>	Direct materials	\$50,000	\$45,000	Work in process	75,000	90,000	Finished goods	40,000	25,000
<u>Inventories</u>																
	<u>Beginning</u>	<u>Ending</u>														
Direct materials	\$50,000	\$45,000														
Work in process	75,000	90,000														
Finished goods	40,000	25,000														
	Refer to Figure 2-14. What is the cost of goods manufactured?															
Answer	\$ 965,000 \$1,115,000 ☒ \$ 950,000 \$ 955,000															
Correct Feedback	SUPPORTING CALCULATIONS: \$265,000 + \$300,000 + \$400,000 + \$75,000 - \$90,000 = <u>\$950,000</u>															
Incorrect Feedback	SUPPORTING CALCULATIONS: \$265,000 + \$300,000 + \$400,000 + \$75,000 - \$90,000 = <u>\$950,000</u>															

146. Multiple Choice: Figure 2-14Selected data concerning t...Points: 10

Question	Figure 2-14
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Selected data concerning the past year's operations of the Karl Enterprises are as follows:

Selling and administrative expenses	\$75,000
Direct materials used	265,000
Direct labor (25,000 hours)	300,000
Factory overhead application rate	16 per DLH

<u>Inventories</u>		
	<u>Beginning</u>	<u>Ending</u>
Direct materials	\$50,000	\$45,000
Work in process	75,000	90,000
Finished goods	40,000	25,000

Refer to Figure 2-14. What is the cost of goods sold?

Answer	\$ 565,000	
	\$ 950,000	
	☒ \$ 965,000	
	\$ 980,000	
Correct Feedback	\$265,000 + \$ 300,000 + \$400,000 + \$75,000 - \$90,000 + \$40,000 - \$25,000 = \$965,000	
Incorrect Feedback	\$265,000 + \$ 300,000 + \$400,000 + \$75,000 - \$90,000 + \$40,000 - \$25,000 = \$965,000	

147. Multiple Choice: The cost of units completed during a ...

Points: 10

Question	The cost of units completed during a period is called
Answer	cost of goods sold.
	☒ cost of goods manufactured.
	current manufacturing costs.
	finished goods inventory.

148. Multiple Choice: Selected data concerning the past yea...

Points: 10

Question	Selected data concerning the past year's operations of the Wood Corporation are as follows:	
	Selling and administrative expenses	\$300,000
	Direct materials used	530,000
	Direct labor (100,000 hours)	600,000
	Factory overhead application rate	5 per DLH
	<u>Inventories</u>	
	<u>Beginning</u>	<u>Ending</u>
	Work in	\$150,000 \$160,000

	process		
	Finished goods	80,000	50,000
	The cost of goods sold is		
Answer	\$1,630,000.		
	\$1,880,000.		
	\$1,600,000.		
	☒ \$1,650,000.		
Correct Feedback	SUPPORTING CALCULATIONS: \$530,000 + \$600,000 + \$500,000 + \$150,000 - \$160,000 + \$80,000 - \$50,000 = <u>\$1,650,000</u>		
Incorrect Feedback	SUPPORTING CALCULATIONS: \$530,000 + \$600,000 + \$500,000 + \$150,000 - \$160,000 + \$80,000 - \$50,000 = <u>\$1,650,000</u>		

149. Multiple Choice: The following information has been pr...

Points: 10

Question	The following information has been provided:		
	Cost of goods manufactured		\$75
	Work in process		
	Beginning		12
	Ending		14
	Direct labor		40
	Materials placed in production		15
	Factory overhead		?
	What is the amount of factory overhead?		
Answer	\$20		
	☒ \$22		
	\$14		
	\$55		
Correct Feedback	SUPPORTING CALCULATIONS: \$75 + \$14 - \$12 - \$40 - \$15 = <u>\$22</u>		
Incorrect Feedback	SUPPORTING CALCULATIONS: \$75 + \$14 - \$12 - \$40 - \$15 = <u>\$22</u>		

150. Multiple Choice: Assume the following information:Net ...

Points: 10

Question	Assume the following information:		
	Net direct materials purchase cost		\$225,000
	Total direct materials used		275,000
	Beginning direct materials inventory		125,000
	The ending direct materials inventory is		
Answer	\$175,000.		
	☒ \$ 75,000.		

	\$ 50,000.
	\$100,000.
Correct Feedback	SUPPORTING CALCULATIONS: $\$125,000 + \$225,000 - \$275,000 = \$75,000$
Incorrect Feedback	SUPPORTING CALCULATIONS: $\$125,000 + \$225,000 - \$275,000 = \$75,000$

151. Multiple Choice: Newton Company recently had a fire in...

Points: 10

Question	Newton Company recently had a fire in its accounting office, destroying most of its records. Only the following information could be salvaged for 2011: <table><tr><td>Direct labor</td><td>\$400,000</td></tr><tr><td>Factory overhead</td><td>200,000</td></tr><tr><td>Cost of goods sold</td><td>800,000</td></tr><tr><td>Work in process, January 1</td><td>80,000</td></tr><tr><td>Finished goods, January 1</td><td>160,000</td></tr><tr><td>Work in process, December 31</td><td>100,000</td></tr><tr><td>Finished goods, December 31</td><td>120,000</td></tr></table> The cost of direct materials used in production during 2011 is	Direct labor	\$400,000	Factory overhead	200,000	Cost of goods sold	800,000	Work in process, January 1	80,000	Finished goods, January 1	160,000	Work in process, December 31	100,000	Finished goods, December 31	120,000
Direct labor	\$400,000														
Factory overhead	200,000														
Cost of goods sold	800,000														
Work in process, January 1	80,000														
Finished goods, January 1	160,000														
Work in process, December 31	100,000														
Finished goods, December 31	120,000														
Answer	\$140,000. ☒ \$180,000. \$200,000. \$260,000.														
Correct Feedback	SUPPORTING CALCULATIONS: $\$800,000 + \$120,000 - \$160,000 + \$100,000 - \$80,000 - \$400,000 - \$200,000 = \$180,000$														
Incorrect Feedback	SUPPORTING CALCULATIONS: $\$800,000 + \$120,000 - \$160,000 + \$100,000 - \$80,000 - \$400,000 - \$200,000 = \$180,000$														

152. Multiple Choice: The cost of goods sold for a manufact...

Points: 10

Question	The cost of goods sold for a manufacturing firm for the month of January was \$90,000. The finished goods inventory was \$15,000 on January 1 and \$17,500 on January 31. Beginning and ending work-in-process inventories were \$20,000 and \$25,000, respectively. What was the cost of goods manufactured during January?
Answer	☒ \$92,500 \$90,000 \$87,500 \$97,500
Correct Feedback	SUPPORTING CALCULATIONS: $\$90,000 + \$17,500 - \$15,000 = \$92,500$
Incorrect Feedback	SUPPORTING CALCULATIONS: $\$90,000 + \$17,500 - \$15,000 = \$92,500$

153. Multiple Choice: Figure 2-15Information from the recor...

Points: 10

Question

Figure 2-15

Information from the records of the Tyler Enterprises for March 2011 is as follows:

Sales	\$41,000
Direct labor	10,000
Selling and administrative expenses	7,000
Direct materials purchases	6,000
Factory overhead	13,500

Inventories		
	<u>March 1,</u> <u>2011</u>	<u>March 31,</u> <u>2011</u>
Direct materials	\$1,200	\$1,400
Work in process	2,500	2,800
Finished goods	2,300	1,900

Refer to Figure 2-15. What was the cost of materials used in production?

- Answer
- ☐

 \$ 6,200
- ☐

 \$ 6,000
- ☒

 \$ 5,800
- ☐

 \$19,500

Correct Feedback \$6,000 + \$1,200 - \$1,400 = \$5,800

Incorrect Feedback \$6,000 + \$1,200 - \$1,400 = \$5,800

154. Multiple Choice: Figure 2-15Information from the recor...

Points: 10

Question

Figure 2-15

Information from the records of the Tyler Enterprises for March 2011 is as follows:

Sales	\$41,000
Direct labor	10,000
Selling and administrative expenses	7,000
Direct materials purchases	6,000
Factory overhead	13,500

Inventories		
	<u>March 1,</u> <u>2011</u>	<u>March 31,</u> <u>2011</u>
Direct materials	\$1,200	\$1,400
Work in process	2,500	2,800
Finished goods	2,300	1,900

Refer to Figure 2-15. Tyler Enterprises' cost of goods manufactured in March is

Answer

\$29,300.

\$29,700.

\$29,200.

☒ \$29,000.

Correct Feedback

SUPPORTING CALCULATIONS:
(\$1,200 + \$6,000 - \$1,400) + \$10,000 + \$13,500 + \$2,500 - \$2,800
= \$29,000

Incorrect Feedback

SUPPORTING CALCULATIONS:
(\$1,200 + \$6,000 - \$1,400) + \$10,000 + \$13,500 + \$2,500 - \$2,800
= \$29,000

155. Multiple Choice: Figure 2-15Information from the recor...Points: 10

Question

Figure 2-15

Information from the records of the Tyler Enterprises for March 2011 is as follows:

Sales	\$41,000
Direct labor	10,000
Selling and administrative expenses	7,000
Direct materials purchases	6,000
Factory overhead	13,500

Inventories

	<u>March 1,</u> <u>2011</u>	<u>March 31,</u> <u>2011</u>
Direct materials	\$1,200	\$1,400
Work in process	2,500	2,800
Finished goods	2,300	1,900

Refer to Figure 2-15. What are the total manufacturing costs added?

Answer

\$18,500

\$19,300

\$29,000

☒ \$29,300

Correct Feedback

\$6,000 + \$1,200 - \$1,400 + \$10,000 + \$13,500 = \$29,300

Incorrect Feedback

\$6,000 + \$1,200 - \$1,400 + \$10,000 + \$13,500 = \$29,300

156. Multiple Choice: Figure 2-15Information from the recor...Points: 10

Question

Figure 2-15

Information from the records of the Tyler Enterprises for March 2011 is as follows:

Sales	\$41,000
Direct labor	10,000
Selling and administrative expenses	7,000

	<u>March 1,</u> <u>2011</u>	<u>March 31,</u> <u>2011</u>
Direct materials	\$1,200	\$1,400
Work in process	2,500	2,800
Finished goods	2,300	1,900

Refer to Figure 2-15. What is the gross margin (profit)?

Answer \$11,500
☒ \$11,600
 \$ 4,500
 \$ 4,600

Correct Feedback \$41,000 - (\$1,200 + \$6,000 - \$1,400) + \$10,000 + \$13,500 + \$2,500 - \$2,800 + \$2,300 - \$1,900 = \$11,600

Incorrect Feedback $\$41,000 - (\$1,200 + \$6,000 - \$1,400) + \$10,000 + \$13,500 + \$2,500 - \$2,800 + \$2,300 - \$1,900 = \$11,600$

Points: 10

Question

Figure 2-15

Information from the records of the Tyler Enterprises for March 2011 is as follows:

Sales	\$41,000
Direct labor	10,000
Selling and administrative expenses	7,000
Direct materials purchases	6,000
Factory overhead	13,500

	<u>March 1,</u> <u>2011</u>	<u>March 31,</u> <u>2011</u>
Direct materials	\$1,200	\$1,400
Work in process	2,500	2,800
Finished goods	2,300	1,900

Refer to Figure 2-15. What is the cost of goods sold?

Answer \$ 36,500
☒ \$ 29,400
 \$ 28,600
 \$ 29,500

Correct Feedback $(\$1,200 + \$6,000 - \$1,400) + \$10,000 + \$13,500 + \$2,500 - \$2,800 + \$2,300 - \$1,900 = \$29,400$

Incorrect Feedback $(\$1,200 + \$6,000 - \$1,400) + \$10,000 + \$13,500 + \$2,500 - \$2,800 + \$2,300 - \$1,900 = \$29,400$

158. Multiple Choice: Assume the following information for ...

Points: 10

Question

Assume the following information for Knight Corporation for the year ended December 31, 2011:

Sales

\$2,250

Cost of goods manufactured for the year

1,350

Beginning finished goods inventory

450

Ending finished goods inventory

495

Selling and administrative expenses

300

What is the cost of goods sold for the year ended December 31, 2006?

Answer

☒ \$1,305

☐ \$1,605

☐ \$1,350

☐ \$1,650

Correct Feedback

SUPPORTING CALCULATIONS:
\$1,350 + 450 - \$495 = \$1,305

Incorrect Feedback

SUPPORTING CALCULATIONS:
\$1,350 + 450 - \$495 = \$1,305

159. Multiple Choice: Assume the following data for Gross, ...

Points: 10

Question

Assume the following data for Gross, Inc., for February:

Beginning finished goods inventory

\$ 60,000

Beginning work-in-process inventory

40,000

Ending work-in-process inventory

80,000

Ending finished goods inventory

50,000

Factory overhead costs

200,000

Direct materials used

160,000

Direct labor

100,000

What is the cost of goods manufactured for February?

Answer

☐ \$470,000

☒ \$420,000

☐ \$460,000

☐ \$430,000

Correct Feedback

SUPPORTING CALCULATIONS:
\$160,000 + \$100,000 + \$200,000 + \$40,000 - \$80,000 = \$420,000

Incorrect Feedback

SUPPORTING CALCULATIONS:
\$160,000 + \$100,000 + \$200,000 + \$40,000 - \$80,000 = \$420,000

160. Multiple Choice: Assume the following information:Dire...

Points: 10

Question

Assume the following information:

Direct materials used	\$ 90,000
Direct labor	130,000
Factory overhead	150,000
Beginning work-in-process inventory	15,000
Beginning finished goods inventory	20,000
Ending work-in-process inventory	42,000
Selling and administrative expenses	37,500

What was the cost of goods manufactured during the year?

Answer

- \$370,000
- \$365,000
- ☒ \$343,000
- \$333,000

Correct Feedback

SUPPORTING CALCULATIONS:
 $\$90,000 + \$130,000 + \$150,000 + \$15,000 - \$42,000 = \$343,000$

Incorrect Feedback

SUPPORTING CALCULATIONS:
 $\$90,000 + \$130,000 + \$150,000 + \$15,000 - \$42,000 = \$343,000$

161. Multiple Choice: Which of the following items would NO...

Points: 10

Question

Which of the following items would NOT appear on an income statement of a service organization?

Answer

- selling expenses
- ☒ cost of goods sold
- administrative expenses
- gross margin

162. Multiple Choice: Which of the following items is NEVER...

Points: 10

Question

Which of the following items is NEVER relevant to the cost flows of a service organization?

Answer

- ☒ finished goods inventory
- materials inventory
- work-in-process inventory
- All of these are always relevant.

163. Multiple Choice: Which of the following is NOT an exam...

Points: 10

Question

Which of the following is NOT an example of a difference between the income statement of a service organization and the income statement of a manufacturing organization?

Answer

- ☒ A service company will never have work in process.
- The service company will not have a finished goods inventory.
- Fulfillment costs may be added to cost of goods sold of a service company.

Research and development expenses are not usually a major component of a service organization.

164. Multiple Choice: Assume the following data for Graham ...

Points: 10

Question

Assume the following data for Graham Services, an architecture firm, for February:

Beginning materials inventory	\$ 20,000
Beginning work-in-process inventory	40,000
Ending work-in-process inventory	50,000
Ending materials inventory	10,000
Actual overhead costs	100,000
Direct materials used	60,000
Direct labor	200,000

What is the cost of services sold for February?

Answer

☐

\$370,000

☒

\$350,000

☐

\$360,000

☐

\$330,000

Correct Feedback

SUPPORTING CALCULATIONS:
\$60,000 + \$200,000 + \$100,000 + \$40,000 - \$50,000 = \$350,000

Incorrect Feedback

SUPPORTING CALCULATIONS:
\$60,000 + \$200,000 + \$100,000 + \$40,000 - \$50,000 = \$350,000

165. Multiple Choice: Figure 2-16An appliance repair shop p...

Points: 10

Question

Figure 2-16
An appliance repair shop purchased materials costing \$9,000 in May. The beginning inventory of material parts was \$4,500 and the ending inventory of material parts was \$4,000. Payments for direct labor for May totaled \$27,000, secretarial costs were \$2,000, and overhead of \$5,000 was incurred. In addition, \$5,000 was spent on advertising and \$2,000 for the franchise name. Revenue for May was \$50,000.

Refer to Figure 2-16. What is the cost of services sold for May?

Answer

☒

\$41,500

☐

\$43,500

☐

\$50,500

☐

\$40,500

Correct Feedback

SUPPORTING CALCULATIONS:
\$9,000 + \$4,500 - \$4,000 + \$27,000 + \$5,000 = \$41,500

Incorrect Feedback

SUPPORTING CALCULATIONS:
\$9,000 + \$4,500 - \$4,000 + \$27,000 + \$5,000 = \$41,500

166. Multiple Choice: Figure 2-16An appliance repair shop p...

Points: 10

Question

Figure 2-16
An appliance repair shop purchased materials costing \$9,000 in May. The beginning inventory of material parts was \$4,500 and the

ending inventory of material parts was \$4,000. Payments for direct labor for May totaled \$27,000, secretarial costs were \$2,000, and overhead of \$5,000 was incurred. In addition, \$5,000 was spent on advertising and \$2,000 for the franchise name. Revenue for May was \$50,000.

Refer to Figure 2-16. What is the gross margin for May?

- Answer
- \$41,500

\$43,500

\$ 1,500

☒ \$ 8,500

Correct Feedback

SUPPORTING CALCULATIONS:
COSS = \$9,000 + \$4,500 - \$4,000 + \$27,000 + \$5,000 = \$41,500

GM = \$50,000 - 41,500 = \$8,500

Incorrect Feedback

SUPPORTING CALCULATIONS:
COSS = \$9,000 + \$4,500 - \$4,000 + \$27,000 + \$5,000 = \$41,500

GM = \$50,000 - 41,500 = \$8,500

167. Multiple Choice: _____ is (are) a cost accou...

Points: 10

Question

_____ is (are) a cost accounting system that uses only unit-based activity drivers to assign costs to cost objects.

- Answer
- Activity-based management

Activity-based costing system

☒ Functional-based cost management system

Both a and b

168. Multiple Choice: Which of the following would be assoc...

Points: 10

Question

Which of the following would be associated with a functional-based cost accounting information system?

- Answer
- setup costs assigned to products using the number of setups as the driver

☒ purchasing costs assigned to products using number of direct labor hours as the activity driver

customer service costs assigned to products using the number of complaints as the activity driver

materials handling costs assigned to products using the number of moves as the activity driver

169. Multiple Choice: In a functional-based management syst...

Points: 10

Question

In a functional-based management system, one is NOT likely to find

- Answer
- ☒ unit- and non-unit-based cost drivers.

maximization of individual unit performance.

narrow and rigid product costing.

allocation intensive cost assignment.

170. Multiple Choice: Which of the following items would be...

Points: 10

Question

Which of the following items would be associated with both a functional-based cost accounting information system and an activity based cost

information system?

- Answer**
- Overhead is assigned on a plant-wide rate based on direct labor hours.

Customer service costs are assigned to products using number of complaints as the activity driver.

☒ Direct labor cost is assigned to products using direct tracing.

None of these.

171. Multiple Choice: _____ focuses on the manage...

Points: 10

Question _____ focuses on the management of activities with the objective of improving the value received by the customer and the profit received by providing this value.

- Answer**
- ☒ Activity-based management

Contemporary cost control

Functional-based cost management system

JIT

172. Multiple Choice: In a cost management system, the proc...

Points: 10

Question In a cost management system, the process view does NOT include

- Answer**
- ☒ resources.

activities.

driver analysis.

performance analysis.

173. Multiple Choice: In a cost management system, the cost...

Points: 10

Question In a cost management system, the cost view does NOT include

- Answer**
- resources.

activities.

☒ driver analysis.

products and customers.

174. Multiple Choice: Which is NOT a benefit of an activity...

Points: 10

Question Which is NOT a benefit of an activity-based cost management system?

- Answer**
- greater product costing accuracy

☒ increased cost of implementing the system

improved decision making

enhanced strategic planning

175. Multiple Choice: In an activity-based management syste...

Points: 10

Question In an activity-based management system, one is NOT likely to find

- Answer**
- tracing of costs to activities.

☒ only unit-based drivers.

broad flexible product costing.

systemwide performance maximization.

176. Multiple Choice: Which of the following is NOT a trait...

Points: 10

Question

Which of the following is NOT a trait of a functional-based cost management system?

Answer

unit-based drivers

☒ focus on managing activities

allocation-intensive

narrow and rigid product costing

177. Multiple Choice: Which of the following is a trait of ...

Points: 10

Question

Which of the following is a trait of a functional-based cost management system?

Answer

☒ unit-based drivers

tracing intensive

use of both financial and nonfinancial measures of performance

detailed activity information

178. Multiple Choice: Which of the following is a trait of ...

Points: 10

Question

Which of the following is a trait of an activity-based cost management system?

Answer

allocation-intensive

narrow and rigid product costing

☒ non-unit-based drivers

focus on managing costs

179. Multiple Choice: The optimal level in the trade-off be...

Points: 10

Question

The optimal level in the trade-off between measurement and error costs is when

Answer

measurement costs are greater than error costs.

measurement costs are less than error costs.

☒ measurement costs equal error costs.

the total of measurement costs and error costs are maximized.

180. Multiple Choice: Error costs can be defined as

Points: 10

Question

Error costs can be defined as

Answer

the costs associated with the measurements required by the cost management system.

unit costs assigned based on activities.

☒ the costs associated with making poor decisions based on bad cost information.

none of these

181. Multiple Choice: Cost behavior analysis focuses on how...

Points: 10

Question

Cost behavior analysis focuses on how costs

Answer react to changes in profit.
change over time.
☒ react to changes in activity level.
both a and c.

182. Multiple Choice: _____ explain changes in costs a...

Points: **10**

Question _____ explain changes in costs as units produced change.

Answer Non-unit-level drivers
Activity based cost drivers
☒ Unit-level drivers
All of these

183. Multiple Choice: _____ explain changes in costs a...

Points: **10**

Question _____ explain changes in costs as factors other than changes in units produced.

Answer Functional based cost drivers
☒ Non-unit-based cost drivers
Unit-based cost drivers
None of these

184. Multiple Choice: In a traditional cost management syst...

Points: **10**

Question In a traditional cost management system, cost behavior is assumed to be driven only by

Answer ☒ unit based cost drivers.
non-unit level cost drivers.
activity-based cost drivers.
none of these.

185. Multiple Choice: Which of the following would be an ex...

Points: **10**

Question Which of the following would be an example of a unit-based cost driver?

Answer engineering orders
☒ direct labor hours
inspection hours
material moves

186. Multiple Choice: A supervisor's salary of \$2,000 ...

Points: **10**

Question A supervisor's salary of \$2,000 per month is an example of a

Answer ☒ fixed cost.
variable cost.
step cost.
mixed cost.

187. Multiple Choice: When the volume of activity increases...

Points: **10**

Question

When the volume of activity increases within the relevant range, the fixed cost per unit

Answer

☒ decreases.

☐ decreases at first, then increases.

☐ remains the same.

☐ increases.

188. Multiple Choice: Fixed cost per unit is \$9 when 20,000...

Points: 10

Question

Fixed cost per unit is \$9 when 20,000 units are produced and \$6 when 30,000 units are produced. What is the total fixed cost when nothing is produced?

Answer

☐ \$120,000

☐ \$270,000

☐ \$15

☒ \$180,000

Correct Feedback

SUPPORTING CALCULATIONS:
 $\$9 \times 20,000 = \$180,000$

Incorrect Feedback

SUPPORTING CALCULATIONS:
 $\$9 \times 20,000 = \$180,000$

189. Multiple Choice: The range of activity within which a ...

Points: 10

Question

The range of activity within which a linear cost function is valid is called the

Answer

☐ normal range.

☒ relevant range.

☐ activity range.

☐ none of these.

190. Multiple Choice: Assuming costs are represented on the...

Points: 10

Question

Assuming costs are represented on the vertical axis and volume of activity on the horizontal axis, which of the following costs would be represented by a line that is parallel to the horizontal axis?

Answer

☐ total direct material costs

☐ a consultant paid \$75 per hour with a maximum fee of \$1,200

☐ employees who are paid \$10 per hour and guaranteed a minimum weekly wage of \$200

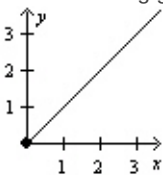
☒ rent on exhibit space at a convention

191. Multiple Choice: Given the following graphs, which gra...

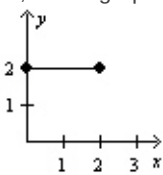
Points: 10

Question

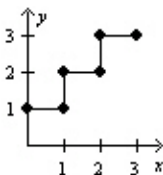
Given the following graphs, which graph represents fixed costs?



I



II



III

Answer

☒

 II

☐

 I

☐

 III

☐

 none of these

192. Multiple Choice: As the volume of activity increases w...

Points: 10

Question

As the volume of activity increases within the relevant range, the variable cost per unit

Answer

☐

 decreases.

☐

 decreases at first, then increases.

☒

 remains the same.

☐

 increases.

193. Multiple Choice: A manufacturing company pays an assem...

Points: 10

Question

A manufacturing company pays an assembly line worker \$10 per hour. What is the proper classification of this labor cost?

Answer

☐

 fixed cost

☐

 semivariable cost

☒

 variable cost

☐

 mixed cost

194. Multiple Choice: The direct material cost is \$10,000 w...

Points: 10

Question

The direct material cost is \$10,000 when 2,000 units are produced. What is the direct material cost for 2,500 units produced?

Answer

☐

 \$10,000

☐

 \$ 8,000

☐

 \$15,000

☒

 \$12,500

Correct Feedback

SUPPORTING CALCULATIONS:
\$10,000/2,000 ´ 2,500 = \$12,500

Incorrect Feedback

SUPPORTING CALCULATIONS:
\$10,000/2,000 ´ 2,500 = \$12,500

195. Multiple Choice: Holly Corporation has the following c...

Points: 10

Question

Holly Corporation has the following costs for 1,000 units:

	Total Cost	Cost per Unit
Direct materials	\$ 1,500	\$ 1.50
Direct labor	7,500	7.50
Depreciation on building	30,000	30.00

What is the total amount of direct materials for 100 units?

Answer

☐

 \$ 1.50

☐

 \$ 3.00

☒

 \$150.00

☐

 \$225.00

Correct Feedback SUPPORTING CALCULATIONS:
100 ´ \$1.50 = \$150

Incorrect Feedback SUPPORTING CALCULATIONS:
100 ´ \$1.50 = \$150

196. Multiple Choice: Which of the following costs is a var...

Points: **10**

Question Which of the following costs is a variable cost?

- Answer**
- supervisors' salaries
 - research and development
 - ☒ materials used in production
 - rent

197. Multiple Choice: Direct materials are an example of a

Points: **10**

Question Direct materials are an example of a

- Answer**
- fixed cost.
 - ☒ variable cost.
 - step cost.
 - mixed cost.

198. Multiple Choice: Which of the following statements is ...

Points: **10**

Question Which of the following statements is TRUE about fixed and variable costs?

- Answer**
- Both costs are constant when considered on a per-unit basis.
 - Both costs are constant when considered on a total basis.
 - ☒ Fixed costs are constant in total and variable costs are constant per unit.
 - Variable costs are constant in total and fixed costs are constant per unit.

199. Multiple Choice: A steep slope in the variable cost li...

Points: **10**

Question A steep slope in the variable cost line indicates a

- Answer**
- low variable cost per unit.
 - ☒ high influence of activity on total variable costs.
 - low influence of activity on total variable costs.
 - large amount of fixed costs.

200. Multiple Choice: Which of the following statements is ...

Points: **10**

Question Which of the following statements is TRUE about relevant range?

- Answer**
- When costs reach a level above the relevant range, they are considered appropriate for analysis.
 - ☒ Linear estimates of an economist's curvilinear cost function is only valid within the relevant range.
 - When costs reach a level below the relevant range, they are considered appropriate for analysis.
 - The nonlinear relevant range is ignored, and only those costs outside of this range may be considered.

201. Multiple Choice: Which of the following is NOT a corre...

Points: 10

Question

Which of the following is NOT a correct statement concerning cost behavior?

Answer

In the long run, all costs are variable.

Variable costs increase in total in relation to the activity driver.

Unit fixed costs increase or decrease inversely in relation to the activity driver.

☒ All of these

202. Multiple Choice: The linearity assumption is most like...

Points: 10

Question

The linearity assumption is most likely to be a close approximation for an underlying nonlinear cost function

Answer

☒ within a relevant range of activity.

over the long run.

for short-run periods.

both a and c.

203. Multiple Choice: Mixed costs, by definition, contain both

Points: 10

Question

Mixed costs, by definition, contain both

Answer

product and period costs.

☒ fixed and variable costs.

direct and indirect costs.

controllable and noncontrollable costs.

204. Multiple Choice: Assuming costs are represented on the...

Points: 10

Question

Assuming costs are represented on the vertical axis and volume of activity on the horizontal axis, which of the following costs would be represented by a line that starts at the origin and reaches a maximum value beyond which the line is parallel to the horizontal axis?

Answer

total direct material costs

☒ a consultant paid \$100 per hour with a maximum fee of \$2,000

employees who are paid \$15 per hour and guaranteed a minimum weekly wage of \$300

rent on exhibit space at a convention.

205. Multiple Choice: Adams Corporation rents a truck for a...

Points: 10

Question

Adams Corporation rents a truck for a flat fee plus an additional charge per mile. What type of cost is the rent?

Answer

fixed cost

☒ mixed cost

variable cost

step cost

206. Multiple Choice: If production volume increases from 8...

Points: 10

Question	If production volume increases from 8,000 to 10,000 units,
Answer	total costs will increase by 20 percent. total costs will increase by 25 percent. ☒ total variable costs will increase by 25 percent. mixed and variable costs will increase by 25 percent.

207. Multiple Choice: Boss Company currently leases a deliv... Points: 10

Question	Boss Company currently leases a delivery van from Check Enterprises for a fee of \$250 per month plus \$0.40 per mile. Management is evaluating the desirability of switching to a modern, fuel-efficient van, which can be leased from David, Inc., for a fee of \$600 per month plus \$0.05 per mile. All operating costs and fuel are included in the rental fees. In general, a lease from
Answer	David, Inc., is economically preferable to a lease from Check Enterprises regardless of the monthly use. ☒ Check Enterprises is economically preferable below 1,000 miles per month. Check Enterprises is economically preferable to a lease from David, Inc., regardless of the monthly use. Check Enterprises is economically preferable above 1,000 miles per month.

208. Multiple Choice: An equipment lease that specifies a p... Points: 10

Question	An equipment lease that specifies a payment of \$5,000 per month plus \$8 per machine hour used is an example of a
Answer	fixed cost. variable cost. step cost. ☒ mixed cost.

209. Multiple Choice: Figure 3-1ALF Systems undertakes its ... Points: 10

Question	Figure 3-1 ALF Systems undertakes its own machine maintenance. The depreciation on the equipment is \$20,000 per year and operating cost is \$2 per machine hour. Last year 275,000 machine hours were used to produce 100,000 units. See Figure 3-1. Develop a cost equation for the total machine maintenance cost.
Answer	Y= \$275,000 Y = \$20,000 ☒ Y = \$20,000 + \$2 MHR Y = \$2 MHR
Correct Feedback	Y = \$20,000 + 2 MHR
Incorrect Feedback	Y = \$20,000 + 2 MHR

210. Multiple Choice: Figure 3-1ALF Systems undertakes its ... Points: 10

Question	Figure 3-1
----------	------------

ALF Systems undertakes its own machine maintenance. The depreciation on the equipment is \$20,000 per year and operating cost is \$2 per machine hour. Last year 275,000 machine hours were used to produce 100,000 units.

Refer to Figure 3-1. Compute the total variable machine maintenance cost last year.

Answer	\$275,000
	\$240,000
	\$220,000
	☒ \$550,000

Correct Feedback TVC = \$2 (275,000) = \$550,000

Incorrect Feedback TVC = \$2 (275,000) = \$550,000

211. Multiple Choice: Figure 3-1ALF Systems undertakes its ...

Points: 10

Question Figure 3-1

ALF Systems undertakes its own machine maintenance. The depreciation on the equipment is \$20,000 per year and operating cost is \$2 per machine hour. Last year 275,000 machine hours were used to produce 100,000 units.

See Figure 3-1. Compute the total machine maintenance cost for last year.

Answer	☒ \$570,000
	\$550,000
	\$420,000
	\$20,000

Correct Feedback Y = \$20,000 + \$2 (275,000) = \$570,000

Incorrect Feedback Y = \$20,000 + \$2 (275,000) = \$570,000

212. Multiple Choice: Figure 3-1ALF Systems undertakes its ...

Points: 10

Question Figure 3-1

ALF Systems undertakes its own machine maintenance. The depreciation on the equipment is \$20,000 per year and operating cost is \$2 per machine hour. Last year 275,000 machine hours were used to produce 100,000 units.

See Figure 3-1. What is the total maintenance cost per unit produced?

Answer	\$0.55
	\$4.20
	\$5.50
	☒ \$5.70

Correct Feedback Y = \$20,000 + \$2(275,000)/ 100,000 = \$5.70 per unit

Incorrect Feedback Y = \$20,000 + \$2(275,000)/ 100,000 = \$5.70 per unit

213. Multiple Choice: Figure 3-1ALF Systems undertakes its ...

Points: 10

Question Figure 3-1

ALF Systems undertakes its own machine maintenance. The depreciation on the equipment is \$20,000 per year and operating

cost is \$2 per machine hour. Last year 275,000 machine hours were used to produce 100,000 units.

See Figure 3-1. If 300,000 machine hours had been worked last year, what would be the total machine maintenance cost?

- Answer
- \$600,000

☒ \$620,000

\$420,000

\$220,000

Correct Feedback $Y = \$20,000 + \$2(300,000) = \$620,000$

Incorrect Feedback $Y = \$20,000 + \$2(300,000) = \$620,000$

214. Multiple Choice: The efficient level of activity perfo...

Points: 10

Question The efficient level of activity performance is called

- Answer
- activity capacity.

☒ practical capacity.

unused capacity.

acquired capacity.

215. Multiple Choice: If all the activity capacity acquired...

Points: 10

Question If all the activity capacity acquired is not used, this is an example of

- Answer
- practical capacity.

activity capacity.

☒ unused capacity.

ideal capacity.

216. Multiple Choice: Flexible resources

Points: 10

Question Flexible resources

- Answer
- are supplied as needed.

are acquired from outside sources, not requiring a long-term commitment.

have no unused capacity.

☒ all of these.

217. Multiple Choice: Committed resources

Points: 10

Question Committed resources

- Answer
- are supplied as needed.

are acquired by a contract for the exact amount of their usage.

☒ may exceed the demand for their usage.

all of these.

218. Multiple Choice: Which of the following is an example ...

Points: 10

Question Which of the following is an example of a committed fixed expense?

- Answer
- ☒ depreciation on a factory building

supervisor's salary

direct labor

insurance on a building

219. Multiple Choice: _____ result when organizat...

Points: **10**

Question _____ result when organizations acquire many multiperiod service capacities by paying cash up front or by entering into an explicit contract that requires periodic cash payments.

- Answer**
- Managed fixed expenses
 - ☒ Committed fixed expenses
 - Discretionary fixed expenses
 - Period expenses

220. Multiple Choice: _____ are those that are ac...

Points: **10**

Question _____ are those that are acquired from outside sources, where the terms of acquisition do NOT require any long-term commitment for any given amount of the resource.

- Answer**
- ☒ Flexible resources
 - Committed resources
 - Discretionary fixed expenses
 - Committed fixed expenses

221. Multiple Choice: _____ are costs incurred th...

Points: **10**

Question _____ are costs incurred that provide long-term activity capacity, usually as the result of strategic planning.

- Answer**
- Discretionary fixed expenses
 - ☒ Committed fixed expenses
 - Mixed costs
 - Step-variable costs

222. Multiple Choice: Which of the following is an example ...

Points: **10**

Question Which of the following is an example of a discretionary fixed expense?

- Answer**
- direct labor
 - depreciation on a factory building
 - ☒ insurance on a building
 - property taxes on a factory building

223. Multiple Choice: _____ are costs incurred fo...

Points: **10**

Question _____ are costs incurred for the acquisition of short-run activity capacity, usually as the result of yearly planning.

- Answer**
- ☒ Discretionary fixed expenses
 - Committed fixed expenses
 - Mixed costs
 - Step-variable costs

224. Multiple Choice: When a firm acquires the resources ne...

Points: **10**

Question When a firm acquires the resources needed to perform an activity, it is obtaining

Answer practical capacity.
resource usage.
☒ activity capacity.
unused capacity.

225. Multiple Choice: The activity-based resource usage mod...

Points: **10**

Question The activity-based resource usage model improves managerial control and decision making such as

Answer ☒ the best way to use excess activity capacity in the system.
maximization of individual unit performance.
increasing the allocation of costs.
focusing on managing costs rather than activities.

226. Multiple Choice: A hospital requires one nurse for eac...

Points: **10**

Question A hospital requires one nurse for each eight patients. This is an example of a

Answer fixed cost.
variable cost.
☒ step cost.
mixed cost.

227. Multiple Choice: Which of the following is an example ...

Points: **10**

Question Which of the following is an example of a step-fixed cost?

Answer ☒ cost of disposable surgical scissors, which are purchased in increments of 100
cost of soaking solution to clean jewelry (Each jar can soak 50 rings before losing effectiveness.)
cost of tuition at \$300 per credit hour up to 15 credit hours (Hours taken in excess of 15 hours are free.)
cost of disposable gowns used by patients in a hospital

228. Multiple Choice: Salaries paid to shift supervisors ar...

Points: **10**

Question Salaries paid to shift supervisors are an example of a

Answer step-variable cost.
☒ step-fixed cost.
variable cost.
mixed cost.

229. Multiple Choice: Figure 3-2A company usually processes...

Points: **10**

Question **Figure 3-2**
A company usually processes 20,000 orders at a total cost of \$300,000. During the year, only 16,000 orders were processed.

Refer to Figure 3-2. What is the cost of unused activity?

- Answer
- \$300,000

\$240,000

\$30

☒ \$60,000

Correct Feedback

SUPPORTING CALCULATIONS:
(\$300,000/20,000) ´ 4,000 = \$60,000

Incorrect Feedback

SUPPORTING CALCULATIONS:
(\$300,000/20,000) ´ 4,000 = \$60,000

230. Multiple Choice: Figure 3-2A company usually processes...

Points:

10

Question

Figure 3-2

A company usually processes 20,000 orders at a total cost of \$300,000. During the year, only 16,000 orders were processed.

Refer to Figure 3-2. What is the cost of resource usage?

- Answer
- \$300,000

☒ \$240,000

\$30

\$60,000

Correct Feedback

SUPPORTING CALCULATIONS:
(\$300,000/20,000) ´ \$16,000 = \$240,000

Incorrect Feedback

SUPPORTING CALCULATIONS:
(\$300,000/20,000) ´ \$16,000 = \$240,000

231. Multiple Choice: Figure 3-3Mork Company has four proce...

Points:

10

Question

Figure 3-3

Mork Company has four process engineers that are each able to process 1,500 design changes. Last year 5,250 design changes were produced by the four engineers. Each engineer is paid \$60,000 per year.

Refer to Figure 3-3. Calculate the activity rate per change order.

- Answer
- \$4 per change order

\$10 per change order

☒ \$40 per change order

\$15 per change order

Correct Feedback

activity rate = (4 x 60,000)/(4 x 1,500) = \$40 per change order

Incorrect Feedback

activity rate = (4 x 60,000)/(4 x 1,500) = \$40 per change order

232. Multiple Choice: Figure 3-3Mork Company has four proce...

Points:

10

Question

Figure 3-3

Mork Company has four process engineers that are each able to process 1,500 design changes. Last year 5,250 design changes were produced by the four engineers. Each engineer is paid \$60,000 per year.

Refer to Figure 3-3. Calculate the unused capacity.

- Answer
- ☒ 750 change orders

1,375 change orders

4,000 change orders

2,000 change orders

Correct Feedback	Total capacity availability - actual activity = unused capacity (4 x 1,500) - 5,250 = 750 change orders
Incorrect Feedback	Total capacity availability - actual activity = unused capacity (4 x 1,500) - 5,250 = 750 change orders

233. Multiple Choice: Figure 3-3Mork Company has four proce... Points: 10

Question	Figure 3-3 Mork Company has four process engineers that are each able to process 1,500 design changes. Last year 5,250 design changes were produced by the four engineers. Each engineer is paid \$60,000 per year. Refer to Figure 3-3. What is the unused capacity in dollars?
Answer	\$60,000 ☒ \$30,000 \$240,000 \$15,000
Correct Feedback	unused capacity x activity rate = unused capacity in dollars 750 x \$40 = \$30,000
Incorrect Feedback	unused capacity x activity rate = unused capacity in dollars 750 x \$40 = \$30,000

234. Multiple Choice: Which of the following is NOT a metho... Points: 10

Question	Which of the following is NOT a method of determining cost behavior?
Answer	industrial engineering method account analysis method statistical and quantitative methods ☒ confidence interval model

235. Multiple Choice: The cost behavior method that may use... Points: 10

Question	The cost behavior method that may use time and motion studies to determine the activities and amounts for cost behavior analysis is
Answer	account analysis method. ☒ industrial engineering method. regression analysis. high-low method.

236. Multiple Choice: The method for analyzing cost behavio... Points: 10

Question	The method for analyzing cost behavior that generally classifies general ledger accounts is
Answer	☒ account analysis method. multiple regression method. industrial engineering method. learning curve method.

237. Multiple Choice: Which of the following Points: 10

decision-makin...

Question

Which of the following decision-making tools would NOT be useful in determining the slope and intercept of a mixed cost?

Answer

☒

 linear programming

least-squares method

high-low method

scattergraphs

238. Multiple Choice: In the formula $Y = F + VX$, VX refers ...

Points: 10

Question

In the formula $Y = F + VX$, VX refers to the

Answer

☒

 total variable costs.

intercept.

dependent variable.

independent variable.

239. Multiple Choice: In the formula $Y = F + VX$, V refers t...

Points: 10

Question

In the formula $Y = F + VX$, V refers to the

Answer

☒

 slope.

intercept.

dependent variable.

total variable costs.

240. Multiple Choice: In the formula $Y = F + VX$, Y refers t...

Points: 10

Question

In the formula $Y = F + VX$, Y refers to the

Answer

slope.

intercept.

☒

 dependent variable.

independent variable.

241. Multiple Choice: In the formula $Y = F + VX$, X refers t...

Points: 10

Question

In the formula $Y = F + VX$, X refers to the

Answer

slope.

intercept.

dependent variable.

☒

 independent variable.

242. Multiple Choice: In the formula $Y = F + VX$, F refers t...

Points: 10

Question

In the formula $Y = F + VX$, F refers to the

Answer

slope.

☒

 intercept.

dependent variable.

independent variable.

243. Multiple Choice: If at a given volume total costs and ...

Points: 10

Question If at a given volume total costs and fixed costs are known, the variable costs per unit may be computed as follows:

Answer ☒ (Total costs - Fixed costs)/Unit volume
(Total costs/Unit volume) - Fixed costs
(Total costs ´ Unit volume) - (Fixed costs/Unit volume)
Total costs - (Fixed costs/Unit volume)

244. Multiple Choice: Total costs may be computed as follows:

Points: 10

Question Total costs may be computed as follows:

Answer ☒ Fixed costs + (Variable costs per unit ´ Unit volume)
(Fixed costs per unit ´ Unit volume) + Variable costs
Fixed costs per unit + (Variable costs per unit ´ Unit volume)
(Fixed costs per unit ´ Unit volume) + Variable costs per unit

245. Multiple Choice: English Corporation analyzed the rela...

Points: 10

Question English Corporation analyzed the relationship between total factory overhead and changes in direct labor hours. It found the following:

$Y = \$6,000 + \$6X$

The Y in the equation is an estimate of

Answer total variable costs.
total direct labor hours.
☒ total factory overhead.
total fixed costs.

246. Multiple Choice: Assume the following information:Volu...

Points: 10

Question Assume the following information:

<u>Volume</u>	<u>Total Cost</u>
80 units	\$1,200
88 units	\$1,300
96 units	\$1,400

What is the variable cost per unit?

Answer \$15.00
\$14.78
\$13.75
☒ \$12.50

Correct Feedback SUPPORTING CALCULATIONS:
 $(\$1,400 - \$1,300)/(96 - 88) = \$12.50$

Incorrect Feedback SUPPORTING CALCULATIONS:
 $(\$1,400 - \$1,300)/(96 - 88) = \$12.50$

247. Multiple Choice: The following cost functions were dev...

Points: 10

Question

The following cost functions were developed for manufacturing overhead costs:

Manufacturing Overhead Cost	Cost Function
Electricity	\$200 + \$20 per direct labor hour
Maintenance	\$400 + \$30 per direct labor hour
Supervisors' salaries	\$20,000 per month
Indirect materials	\$16 per direct labor hour

If June production is expected to be 2,000 units requiring 3,000 direct labor hours, estimated manufacturing overhead costs would be

Answer

☒

\$218,600.

\$198,000.

\$152,600.

\$20,733.

Correct Feedback

SUPPORTING CALCULATIONS:

Electricity [$\$200 + (\$20 \times 3,000)$]	\$ 60,200
Maintenance [$\$400 + (\$30 \times 3,000)$]	90,400
Supervisors' salaries	20,000
Indirect materials ($\$16 \times 3,000$)	<u>48,000</u>
Overhead	<u>\$218,600</u>

Incorrect Feedback

SUPPORTING CALCULATIONS:

Electricity [$\$200 + (\$20 \times 3,000)$]	\$ 60,200
Maintenance [$\$400 + (\$30 \times 3,000)$]	90,400
Supervisors' salaries	20,000
Indirect materials ($\$16 \times 3,000$)	<u>48,000</u>
Overhead	<u>\$218,600</u>

248. Multiple Choice: Advantages of the method of least squ...Points: 10

Question

Advantages of the method of least squares over the high-low method include all of the following EXCEPT

Answer

☒

a statistical method is used to mathematically derive the cost function.

☒ only two points are used to develop the cost function.

the squared differences between actual observations and the line (cost function) are minimized.

all the observations have an effect on the cost function.

249. Multiple Choice: Weaknesses of the high-low method inc...Points: 10

Question

Weaknesses of the high-low method include all of the following EXCEPT

Answer

☒

only two observations are used to develop the cost function.

the high and low activity levels may not be representative.

the method does not detect if the cost behavior is nonlinear.

☒ the method is relatively complex and difficult to apply.

250. Multiple Choice: The high-low method may give unsatisf...

Points: 10

Question The high-low method may give unsatisfactory results if

Answer the data points all fall on a line.
volume of activity is heavy.
volume of activity is light.
☒ the points are unrepresentative.

251. Multiple Choice: Figure 3-4The following information i...

Points: 10

Question **Figure 3-4**

The following information is available for electricity costs for the last six months of the year:

<u>Month</u>	<u>Production Volume</u>	<u>Electricity Costs</u>
July	1,400	\$2,200
August	2,800	5,400
September	3,200	5,700
October	1,750	3,900
November	1,200	2,400
December	2,100	4,050

Refer to Figure 3-4. Using the high-low method, estimated variable cost per unit of production is

Answer \$1.26.
\$1.53.
☒ \$1.65.
\$1.75.

Correct Feedback SUPPORTING CALCULATIONS:
 $(\$5,700 - \$2,400) / (3,200 - 1,200) = \1.65

Incorrect Feedback SUPPORTING CALCULATIONS:
 $(\$5,700 - \$2,400) / (3,200 - 1,200) = \1.65

252. Multiple Choice: Figure 3-4The following information i...

Points: 10

Question **Figure 3-4**

The following information is available for electricity costs for the last six months of the year:

<u>Month</u>	<u>Production Volume</u>	<u>Electricity Costs</u>
July	1,400	\$2,200
August	2,800	5,400
September	3,200	5,700
October	1,750	3,900
November	1,200	2,400
December	2,100	4,050

Refer to Figure 3-4. What are the fixed costs?

Answer

☒

\$420

\$100

\$200

none of these

Correct Feedback

$$\begin{aligned} \$2,400 &= FC + \$1.65(1,200) \\ FC &= \$2,400 - \$1,980 = \$420 \end{aligned}$$

Incorrect Feedback

$$\begin{aligned} \$2,400 &= FC + \$1.65(1,200) \\ FC &= \$2,400 - \$1,980 = \$420 \end{aligned}$$

253. Multiple Choice: The following information was availab...

Points: 10

Question

The following information was available about supplies cost for the second quarter of the year:

<u>Month</u>	<u>Production Volume</u>	<u>Supplies Cost</u>
April	700	\$3,185
May	1,600	7,100
June	600	2,700

Using the high-low method, the estimate of supplies cost at 1,000 units of production is

Answer

\$2,700.

☒

\$4,460.

\$4,900.

\$7,100.

Correct Feedback

SUPPORTING CALCULATIONS:
$$\begin{aligned} \text{Variable cost} &= (\$7,100 - \$2,700) / (1,600 - 600) = \$4.40 \\ \text{Fixed cost} &= \$7,100 - (1,600 \times \$4.40) = \$60 \\ \text{Total cost} &= \$60 + \$4.40X = \$60 + (\$4.40 \times 1,000) = \underline{\$4,460} \end{aligned}$$

Incorrect Feedback

SUPPORTING CALCULATIONS:
$$\begin{aligned} \text{Variable cost} &= (\$7,100 - \$2,700) / (1,600 - 600) = \$4.40 \\ \text{Fixed cost} &= \$7,100 - (1,600 \times \$4.40) = \$60 \\ \text{Total cost} &= \$60 + \$4.40X = \$60 + (\$4.40 \times 1,000) = \underline{\$4,460} \end{aligned}$$

254. Multiple Choice: Baker Enterprises developed a cost fu...

Points: 10

Question

Baker Enterprises developed a cost function for manufacturing overhead costs of $Y = \$8,000 + \$1.60X$. Estimated manufacturing overhead costs at 10,000 units of production are

Answer

\$16,000.

\$17,600.

☒

\$24,000.

\$26,000.

Correct Feedback

SUPPORTING CALCULATIONS:
$$Y = \$8,000 + (\$1.60 \times 10,000) = \underline{\$24,000}$$

Incorrect Feedback

SUPPORTING CALCULATIONS:
$$Y = \$8,000 + (\$1.60 \times 10,000) = \underline{\$24,000}$$

255. Multiple Choice: Greene Enterprises has the following ...

Points: 10

Question

Greene Enterprises has the following information about its truck fleet miles and operating costs:

<u>Year</u>	<u>Miles</u>	<u>Operating Costs</u>
2010	400,000	\$256,000
2011	480,000	280,000
2012	560,000	320,000

What is the best estimate of total costs using the high-low method if the expected fleet mileage for 2008 is 500,000 miles?

Answer

- \$288,000
- ☒ \$296,000
- \$256,000
- \$320,000

Correct Feedback

SUPPORTING CALCULATIONS:
 $(\$320,000 - \$256,000) / (560,000 - 400,000) = \0.40 per mile
Fixed costs = $\$320,000 - (560,000 \times \$0.40) = \$96,000$
Total costs = $\$96,000 + (\$0.40 \times 500,000) = \underline{\$296,000}$

Incorrect Feedback

SUPPORTING CALCULATIONS:
 $(\$320,000 - \$256,000) / (560,000 - 400,000) = \0.40 per mile
Fixed costs = $\$320,000 - (560,000 \times \$0.40) = \$96,000$
Total costs = $\$96,000 + (\$0.40 \times 500,000) = \underline{\$296,000}$

256. Multiple Choice: Hook Company wants to develop a cost ...

Points: 10

Question

Hook Company wants to develop a cost estimating equation for its monthly cost of electricity. It has the following data:

<u>Month</u>	<u>Cost of Electricity</u>	<u>Direct Labor Hours</u>
January	\$ 8,100	750
April	9,000	850
July	10,200	1,000
October	8,700	800

Using the high-low method, which of the following is the best equation?

Answer

- $Y = \$900 + \$12.00X$
- $Y = \$900 + \$8.40X$
- ☒ $Y = \$1,800 + \$8.40X$
- $Y = \$2,400 + \$8.40X$

Correct Feedback

SUPPORTING CALCULATIONS:
 $(\$10,200 - \$8,100) / (1,000 - 750) = \8.40
Fixed costs = $\$10,200 - (1,000 \times \$8.40) = \underline{\$1,800}$

Incorrect Feedback

SUPPORTING CALCULATIONS:
 $(\$10,200 - \$8,100) / (1,000 - 750) = \8.40
Fixed costs = $\$10,200 - (1,000 \times \$8.40) = \underline{\$1,800}$

257. Multiple Choice: Kane Corporation found its maintenanc...

Points: 10

Question

Kane Corporation found its maintenance cost and sales dollars to be somewhat correlated. Last year's high and low observations were as follows:

	Maintenance Cost	Sales
	\$36,000	\$400,000
	\$42,000	\$600,000

What is the fixed portion of the maintenance cost?

Answer

☒ \$24,000

\$42,000

\$30,000

\$12,000

Correct Feedback

SUPPORTING CALCULATIONS:
 $(\$42,000 - \$36,000) / (\$600,000 - \$400,000) = 0.03$
Fixed costs = $\$42,000 - (0.03 \times \$600,000) = \underline{\$24,000}$

Incorrect Feedback

SUPPORTING CALCULATIONS:
 $(\$42,000 - \$36,000) / (\$600,000 - \$400,000) = 0.03$
Fixed costs = $\$42,000 - (0.03 \times \$600,000) = \underline{\$24,000}$

258. Multiple Choice: Figure 3-5Lee Corporation manufacture...

Points: 10

Question

Figure 3-5

Lee Corporation manufactures and sells party items. The following representative direct labor hours and production costs are provided for a four-month period:

Month	Direct Labor Hours	Production Costs
January	3,600	\$15,000
February	4,800	17,500
March	6,000	20,000
April	<u>4,800</u>	<u>17,500</u>
Total	<u>19,200</u>	<u>\$70,000</u>

Let a = Fixed production costs per month
 b = Variable production costs per direct labor hour
 n = Number of months
 X = Direct labor hours per month
 Y = Total monthly production costs
 S = Summation

Refer to Figure 3-5. The monthly production cost can be expressed as

Answer

☒ $Y = a + bX$

$X = a + bY$

$Y = b + aX$

259. Multiple Choice: Figure 3-5Lee Corporation manufacture...

Points: 10

Question

Figure 3-5

Lee Corporation manufactures and sells party items. The following

representative direct labor hours and production costs are provided for a four-month period:

<u>Month</u>	<u>Direct Labor</u> <u>Hours</u>	<u>Production Costs</u>
January	3,600	\$15,000
February	4,800	17,500
March	6,000	20,000
April	<u>4,800</u>	<u>17,500</u>
Total	<u>19,200</u>	<u>\$70,000</u>

- Let a = Fixed production costs per month
 b = Variable production costs per
 direct labor hour
 n = Number of months
 X = Direct labor hours per month
 Y = Total monthly production costs
 S = Summation

Refer to Figure 3-5. Using the high-low method, what is the cost formula for estimating costs?

Answer

Total cost = \$20,000 + \$2.08X

Total cost = \$2.08X

Total cost = \$5,000 + 2.08X

☒ Total cost = \$7,500 + \$2.08X

Correct Feedback

$(\$20,000 - \$15,000) / (6,000 - 3,600) = 2.0833$

$\$20,000 = FC + (6,000 \times 2.08) = \$7,500$

Incorrect Feedback

$(\$20,000 - \$15,000) / (6,000 - 3,600) = 2.0833$

$\$20,000 = FC + (6,000 \times 2.08) = \$7,500$

260. Multiple Choice: Figure 3-5Lee Corporation manufacture...

Points: 10

Question

Figure 3-5

Lee Corporation manufactures and sells party items. The following representative direct labor hours and production costs are provided for a four-month period:

<u>Month</u>	<u>Direct Labor</u> <u>Hours</u>	<u>Production Costs</u>
January	3,600	\$15,000
February	4,800	17,500
March	6,000	20,000
April	<u>4,800</u>	<u>17,500</u>
Total	<u>19,200</u>	<u>\$70,000</u>

Let a = Fixed production costs per month
 b = Variable production costs per
 direct labor hour
 n = Number of months
 X = Direct labor hours per month

Y = Total monthly production costs
S = Summation

Refer to Figure 3-5. Predict a cost for 5,000 labor hours.

- Answer
- ☒ \$17,900
- ☐ \$17,700
- ☐ \$16,667
- ☐ \$30,400

Correct Feedback Y = \$7,500 + 2.08(5,000) = \$17,900

Incorrect Feedback Y = \$7,500 + 2.08(5,000) = \$17,900

261. Multiple Choice: The scatterplot method of cost estima...

Points: 10

Question The scatterplot method of cost estimation

- Answer
- ☐ is influenced by extreme observations.
- ☒ requires the use of judgment.
- ☐ uses the least-squares method.
- ☐ is superior to other methods in its ability to distinguish between discretionary and committed fixed costs.

262. Multiple Choice: Which of the following is an advantag...

Points: 10

Question Which of the following is an advantage of using the scatterplot method over the high-low method to estimate costs?

- Answer
- ☐ It is a statistical method to determine the “best fit.”
- ☒ A cost analyst can review the data visually and eliminate outliers.
- ☐ The quality of the cost formula relies on the objective judgment of the analyst.
- ☐ The cost formula can be determined simply by looking at two points of data.

263. Multiple Choice: The cost function derived by the leas...

Points: 10

Question The cost function derived by the least-squares cost estimation method

- Answer
- ☒ is linear.
- ☐ must be tested for minima and maxima.
- ☐ is parabolic.
- ☐ is quadratic.

264. Multiple Choice: The following information was taken f...

Points: 10

Question The following information was taken from a computer printout generated with the least-squares method for use in estimating overhead costs:

Slope	45
Intercept	5,700
Correlation coefficient	.72
Activity variable	Direct labor hours

The cost formula is

- Answer
- Overhead = \$5,700 - \$45X

☒ Overhead = \$5,700 + \$45X

Overhead = \$5,700 + (\$45 ´ 0.72)

Overhead = \$5,700 ´ 0.72

265. Multiple Choice: In the method of least squares, the d...

Points: 10

- Question
- In the method of least squares, the deviation is the difference between the
- Answer
- predicted and estimated costs.

predicted and average costs.

average and actual costs.

☒ predicted and actual costs.

266. Multiple Choice: Figure 3-6The following information i...

Points: 10

Question

Figure 3-6

The following information is available for maintenance costs:

<u>Month</u>	<u>Production Volume</u>	<u>Maintenance Costs</u>
January	75	\$250
February	115	310
March	190	400
April	60	240
May	135	355

Refer to Figure 3-6. Using a computer or calculator, compute the estimate of variable cost per unit of production using the method of least squares. Rounded to two decimal places, this value would be

- Answer
- \$3.21.

\$2.70.

☒ \$1.31.

\$1.23.

Correct Feedback

Month	X	Y	XY	X ²
January	75	\$ 250	\$18,750	5,625
February	115	310	35,650	13,225
March	190	400	76,000	36,100
April	60	240	14,400	3,600
May	135	355	47,925	18,225
Totals	575	1,555	\$192,725	76,775

ANS: C

$$v = \left(\sum XY - \sum X \sum Y / n \right) / \left[\sum X^2 - \left(\sum X \right)^2 / n \right]$$

= [\$192,725 - (575 ´ \$1,555/5)]/[76,775 - (575)²/5]

= (\$192,725 - \$178,825)/(76,775 - 66,125)

= \$13,900/10,650

= \$1.31

Incorrect Feedback	Month	X	Y	XY	X ²
	January	75	\$ 250	\$18,750	5,625
	February	115	310	35,650	13,225
	March	190	400	76,000	36,100
	April	60	240	14,400	3,600
	May	<u>135</u>	<u>355</u>	<u>47,925</u>	<u>18,225</u>
	Totals	<u>575</u>	<u>1,555</u>	<u>\$192,725</u>	<u>76,775</u>

ANS: C

$$v = \left(\sum XY - \sum X \sum Y / n \right) / \left[\sum X^2 - \left(\sum X \right)^2 / n \right]$$

= [\$192,725 - (575 × \$1,555/5)]/[76,775 - (575)²/5]
= (\$192,725 - \$178,825)/(76,775 - 66,125)
= \$13,900/10,650
= \$1.31

267. Multiple Choice: Figure 3-6The following information i...

Points: 10

Question

Figure 3-6

The following information is available for maintenance costs:

Month	Production Volume	Maintenance Costs
January	75	\$250
February	115	310
March	190	400
April	60	240
May	135	355

Refer to Figure 3-6. Using a computer or calculator, compute the estimate of the fixed portion of maintenance costs using the method of least squares. Rounded to dollars, this value would be

- Answer
- \$66.

☒ \$160.

\$166.

\$575.

Correct Feedback

$$F = \left(\sum Y / n - v \sum X / n \right)$$

= [\$1,555 / 5 - (\$1.31 × 575 / 5)]
= \$311 - \$150.65 = \$160.35 or \$160 (rounded)

Incorrect Feedback

$$F = \left(\sum Y / n - v \sum X / n \right)$$

= [\$1,555 / 5 - (\$1.31 × 575 / 5)]
= \$311 - \$150.65 = \$160.35 or \$160 (rounded)

268. Multiple Choice: Figure 3-6The following information i...

Points: 10

Question

Figure 3-6

The following information is available for maintenance costs:

<u>Month</u>	<u>Production Volume</u>	<u>Maintenance Costs</u>
January	75	\$250
February	115	310
March	190	400
April	60	240
May	135	355

Refer to Figure 3-6. Using a computer or calculator, compute the estimate of maintenance costs at 100 units of production using the method of least squares. This value would be

Answer

- ☒ \$291.
- ☐ \$321.
- ☐ \$336.
- ☐ \$698.

Correct Feedback

$$Y = \$160 + \$1.31X$$
$$= \$160 + (\$1.31 \times 100)$$
$$= \underline{\$291}$$

Incorrect Feedback

$$Y = \$160 + \$1.31X$$
$$= \$160 + (\$1.31 \times 100)$$
$$= \underline{\$291}$$

269. Multiple Choice: The hypothesis test of cost parameters

Points: 10

Question

The hypothesis test of cost parameters

Answer

- ☐ is not tested by the *t*-statistic.
- ☒ indicates whether the parameters are different from zero.
- ☐ tells the *t*-value of the significance achieved.
- ☐ all of these.

270. Multiple Choice: The coefficient of determination is

Points: 10

Question

The coefficient of determination is

Answer

- ☐ a measure of the variability of actual costs around the cost-estimating equation.
- ☐ used to construct probability intervals for cost estimates.
- ☐ a standardized measure of the degree to which two variables move together.
- ☒ a measure of the percent variation in the dependent variable that is explained by the cost estimating equation.

271. Multiple Choice: A coefficient of determination of 0.9...

Points: 10

Question

A coefficient of determination of 0.91 means

Answer

- ☐ the two variables move together in the same direction and have a strong relationship.
- ☐ the parameter is not significant.

the model is significant 91 percent of the time.
✔ that the independent variable explains 91 percent of the cost.

272. Multiple Choice: Figure 3-7The following computer prin...

Points: 10

Question Figure 3-7

The following computer printout estimated overhead costs using regression:

Parameter	t for H(0)		Pr > t	Std. error of parameter
	Estimate	Parameter = 0		
Intercept	100.41	4.81	0.0003	20.88
DLH	14.05	6.78	0.0001	2.07
R Square (R ²)		0.80		
Standard Error (S _e)		25.03		
Observations		17		

Please find the following statistical table

degrees of freedom	90%	95%	99%	degrees of freedom	90%	95%	99%
1	6.314	12.708	63.657	11	1.796	2.201	3.106
2	2.920	4.303	9.925	12	1.782	2.179	3.055
3	2.353	3.182	5.841	13	1.771	2.160	3.055
4	2.132	2.776	4.604	14	1.761	2.145	3.012
5	2.015	2.571	4.032	15	1.753	2.131	2.947
6	1.943	2.447	3.707	16	1.746	2.120	2.921
7	1.895	2.365	3.499	17	1.740	2.110	2.898
8	1.860	2.306	3.355	18	1.734	2.101	2.878
9	1.833	2.262	3.250	19	1.729	2.093	2.861
10	1.812	2.228	3.169	20	1.725	2.086	2.845

During the last accounting period 10,000 DLH were worked.

Refer to Figure 3-7. What is the model?

Answer ✔ Overhead = 100.41 + 14.05 DLH
Overhead = 4.81 + 6.78 DLH
Overhead = 14.05 + 100.41 DLH
DLH = 4.81 + 6.78 Overhead

273. Multiple Choice: Figure 3-7The following computer prin...

Points: 10

Question Figure 3-7

The following computer printout estimated overhead costs using regression:

t for H(0)	Std. error
------------	------------

<u>Parameter</u>	<u>Estimate</u>	<u>Parameter =</u> <u>0</u>	<u>Pr > t</u>	<u>of</u> <u>parameter</u>
Intercept	100.41	4.81	0.0003	20.88
DLH	14.05	6.78	0.0001	2.07
R Square (R^2)		0.80		
Standard Error (S_e)		25.03		
Observations		17		

Please find the following statistical table

degrees of freedom	90%	95%	99%	degrees of freedom	90%	95%	99%
1	6.314	12.708	63.657	11	1.796	2.201	3.106
2	2.920	4.303	9.925	12	1.782	2.179	3.055
3	2.353	3.182	5.841	13	1.771	2.160	3.055
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8	1.860	2.306	3.355	18	1.734	2.101	2.878
9	1.833	2.262	3.250	19	1.729	2.093	2.861
10	1.812	2.228	3.169	20	1.725	2.086	2.845

During the last accounting period 10,000 DLH were worked.

Refer to Figure 3-7. The coefficient of determination in this model tells us that

- Answer
- the slope is 14.05.

the intercept is 100.41.

☒ 80 percent of the variation in the overhead variable is explained by DLH.

the slope is significant.

274. Multiple Choice: Figure 3-7The following computer prin...

Points: 10

Question

Figure 3-7

The following computer printout estimated overhead costs using regression:

	t for H(0)			Std. error
<u>Parameter</u>	<u>Estimate</u>	<u>Parameter =</u> <u>0</u>	<u>Pr > t</u>	<u>of</u> <u>parameter</u>
Intercept	100.41	4.81	0.0003	20.88
DLH	14.05	6.78	0.0001	2.07
R Square (R^2)		0.80		
Standard Error (S_e)		25.03		
Observations		17		

Please find the following statistical table

degrees of freedom	90%	95%	99%	degrees of freedom	90%	95%	99%
1	6.314	12.708	63.657	11	1.796	2.201	3.106
2	2.920	4.303	9.925	12	1.782	2.179	3.055
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4	2.132	2.776	4.604	14	1.761	2.145	3.012
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8	1.860	2.306	3.355	18	1.734	2.101	2.878
9	1.833	2.262	3.250	19	1.729	2.093	2.861
10	1.812	2.228	3.169	20	1.725	2.086	2.845

During the last accounting period 10,000 DLH were worked.

Refer to Figure 3-7. The hypothesis tests of the cost parameters indicate(s) that

- Answer
- ☐

the slope is significantly different from zero.
- ☒the intercept is significantly different from zero.
- ☐both the slope and intercept are not significant.
- ☐both the slope and intercept are significant.

275. Multiple Choice: Figure 3-7The following computer prin...

Points: 10

Question

Figure 3-7

		t for H(0)		Std. error	
		Estimate	Parameter = 0	Pr > t	of parameter
Intercept		100.41	4.81	0.0003	20.88
DLH		14.05	6.78	0.0001	2.07
R Square (R ²)		0.80			
Standard Error (S _e)		25.03			
Observations		17			

Please find the following statistical table

degrees of freedom	90%	95%	99%	degrees of freedom	90%	95%	99%
1	6.314	12.708	63.657	11	1.796	2.201	3.106
2	2.920	4.303	9.925	12	1.782	2.179	3.055

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8	1.860	2.306	3.355	18	1.734	2.101	2.878
9	1.833	2.262	3.250	19	1.729	2.093	2.861
10	1.812	2.228	3.169	20	1.725	2.086	2.845

During the last accounting period 10,000 DLH were worked.

Refer to Figure 3-7. Find the t-value for a 90 percent confidence level.

- Answer
- 1.740

☒ 1.753

6.314

2.920

Correct Feedback

degrees of freedom = # of observations - # of variables
15 = 17 - 2
the t-value for 15 degrees of freedom at 90% = 1.753

Incorrect Feedback

degrees of freedom = # of observations - # of variables
15 = 17 - 2
the t-value for 15 degrees of freedom at 90% = 1.753

276. Multiple Choice: Figure 3-7The following computer prin...

Points: 10

Question

Figure 3-7

The following computer printout estimated overhead costs using regression:

Parameter	t for H(0) Estimate	Parameter = 0	Pr > t	Std. error of parameter
Intercept	100.41	4.81	0.0003	20.88
DLH	14.05	6.78	0.0001	2.07

R Square (R²)

0.80

Standard Error (Se)

25.03

Observations

17

Please find the following statistical table

degrees of freedom	90%	95%	99%	degrees of freedom	90%	95%	99%
1	6.314	12.708	63.657	11	1.796	2.201	3.106
2	2.920	4.303	9.925	12	1.782	2.179	3.055
3	2.353	3.182	5.841	13	1.771	2.160	3.055
4	2.132	2.776	4.604	14	1.761	2.145	3.012

5	2.015	2.571	4.032	15	1.753	2.131	2.947
6	1.943	2.447	3.707	16	1.746	2.120	2.921
7	1.895	2.365	3.499	17	1.740	2.110	2.898
8	1.860	2.306	3.355	18	1.734	2.101	2.878
9	1.833	2.262	3.250	19	1.729	2.093	2.861
10	1.812	2.228	3.169	20	1.725	2.086	2.845

During the last accounting period 10,000 DLH were worked.

Refer to Figure 3-7. What is the confidence interval for the predicted overhead cost rounded to the nearest whole number for a 90 percent confidence level?

Answer

☒ predicted value between 100,557 and 100,644
☐ predicted value between 100,600 and 175,648
☐ predicted value between 75,600 and 125,600
☐ none of these

Correct Feedback

the t-value for 15 degrees of freedom at 90% = 1.753
predicted cost = Y = 100.41 + 14.05(10,000 DLH) = 100,600.41

confidence interval = predicted cost ± (t-value ´ standard error)

= 100,600.41 ± (1.753 ´ 25.03)
= 100,600.41 ± 43.88
100,557 – predicted value – 100,644

Incorrect Feedback

the t-value for 15 degrees of freedom at 90% = 1.753
predicted cost = Y = 100.41 + 14.05(10,000 DLH) = 100,600.41

confidence interval = predicted cost ± (t-value ´ standard error)

= 100,600.41 ± (1.753 ´ 25.03)
= 100,600.41 ± 43.88
100,557 – predicted value – 100,644

277. Multiple Choice: A managerial accountant has determine...

Points: 10

Question

A managerial accountant has determined the following relationships between overhead and several possible bases:

Basis	Correlation with Total Overhead
Direct labor hours	0.842
Direct labor dollars	0.279
Machine hours	-0.837
Employee minutes in coffee breaks	-0.243

The best basis for overhead application is

Answer

☒ direct labor hours.
☐ coffee breaks.
☐ direct labor dollars.
☐ machine hours.

278. Multiple Choice: What is the difference between a corr...

Points: 10

Question

What is the difference between a correlation equal to -1 and a correlation equal to 0?

Answer

A correlation equal to -1 means two alternatives are moving in the same direction, whereas a correlation of 0 means they are moving in opposite directions.

A correlation equal to -1 means two alternatives are moving in the same direction, whereas a correlation of 0 means they are unrelated.

A correlation equal to -1 means two alternatives are moving in opposite directions, whereas a correlation of 0 means they are moving in the same direction.

☒ A correlation equal to -1 means two alternatives are moving in opposite directions, whereas a correlation of 0 means they are unrelated.

279. Multiple Choice: What is the difference between a corr...

Points: 10

Question

What is the difference between a correlation equal to -1 and a correlation equal to +1?

Answer

A correlation equal to -1 means two alternatives are moving in the same direction, whereas a correlation of +1 means they are moving in opposite directions.

A correlation equal to -1 means two alternatives are moving in the same direction, whereas a correlation of +1 means they are unrelated.

☒ A correlation equal to -1 means two alternatives are moving in opposite directions, whereas a correlation of +1 means they are moving in the same direction.

A correlation equal to -1 means two alternatives are moving in opposite directions, whereas a correlation of +1 means they are unrelated.

280. Multiple Choice: The appropriate range for the coeffic...

Points: 10

Question

The appropriate range for the coefficient of correlation (r) is

Answer

$0 \leq r \leq 1$.

$-\% \leq r \leq +\%$.

☒ $-1 \leq r \leq 1$.

$-1 \leq r \leq +\%$.

281. Multiple Choice: What does a correlation coefficient n...

Points: 10

Question

What does a correlation coefficient near +1 mean?

Answer

Two variables are moving in the opposite direction.

☒ Two variables are moving in the same direction.

Two variables are unrelated.

One variable is not a good predictor of the other.

282. Multiple Choice: What does a correlation coefficient n...

Points: 10

Question

What does a correlation coefficient near 0 mean?

Answer

Two variables are moving in the opposite direction.

Two variables are moving in the same direction.

☒ Two variables are unrelated.

One variable is a good predictor of the other.

283. Multiple Choice: What does a correlation coefficient near -1 mean?

Points: 10

Question What does a correlation coefficient near -1 mean?

- Answer
- ☒ Two variables are moving in the opposite direction.
 - ☐ Two variables are moving in the same direction.
 - ☐ Two variables are unrelated.
 - ☐ One variable is not a good predictor of the other.

284. Multiple Choice: Which of the following statements is ...

Points: 10

Question Which of the following statements is NOT true?

- Answer
- ☐ In selecting an independent variable for cost behavior analysis, it is important to determine the activity that causes the cost being analyzed to occur.
 - ☐ Professional judgment is very important in selecting an activity measure for a particular cost.
 - ☒ A low correlation between two variables proves that one causes the other.
 - ☐ The least-squares cost estimation method can be used to measure the linear function.

285. Multiple Choice: The confidence interval for the predi...

Points: 10

Question The confidence interval for the predicted value of Y

- Answer
- ☒ is constructed by multiplying the *t*-statistic times the standard error.
 - ☐ is a measure of the likelihood that the prediction interval will not contain the actual cost.
 - ☐ can only be computed with 95 percent confidence.
 - ☐ all of these.

286. Multiple Choice: The following computer printout estim...

Points: 10

Question The following computer printout estimated overhead costs using linear regression:

Parameter	Estimate	t for H(0)	Pr > t	Std. error of parameter
		Parameter = 0		
Intercept	100.41	4.81	0.0003	20.88
DLH	14.05	6.78	0.0001	2.07
R Square (R ²)		0.80		
Standard Error (S _e)		25.03		
Observations		17		

Table of Selected Values: t Distribution

Degrees of Freedom	90%	95%	99%
15	1.753	2.131	2.947
16	1.746	2.120	2.921

17	1.740	2.110	2.898
18	1.734	2.101	2.878
19	1.729	2.093	2.861

What is the interval around Y if 95 percent confidence is desired?

- Answer
- Y ± 20.024

Y ± 43.87759

Y ± 52.8133

☒ Y ± 53.33893

Correct Feedback

SUPPORTING CALCULATIONS:
2.131 ´ 25.03 = 53.33893

Incorrect Feedback

SUPPORTING CALCULATIONS:
2.131 ´ 25.03 = 53.33893

287. Multiple Choice: The following computer printout estim...

Points: 10

Question

The following computer printout estimated overhead costs using regression:

Parameter	Estimate	t for H(0)		Std. error of parameter
		Parameter = 0	Pr > t	
Intercept	100.41	4.81	0.0003	20.88
DLH	14.05	6.78	0.0001	2.07
R Square (R ²)		0.80		
Standard Error (S _e)		25.03		
Observations		17		

What is the 95 percent confidence interval around the slope estimate?

- Answer
- 11.98 to 16.13

10.67 to 17.45

9.57 to 18.54

☒ 9.64 to 18.46

288. Multiple Choice: Figure 3-8The following computer prin...

Points: 10

Question

Figure 3-8

The following computer printout estimated overhead costs using multiple regression:

Parameter	Estimate	t for H(0)		Std. error of parameter
		Parameter = 0	Pr > t	
Intercept	1000	1.96	0.0250	510.204
Setup hours	25	81.96	0.0001	0.305
# of parts	100	9.50	0.0001	10.527
R Square (R ²)		0.94		
Standard Error (S _e)		75.00		
Observations		160		

During the year the company used 1,000 setup hours and 500 parts.

Refer to Figure 3-8. The degrees of freedom for the model is

- Answer
- ☒ 157.
☐ 158.
☐ 159.
☐ 160.

289. Multiple Choice: Figure 3-8The following computer prin...

Points: 10

Question Figure 3-8

The following computer printout estimated overhead costs using multiple regression:

Parameter	Estimate	t for H(0)		Std. error of parameter
		Parameter = 0	Pr > t	
Intercept	1000	1.96	0.0250	510.204
Setup hours	25	81.96	0.0001	0.305
# of parts	100	9.50	0.0001	10.527
R Square (R^2)		0.94		
Standard Error (S_e)		75.00		
Observations		160		

During the year the company used 1,000 setup hours and 500 parts.

Refer to Figure 3-8. Which slope and intercept parameters are significant at the 0.05 level?

- Answer
- ☐ intercept
☐ setup hours
☐ number of parts
☒ all of these

290. Multiple Choice: Figure 3-8The following computer prin...

Points: 10

Question Figure 3-8

The following computer printout estimated overhead costs using multiple regression:

Parameter	Estimate	t for H(0)		Std. error of parameter
		Parameter = 0	Pr > t	
Intercept	1000	1.96	0.0250	510.204
Setup hours	25	81.96	0.0001	0.305
# of parts	100	9.50	0.0001	10.527
R Square (R^2)		0.94		

Standard Error (S_e)	75.00
Observations	160

During the year the company used 1,000 setup hours and 500 parts.

Refer to Figure 3-8. The model being measured is

- Answer
- ☒

Overhead = 1,000 + 25(Setup hours) + 100(# of parts)
Overhead = 510 + 0.305(Setup hours) + 10.527(# of parts)
Overhead = 0.98 + 40.98(Setup hours) + 4.865(# of parts)
Overhead = 1,000 + 25(Setup hours)

291. Multiple Choice: Figure 3-8The following computer prin...

Points: 10

Question

Figure 3-8

The following computer printout estimated overhead costs using multiple regression:

		t for H(0)		Std. error
Parameter	Estimate	Parameter = 0	Pr > t	of parameter
Intercept	1000	1.96	0.0250	510.204
Setup hours	25	81.96	0.0001	0.305
# of parts	100	9.50	0.0001	10.527
R Square (R^2)	0.94			
Standard Error (S_e)	75.00			
Observations	160			

During the year the company used 1,000 setup hours and 500 parts.

Refer to Figure 3-8. What is the predicted overhead cost?

Answer

\$2,500

\$75,000

☒ \$76,000

none of these

Correct Feedback

overhead = 25(1,000) and 100 (500) and 1,000= \$76,000

Incorrect Feedback

overhead = 25(1,000) and 100 (500) and 1,000= \$76,000

292. Multiple Choice: Which of the following equations uses...

Points: 10

Question

Which of the following equations uses multiple regression?

Answer

Overhead = a + b(MH)
DL Costs = a + b(MH)
Overhead = a + b(DLH)
☒ Overhead = a + b(DLH) + c(MH)

293. Multiple Choice: Which of the following statements is ...

Points: 10

Question

Which of the following statements is TRUE about the learning curve?

Answer

The curve decreases at an increasing rate.

☒ The learning effect will eventually disappear as the number of units produced increases.

Failure to recognize learning curve effects will cause units produced later in a new production process to receive less cost than they should.

All of these.

294. Multiple Choice: Abboud Company is planning to introdu...Points: 10

Question

Abboud Company is planning to introduce a new product with an 80 percent incremental unit-time learning curve for production for batches of 1,000 units. The variable labor costs are \$30 per unit for the first 1,000-unit batch. Each batch requires 100 hours. There are \$10,000 in fixed costs not subject to learning. What is the cumulative total time (labor hours) to produce 2,000 units?

Answer

100 hours

80 hours

160 hours

☒ 180 hours

Correct Feedback

SUPPORTING CALCULATIONS:
 $(100 \times 0.80) + 100 = 180$ hours

Incorrect Feedback

SUPPORTING CALCULATIONS:
 $(100 \times 0.80) + 100 = 180$ hours

295. Multiple Choice: Figure 3-9Abboud Company is planning ...Points: 10

Question

Figure 3-9

Abboud Company is planning to introduce a new product with an 80 percent learning rate for production for batches of 1,000 units. The variable labor costs are \$30 per unit for the first 1,000-unit batch. Each batch requires 100 hours. There are \$10,000 in fixed costs not subject to learning.

Refer to Figure 3-9. What is the cumulative total time (labor hours) to produce 2,000 units based on the cumulative average-time learning curve?

Answer

100 hours

80 hours

☒ 160 hours

20 hours

Correct Feedback

SUPPORTING CALCULATIONS:
 $(100 \times 0.80) \times 2 = 160$ hours

Incorrect Feedback

SUPPORTING CALCULATIONS:
 $(100 \times 0.80) \times 2 = 160$ hours

296. Multiple Choice: Figure 3-9Abboud Company is planning ...Points: 10

Question

Figure 3-9

Abboud Company is planning to introduce a new product with an 80 percent learning rate for production for batches of 1,000 units. The variable labor costs are \$30 per unit for the first 1,000-unit batch. Each batch requires 100 hours. There are \$10,000 in fixed costs not subject to learning.

Refer to Figure 3-9. What is the batch unit time (labor hours) to

produce 2,000 units based on the cumulative average time learning curve?

Answer

100 hours

80 hours

20 hours

☒ 60 hours

Correct Feedback

SUPPORTING CALCULATIONS:
(100 ´ 0.80) ´ 2 = 160 hours - 100 = 60 hours

Incorrect Feedback

SUPPORTING CALCULATIONS:
(100 ´ 0.80) ´ 2 = 160 hours - 100 = 60 hours

297. Multiple Choice: Figure 3-9Abboud Company is planning ...

Points: 10

Question

Figure 3-9

Abboud Company is planning to introduce a new product with an 80 percent learning rate for production for batches of 1,000 units. The variable labor costs are \$30 per unit for the first 1,000-unit batch. Each batch requires 100 hours. There are \$10,000 in fixed costs not subject to learning.

Refer to Figure 3-9. What is the cumulative total time using the incremental unit-time learning curve to produce 2,000 units?

Answer

100

☒ 180

90

80

298. Multiple Choice: Figure 3-9Abboud Company is planning ...

Points: 10

Question

Figure 3-9

Abboud Company is planning to introduce a new product with an 80 percent learning rate for production for batches of 1,000 units. The variable labor costs are \$30 per unit for the first 1,000-unit batch. Each batch requires 100 hours. There are \$10,000 in fixed costs not subject to learning.

Refer to Figure 3-9. What is the cumulative average time per batch using the incremental unit-time learning curve for 2,000 units?

Answer

180

100

☒ 90

80

299. Multiple Choice: The learning curve that decreases by ...

Points: 10

Question

The learning curve that decreases by a constant percentage each time the cumulative quantity doubles is known as the

Answer

cumulative average-time model.

cumulative total-time model.

☒ incremental unit-time model.

decremental average-time model.

300. Multiple Choice: Parker Corp. has developed the follow...

Points: 10

Question

Parker Corp. has developed the following information on product costs and

inventories for a three-month period:

	<u>January</u>	<u>February</u>	<u>March</u>
Finished goods inventory, units:			
Beginning	15	20	25
Manufactured	<u>30</u>	<u>45</u>	<u>40</u>
Available	45	65	65
Sold	<u>25</u>	<u>40</u>	<u>50</u>
Ending	<u>20</u>	<u>25</u>	<u>15</u>
Manufacturing costs \$4,500	\$3,000	\$5,000	

Based on managerial judgment, the best predictor of manufacturing costs is

- Answer**
- beginning inventory.
 - ☒ units manufactured.
 - ending inventory.
 - units available.

301. Multiple Choice: If an automobile manufacturer changes...

Points: **10**

Question If an automobile manufacturer changes from skilled labor to computer-controlled assembly procedures, the past data

- Answer**
- are useful in predicting future costs.
 - ☒ are of little or no value in predicting future costs.
 - are representative of future costs.
 - should be used without adjustments to predict future costs.

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