

College of Business and Economics

School of Commerce , Accounting & Finance Program Unit

Bachelor of Arts in Accounting and Finance

Model Exit Exam : Cost and Managerial Accounting- I&II

Work hard! Earn more!

Instruction: Choose the correct answer from the given alternatives and write the letter of your choice on the separate answer sheet.

1. Management accounting:
   - **A.** focuses on estimating future revenues, costs, and other measures to forecast activities and their results
   - **B.** provides information about the company as a whole
   - **C.** reports information that has occurred in the past that is verifiable and reliable
   - **D.** provides information that is generally available only on a quarterly or annual basis
2. Cost accounting:
   - **A.** provides information on the efficiency of factory labor
   - **B.** provides information on the cost of servicing commercial customers
   - **C.** provides information on the performance of an operating division
   - **D.** All of these answers are correct.
3. Financial accounting:
   - **A.** focuses on the future and includes activities such as preparing next year's operating budget
   - **B.** must comply with GAAP OR IFRS
   - **C.** reports include detailed information on the various operating segments of the business such as
   - **D.** product lines or departments
   - **E.** is prepared for the use of department heads and other employees
4. The person most likely to use **ONLY** financial accounting information is a:
   - **A.** factory shift supervisor
   - **B.** vice president of operations
   - **C.** current shareholder
   - **D.** department manager
5. Which of the following people is **LEAST likely** to use management accounting information?
   - **A.** the controller
   - **B.** a shareholder evaluating a stock investment
   - **C.** the treasurer
   - **D.** an assembly department supervisor
6. Financial accounting provides the primary source of information for:
   - **A.** decision making in the finishing department
   - **B.** improving customer service
   - **C.** preparing the income statement for shareholders
   - **D.** planning next year's operating budget
7. Which of the following descriptors refers to management accounting information?

A. It is verifiable and reliable.
B. It is driven by rules.
C. It is prepared for shareholders.
D. It provides reasonable and timely estimates.

8. Which of the following statements refers to management accounting information?
A. There are no regulations governing the reports.
B. The reports are generally delayed and historical.
C. The audience tends to be stockholders, creditors, and tax authorities.
D. It primarily measures and records business transactions.

9. Which of the following groups would be LEAST likely to receive detailed management accounting reports?
A. Stockholders
B. sales representatives
C. production supervisors
D. managers

10. Management accounting information includes:
A. tabulated results of customer satisfaction surveys
B. the cost of producing a product
C. the percentage of units produced that are defective
D. All of these answers are correct.

11. Modern cost accounting plays a role in:
A. planning new products
B. evaluating operational processes
C. controlling costs
D. All of these answers are correct.

12. Place the four business functions in the order they appear along the value chain:
A. Customer Service, Design, Production, Marketing
B. Customer Service, Marketing, Production, Design
C. Design, Production, Marketing, Customer Service
D. Design, Customer Service, Production, Marketing

13. A report showing the actual financial results for a period compared to the budgeted financial results for that same period would most likely be called a:
A. strategic plan
B. management forecast
C. performance report
D. revised plan

14. The person(s) directly responsible for attaining of organizational objectives is/are:
A. the treasurer
B. line management

C. the controller
D. the chief financial officer

15. The person(s) responsible for providing advice and assistance to line managers is/are:
A. the controller
B. the chief financial officer
C. staff management
D. the treasurer

16. Cost objects include:
A. products
B. customers
C. departments
D. All of these answers are correct.

17. A cost system determines the cost of a cost object by:
A. accumulating and then assigning costs
B. accumulating costs
C. assigning and then accumulating costs
D. assigning costs

18. Which of the following does NOT affect the direct/indirect classification of a cost?
A. the level of budgeted profit for the next year
B. the materiality of the cost in question
C. available technology to gather information about the cost
D. the design of the operation

19. Classifying a cost as either direct or indirect depends upon:
A. the behavior of the cost in response to volume changes
B. whether the cost is expensed in the period in which it is incurred
C. whether the cost can be easily identified with the cost object
D. whether an expenditure is avoidable or not in the future

20. A manufacturing plant produces two product lines: golf equipment and soccer equipment. An example of indirect cost for the soccer equipment line is:
A. material used to make the soccer balls
B. labor to shape the leather used to make the soccer ball
C. shift supervisor for the soccer line
D. plant supervisor

21. Which statement is true?
A. All variable costs are direct costs.
B. Because of a cost-benefit tradeoff, some direct costs may be treated as indirect costs.
C. All fixed costs are indirect costs.
D. All direct costs are variable costs.

22. Which of the following **does NOT** affect the direct/indirect classification of a cost?

A. the level of budgeted profit for the next year
B. the materiality of the cost in question
C. available technology to gather information about the cost
D. the design of the operation

23. Classifying a cost as either direct or indirect depends upon:
A. the behavior of the cost in response to volume changes
B. whether the cost is expensed in the period in which it is incurred
C. whether the cost can be easily identified with the cost object
D. whether an expenditure is avoidable or not in the future

24. Which one of the following items is a direct cost?
A. Customer-service costs of a multiproduct firm; Product A is the cost object.
B. Printing costs incurred for payroll check processing; payroll check processing is the cost object.
C. The salary of a maintenance supervisor in a multiproduct manufacturing plant; Product B is the cost object.
D. Utility costs of the administrative offices; the accounting department is the cost object.

25. An understanding of the underlying behavior of costs helps in all of the following **EXCEPT**:
A. costs can be better estimated as volume expands and contracts
B. true costs can be better evaluated
C. process inefficiencies can be better identified and as a result improved
D. sales volume can be better estimated

26. The **MOST likely** cost driver of direct material costs is the:
A. number of parts within the product
B. number of miles driven
C. number of products manufactured
D. number of production hours

27. A relevant range is:
A. The range of activity within which variable costs are constant per unit.
B. The range of activity within which the assumptions about variable costs and fixed costs are valid.
C. The range of activity within which fixed costs are constant in total.
D. All of the above

28. Which one of the following is a reason for the difficulty associated with assigning manufacturing overhead to products?
A. Manufacturing overhead is an indirect cost.
B. Manufacturing overhead consists of many different items.
C. Manufacturing overhead costs tend to remain constant.

D. Manufacturing overhead costs are known at the time of the calculation of the predetermined overhead rate.

E. All of the above

F. None of the above

29. The Work in Process account contains the summarized balance of all units of :

A. Completed at a given point in time.

B. Unfinished at a given point in time

C. Transferred to Finished Goods Inventory and in the process of being sold.

D. Sold and in the process of being recorded in the financial records.

30. A cost that has been incurred but cannot be changed by present or future decisions is called:

A. Differential cost

B. Opportunity cost

C. Marginal cost

D. Sunk cost

E. All of the above

F. None of the above

The following information pertains to the CDD Corporation:

- Beginning work-in-process inventory… Br 50,000
- Ending work-in-process inventory……. 48,000
- Beginning finished goods inventory…… 180,000
- Ending finished goods inventory……..195,000
- Cost of goods manufactured……..1,220,000

31. What is cost of goods sold?

A. Br1,235,000

B. Br1,205,000

C. Br1,218,000

D. Br1,222,000

Answer the following questions using the information below:

- Beginning finished goods, 1/1/20X3 …..Br 80,000
- Ending finished goods, 12/31/20X3…..…67,000
- Cost of goods sold…….. 270,000
- Sales revenue…….. 500,000
- Operating expenses……. 145,000

32. What is cost of goods manufactured for 20X3?

A. Br230,000

B. Br257,000

C. Br283,000

D. Br355,000

33. What is gross margin for 20X3?

A. Br283,000

B. Br355,000
C. Br230,000
D. Br257,000

34. What is operating income for 20X3?

A. Br85,000
B. Br112,000
C. Br62,000
D. Br230,000

WT Company manufactures several different products. Unit costs associated with Product **WT23** are as follows:

- Direct materials…… Br 40
- Direct manufacturing labor……..8
- Variable manufacturing overhead……12
- Fixed manufacturing overhead……..23
- Sales commissions (2% of sales)…….6
- Administrative salaries……9
- Total…… Br98

35. What are the variable costs per unit associated with Product **WT23**?

A. Br60
B. Br83
C. Br66
D. Br48

36. What are the fixed costs per unit associated with Product **WT23**?

A. Br23
B. Br32
C. Br35
D. Br44

37. What are the inventoriable costs per unit associated with Product **WT23**?

A. Br60
B. Br66
C. Br48
D. Br83

38. What are the period costs per unit associated with Product **WT23**?

A. Br15
B. Br6
C. Br9
D. Br27

39. Of the following production operations, the one most likely to employ job order cost accumulation is:

A. Ship building
B. Soft drink manufacturing
C. Crude oil refining
D. Candy manufacturing.

40. Under job order cost accumulation, the dollar amount of the entry involved in the transfer of inventory from Work In Process (WIP) to Finished goods is the sum of the costs charged to all jobs:
A. Started in process during the period
B. In process during the period
C. Completed and sold during the period
D. Completed during the period

41. The source of the data for debiting Work-in-Process for direct materials is the:
A. Purchase order
B. Purchase requisition
C. Materials requisition
D. Receiving report

42. In a job order cost accounting system, the entry to record the flow of direct materials into production is:
A. Debit Materials, credit Work in Process
B. Debit Factory Overhead, credit materials
C. Debit Work in Process, credit Supplies
D. Debit Work in Process, credit material

43. A difference in quantity of materials used on two comparable jobs may be caused by:
A. Inadequately trained employees
B. Poor quality materials
C. Employee carelessness
D. Inefficient production process
E. All of the above

44. The amount of time spent by each employee and the labor cost incurred for each individual job or for factory overhead are recorded on:
A. Time tickets
B. Clock cards
C. In-and-out cards
D. Employees' earnings records

45. The entry to record direct labor costs into production in a job order cost accounting system is:
A. Debit Factory Overhead, credit Work in Process
B. Debit Work in Process, credit Wages Payable
C. Debit Finished Goods, credit Wages Payable

D. Debit Factory Overhead, credit Wages Payable

46. When job-711 was completed, direct materials totaled Br3, 000; direct labor, Br3, 500; and factory overhead, Br1, 500, respectively. Units produced totaled 1,000. Unit costs are:

A. Br8,000
B. Br800
C. Br80
D. Br8

47. A characteristics which applies to process costing but not to job order costing system:

A. Equivalent units of production
B. Identifiable batches of production
C. Averaging process
D. Use of standard costs

48. Transferred in costs in a cost of production report are most similar to:

A. Conversion costs added during the process
B. Materials added at the beginning of the process
C. Costs transferred to the next process
D. Costs included in beginning inventory

49. In a process cost accounting, the costs of direct materials and direct labor are charged to:

A. Service departments
B. Customer accounts receivable
C. Processing departments
D. Job orders

50. In a process costing system, the journal entry used to record the transfer of units from Department A, a processing department, to Department B, the next processing department, includes a debit to:

A. Work in Process Department A and a credit to Work in Process Department B
B. Work in Process Department B and a credit to Materials
C. Finished Goods and a credit to Work in Process Department B
D. Work in Process Department B and a credit to Work in Process Department A

51. Which one of the following characterizes Process costing?

A. High production volume and homogeneous products
B. High production volume and heterogeneous products
C. Low production volume and heterogeneous products
D. Low production volume and homogeneous products

52. Which of the following statements is true?

A. Costs are traced to departments and then allocated to units of product when job-order costing is used.
B. Companies that produce many different products or services are more likely to use job-order costing systems than process costing systems.

C. Job-order costing systems are used by service firms only and process costing systems are used by manufacturing concern only.

D. Companies that produce many different products or services are more likely to use process costing systems than Job order costing systems.

53. Identify the wrong statement about process costing.

A. Completed units and their costs transfer to the next department as computed.

B. Process costs are charged to each department's Work-In-Process Inventory account.

C. Unit costs are computed only at the end of the entire manufacturing process.

D. Units not completed must be stated in terms of equivalent units.

54. Under which of the following conditions will FIFO method of process costing yield the same equivalent unit costs as the Weighted-Average Method?

A. When units produced are homogenous in nature.

B. When there is no ending inventory

C. When beginning and ending inventories are each 50% complete.

D. When there is no beginning inventory.

55. Managers often cite reductions in the costs of spoilage as a (n)

A. A major justification for implementing a just-in-time production system

B. Measurement of improved output quality

C. Immaterial item that is not to be tracked

D. Indication of improvement in the accounting system

56. Unacceptable units of production that are discarded or are sold for reduced prices are referred to as

A. Reworked units

B. Spoilage

C. Scrap

D. Defective units

57. Unacceptable units of production that are subsequently repaired and sold as acceptable finished goods are

A. Reworked units

B. Spoilage

C. Scrap

D. Defective units

58. Costs of poor quality production include

A. The opportunity cost of the plant and workers

B. The effect on current customers

C. The effect on potential customers

D. All of the above are costs of poor quality production

E. None of the above

The following information applies to questions given below.

Astoria Computer Systems, Inc., manufactures printers. All direct materials are added at the inception of the production process. During January, the accounting department noted that there was no beginning inventory. Direct materials purchases totaled Br.100, 000 during the month. Work-in-process records revealed that 4,000 cards were started in January, 2,000 cards were complete, and 1,500 units were spoiled as expected. Ending work-in-process units are complete in respect to direct materials costs. Spoilage is not detected until the process is complete.

59. What are the respective direct material costs per equivalent unit, assuming spoiled units are recognized or ignored?

A. Br.20.00; Br.35.00
B. Br.25.00; Br.40.00
C. Br.30.00; Br.45.00
D. Br.35.00; Br.50.00
E. None of the above

	Recognized	**Ignored**
Cost to account for:	Br.100, 000	Br.100, 000
Divided by equivalent units	4,000	2,500
Cost per equivalent unit	Br.25.00	Br. 40.00
Assigned to:		
Good units completed		
(2,000 x Br.25; Br.40)	Br. 50,000	Br. 80,000
Normal spoilage		
(1,500 x Br.25)	37,500	0
Costs transferred out	87,500	80,000
WIP ending inventory (500 x Br.25; Br.40)	12,500	20,000
Cost accounted for:	Br.100,000	Br.100,000

60. What is the direct material cost assigned to good units completed when spoilage units are recognized?

A. Br.50, 000
B. Br.100, 000
C. Br.80, 000
D. Br.87, 500
E. None of the above

61. What is the cost transferred out assuming spoilage units are ignored?

A. Br.87, 500
B. Br.80, 000
C. Br.50, 000

D. Br.77, 500
E. None of the above

62. What are the amounts allocated to the work-in-process ending inventory assuming spoilage units are recognized and ignored, respectively?
A. Br.20, 000; Br.24, 500
B. Br.30, 000; Br.34, 250
C. Br.12, 500; Br.20, 000
D. Br.37, 500; Br.40, 000
E. None of the above

63. Spoilage costs allocated to ending work in process are larger by which method and by how much?
A. When spoiled units are recognized by Br.2, 500
B. When spoiled units are recognized by Br.4, 250
C. When spoiled units are ignored by Br.7, 500
D. When spoiled units are recognized by Br.7, 500
E. None of the above

64. Quantity schedule in process costing having spoilage and tracks the physical units of output and determines:
A. The number of units started, good units completed, and transferred out to the next process
B. Both beginning and ending work in process inventory units
C. Both normal and abnormal spoilage
D. Total number of physical units to account for
E. All of the above
F. None of the above

65. Identify the wrong statement about process costing.
A. Completed units and their costs transfer to the next department as computed.
B. Process costs are charged to each department's Work-In-Process Inventory account.
C. Units not completed must be stated in terms of equivalent units.
D. Unit costs are computed only at the end of the entire manufacturing process.
E. All of the above
F. None of the above

66. Under which of the following conditions will FIFO method of process costing yield the same equivalent unit costs as the Weighted-Average Method?
A. When units produced are homogenous in nature.
B. When there is no ending inventory
C. When there is no beginning inventory.
D. When beginning & ending inventories are each 50% complete.
E. All of the above

F. None of the above

67. If ABC Company detects, reprocess and sells a certain product which was defective before then what do we call that product?

A. Quality Product.
B. Rework
C. Spoilage
D. Scarp

68. If the rework is abnormal, it is highlighted to management by charging abnormal rework to:

A. Materials Control
B. Work In Process Control
C. Factory Overhead Control
D. Loss account.

69. When the value of scrap is immaterial, the appropriate accounting is to make a notation of the quantity of scrap returned to the store and to regard the scrap sales as:

A. Materials
B. Work In Process
C. Factory Overhead
D. Other revenue

70. Domain Manufacturing Shop produces motorcycle parts. Typically, 10 pieces out of a job lot of 1,000 parts are spoiled. Costs are assigned at the inspection point, Br.50.00 per unit. Spoiled pieces may be disposed of at Br.10.00 per unit. The spoiled goods must be inventoried appropriately when the normal spoilage is detected. Job 101 requires the production of 2,500 good parts. Which of the following journal entries would be correct if the spoilage occurred due to specifications required for Job 101?

A.	Work-in-Process Control	Br.100	
	Materials Control		Br.100
B.	Materials Control	Br.100	
	Work-in-Process Control		Br.100
C.	Materials Control	Br.250	
	Work-in-Process Control		Br.250
D.	Work-in-Process Control	Br.250	
	Materials Control		Br.250

71. Which of the following cost(s) are inventoried when using variable costing?

A. Direct manufacturing costs
B. Variable marketing costs
C. Fixed manufacturing costs
D. Both (a) and (b)
E. None of the above

72. Which of the following cost(s) are inventoried when using absorption costing?

A. Direct manufacturing costs
B. Variable marketing costs
C. Fixed manufacturing costs
D. Both (a) and (c)

73. Absorption costing is required for all **EXCEPT**

A. Generally accepted accounting principles
B. Determining a competitive selling price
C. External reporting to shareholders
D. Income tax reporting

74. Absorption costing

A. Expenses marketing costs as cost of goods sold.
B. Treats direct manufacturing costs as a period cost
C. Includes fixed manufacturing overhead as an inventoriable cost
D. Is required for internal reports to managers

75. Variable costing

A. Expenses administrative costs as cost of goods sold
B. Treats direct manufacturing costs as a product cost
C. Includes fixed manufacturing overhead as an inventoriable cost
D. Is required for external reporting to shareholders

The following information applies to questions below.

Marie's Decorating produces and sells a mantel clock for Br. 100 per unit. In 20x1, 100,000 parts were produced and 80,000 units were sold. Other information for the year includes:

Direct materials	Br. 30.00 per unit
Direct manufacturing labor	Br. 2.00 Per unit
Variable manufacturing costs	Br. 3.00 per unit
Sales commissions	Br. 5.00 Per part
Fixed manufacturing costs	Br. 25.00 per unit
Administrative expenses, all fixed	Br. 15.00 per unit

76. What is the inventoriable cost per unit using variable costing?

A. Br. 32
B. Br. 35
C. Br. 40
D. Br. 60

77. What is the inventoriable cost per unit using absorption costing?

A. Br. 32
B. Br. 35
C. Br. 60
D. Br. 80

The following information applies to questions below.

Gabe's Auto produces and sells an auto part for Br. 30.00 per unit. In 20x1, 100,000 parts were produced and 75,000 units were sold. Other information for the year includes:

Direct materials	Br. 12.00 per unit
Direct manufacturing labor	Br. 2.25 per unit
Variable manufacturing costs	Br. 0.75 per unit
Sales commissions	Br. 3.00 per part
Fixed manufacturing costs	Br. 375,000 per year
Administrative expenses, all fixed	Br. 135,000 per year

78. What is the inventoriable cost per unit using variable costing?

A. Br. 14.25
B. Br. 15.00
C. Br. 18.00
D. Br. 21.75

79. What is the inventoriable cost per unit using absorption costing?

A. Br. 15.00
B. Br. 18.00
C. Br. 18.75
D. Br. 21.75

80. The contribution-margin format of the income statement

A. Is used with absorption costing
B. Highlights the lump sum of fixed manufacturing costs
C. Distinguishes manufacturing costs from nonmanufacturing costs
D. Calculates gross margin

81. Identify the one that does not belong to others.

A. Traditional Costing
B. Marginal costing
C. Direct costing
D. Variable Costing
E. All of the above

82. Product cost under absorption costing is characteristically:

A. Lower than under variable costing.
B. Higher than under variable costing.
C. Equal to variable costing.
D. Higher sometimes and lower sometimes than variable costing.
E. None of the above

83. When production is equal to sales, which one of the following is true?

A. No change occurs to inventories for either absorption costing or variable costing methods.
B. The use of absorption costing produces a higher net income than the use of variable costing.
C. The use of absorption costing produces a lower net income than the use of variable costing.
D. The use of absorption costing causes inventory value to increase more than they would through the use of variable costing.

84. Which one of the following is an element of product cost under absorption costing approach?
A. Direct Material
B. Direct Labor
C. Variable Factory Overhead
D. Fixed Factory Overhead

85. Which one of the following is wrong about variable costing?
A. It is not supported by GAAP.
B. It is used for internal reporting.
C. It is used in managerial decision making.
D. It is used in performance measurement and cost analysis.

86. Advantages of variable costing include which of the following?
A. Data that are required for CVP analysis can be taken directly from the contribution margin format income statement.
B. All things being equal, profit for the period is not affected by changing inventories.
C. Profits tend to move in the same direction as sales.
D. The use of variable costing causes inventory value to increase more than they would through the use of absorption costing.
E. All of the above.

87. Variable costing is attractive to managers as an alternative to absorption costing because:
A. Absorption costing makes distinctions between fixed and variable product costs.
B. To generate data for CVP analysis, considerable time would have to be invested to rework income statements constructed under absorption costing.
C. Absorption costing is well suited to CVP analysis techniques.
D. Absorption costing provides useful tools to managers for planning and control.

88. Using absorption costing, a unit of product includes:
A. Direct materials, direct labor, and fixed overhead.
B. Direct materials, direct labor, and variable overhead.
C. Direct materials, direct labor, variable overhead, and fixed overhead.
D. Only direct materials and direct labor.

89. Units produced = 2,000, units sold = 1,800, contribution margin ratio is 37%, fixed S & A expenses are Br.90, 000. Fixed mfg. Expenses are Br.80, 200, by how much is net income greater under full costing than variable costing?

A. Br.Br.80,200
B. Br.9,000
C. Br.17,020
D. Br.8,020

90. What type of cost is the result of an event that results in more than one product or service simultaneously?

A. Byproduct cost
B. Joint cost
C. Main cost
D. Separable cost

91. All costs incurred beyond the split off point that are assignable to one or more individual products are called

A. Byproduct costs
B. Joint costs
C. Main costs
D. Separable costs

92. When a single manufacturing process yields two products, one of which has a relatively high sales value compared to the other, the two products are respectively known as

A. Joint products and byproducts
B. Joint products and scrap
C. Main products and byproducts
D. Main products and joint products

93. Byproducts and main products are differentiated by

A. Number of units per processing period
B. Weight or volume of outputs per period
C. The amount of sales value per unit
D. None of the above

94. The Arid Corporation manufactures widgets, gizmos, and turbots from a joint process. May production is 4,000 widgets; 7,000 gizmos; and 8,000 turbots. Respective per unit selling prices at split off are Br.15, Br.10, and Br.5. Joint costs up to the split off point are Br.75, 000. If joint costs are allocated based upon the sales value at split off, what amount of joint costs will be allocated to the widgets?

A. Br.30, 882
B. Br.26, 471
C. Br.17, 647
D. Br.28, 125

95. Product X is sold for Br.8 a unit and Product Y is sold for Br.12 a unit. Each product can also be sold at the split off point. Product X can be sold for Br.5 and Product Y for Br.4. Joint costs for the two products totaled Br.4, 000 for January for 600 units of X and 500 units of Y. What are the respective joint costs assigned each unit of products X and Y if the sales value at split off method is used?

A. Br.2.96 and Br.4.44
B. Br.4.00 and Br.4.55
C. Br.4.00 and Br.3.20
D. Br.4.55 and Br.4.55

96. A reason why a physical-measure to allocate joint costs is less preferred than the sales value at split off is

A. A physical measure such as volume is difficult to estimate because of shrinkage
B. Physical volume usually has little relationship to the revenue producing power of products
C. A physical measure usually results in the costs being allocated to the product that weighs the most.
D. All of the above are reasons why the sales value at split off method is preferred to a physical volume measure

The following information applies to questions below.

The Oxnard Corporation processes a liquid component up to the split off point where two products, Mr. Dirt Out and Mr. Sink Clean, are produced and sold. The following material was collected for the month of January. There was no beginning inventory.

Direct materials processed:		250,000 gallons (242,500 gallons of good product)
Production:	Mr. Dirt out	147,500 gallons
	Mr. Sink Clean	95,000 gallons
Sales:	Mr. Dirt out	140,500 at Br.110 per gallon
	Mr. Sink Clean	91,000 at Br. 100 per gallon

The cost of purchasing 250,000 gallons of direct materials and processing it up to the split off point to yield a total of 242,500 gallons of good product was Br.380, 000.

97. What are the physical-volume proportions to allocate joint costs for Mr. Dirt Out and Mr. Sink Clean, respectively?

A. 59.00% and 41.00%
B. 60.82% and 39.18%
C. 39.18% and 60.82%
D. 59.79% and 40.21%

98. When using a physical-volume measure, what is the approximate amount of joint costs

that will be allocated to Mr. Dirt Out and Mr. Sink Clean?

A. Br.231, 116 and Br.148, 884

B. Br.224, 200 and Br.155, 800

C. Br.227, 202 and Br.152, 798

D. Br.230, 626 and Br.149, 374

99. When using the physical-volume method, what is Mr. Dirt Out's approximate production cost per unit?

A. Br.1.52

B. Br.1.54

C. Br.1.57

D. Br.1.61

100. All costs incurred beyond the split off point that is assignable to one or more individual products are called:

A. Byproduct costs

B. Joint costs

C. Main costs

D. Separable costs.

101. When a single manufacturing process yields two products, one of which has a relatively high sales value compared to the other, the two products are respectively known as:

A. Joint products and byproducts

B. Joint products and scrap

C. Main products and byproducts

D. Main products and joint products

102. Which of the following costs of a joint process would be allocated to the joint products?

A. Labor and overhead only

B. Materials, labor, and overhead

C. Materials and labor only

D. Prime costs less by-product values

E. Conversion costs less by-product

103. Which of the following is a true statement regarding joint costs?

A. Joint costs are easily traced to individual products.

B. The primary reason for allocating joint costs is to determine whether a product should be sold immediately or processed further.

C. The primary reason for allocating joint costs is for inventory valuation for financial reporting.

D. Joint costs consist only of overhead, never of materials or direct labor.

104. The joint cost allocation method that yields the same gross margin percentage for each product is the:

A. Net realizable value method.

B. Sales-to-production-ratio method
C. Physical units' method.
D. Constant gross margin percentage method.
E. Sales-value-at-split-off method.

105. Which of the following is not a primary reason for allocating joint costs?
A. Cost justification and insurance settlement cost information requirements
B. Cost justification and asset measurement
C. Income measurement and rate regulation requirements
D. To calculate the bonus of the chief executive officer

106. The secondary product recovered in the course of manufacturing a primary product during a joint process is:
A. A by-product
B. A joint product
C. A replacement product
D. A split-off product

107. The joint cost allocation method that assigns joint production costs based on the proportionate share of eventual revenues less further processing costs is the:
A. Sales-to-production-ratio method.
B. Net realizable value method.
C. Physical units' method.
D. Sales-value-at-split-off method.
E. Constant gross margin percentage method.

108. The physical-measure method:
A. Allocates joint costs to joint products in a way that each product has an identical gross-margin percentage
B. Allocates joint costs to joint products on the basis of a comparable physical measure at the split off point
C. Allocates joint costs to joint products on the basis of the relative sales value at the split off point
D. Allocates joint costs to joint products on the basis of relative NRV

109. Which method of accounting recognizes byproducts in the financial statements at the time their production is completed?
A. Production allocation method
B. Sale method
C. Production method
D. Physical units' method.

110. Which of the following items is NOT an assumption of CVP analysis?
A. Costs may be separated into separate fixed and variable components.
B. Total revenues and total costs are linear in relation to output units.

C. Unit selling price, unit variable costs, and unit fixed costs are known and remain constant.

D. Proportion of different products will remain constant when multiple products are sold.

111. The contribution income statement:

A. reports gross margin

B. is allowed for external reporting to shareholders

C. categorizes costs as either direct or indirect

D. can be used to predict future profits at different levels of activity

Ruben intends to sell his customers a special round-trip airline ticket package. He is able to purchase the package from the airline carrier for $150 each. The round-trip tickets will be sold for $200 each and the airline intends to reimburse Ruben for any unsold ticket packages. Fixed costs include $5,000 in advertising costs.

112. What is the contribution margin per ticket package?

A. $50

B. $100

C. $150

D. $200

113. How many ticket packages will Ruben need to sell to break even?

A. 34 packages

B. 50 packages

C. 100 packages

D. 150 packages

114. How many ticket packages will Ruben need to sell in order to achieve $60,000 of operating income?

A. 367 packages

B. 434 packages

C. 1,100 packages

D. 1,300 packages

115. For every $25,000 of ticket packages sold, operating income will increase by:

A. $6,250

B. $12,500

C. $18,750

D. an indeterminable amount

116. In CVP analysis, focusing on target net income rather than operating income:

A. will increase the breakeven point

B. will decrease the breakeven point

C. will not change the breakeven point

D. does not allow calculation of breakeven point

Bush Manufacturing produces a single product that sells for $100. Variable costs per unit equal $25. The company expects total fixed costs to be $60,000 for the next month at the projected sales level of 1,000 units. In an attempt to improve performance, management is considering a number of alternative actions. Each situation is to be evaluated separately.

117. Suppose that management believes that a $24,000 increase in the monthly advertising expense will result in a considerable increase in sales. Sales must increase by how much to justify this additional expenditure?

A. 320 units
B. 1,120 units
C. 240 units
D. None of these answers are correct.

118. Suppose that management believes that a 20% reduction in the selling price will result in a 20% increase in sales. If this proposed reduction in selling price is implemented

A. operating income will decrease by $9,000
B. operating income will increase by $9,000
C. operating income will decrease by $20,000
D. operating income will increase by $15,000

119. If the contribution margin ratio is 0.40, targeted operating income is $50,000, and fixed costs are $75,000, then sales volume in dollars is:

A. $250,000
B. $312,500
C. $275,000
D. $350,000

120. If the contribution margin ratio is 0.25, targeted operating income is $25,000, and targeted sales volume in dollars is $200,000, then total fixed costs are:

A. $50,000
B. $100,000
C. $75,000
D. $25,000

Answer the following questions using the information below:

The following information is for Barnett Corporation:

- Product X: Revenue $10.00 & Variable Cost $2.50
- Product Y: Revenue $15.00 & Variable Cost $5.00
- Total fixed costs $50,000

121. What is the breakeven point assuming the sales mix consists of two units of Product X and one unit of Product Y?

A. 1,000 units of Y and 2,000 units of X
B. 1,013 units of Y and 2,025 units of X

C. 2,013 units of Y and 4,025 units of X

D. 2,000 units of Y and 4,000 units of X

122. What is the operating income, assuming actual sales total 150,000 units, and the sales mix is two units of Product X and one unit of Product Y?

A. $1,200,000

B. $1,250,000

C. $1,750,000

D. None of these answers are correct.

123. If the sales mix shifts to one unit of Product X and two units of Product Y, then the weighted-average contribution margin will:

A. increase per unit

B. stay the same

C. decrease per unit

D. be indeterminable

124. If the sales mix shifts to one unit of Product X and two units of Product Y, then the breakeven point will:

A. increase

B. stay the same

C. decrease

D. be indeterminable

125. Design of an ABC system requires:

A. that the job bid process be redesigned

B. that a cause-and-effect relationship exists between resource costs and individual activities

C. an adjustment to product mix

D. Both B and C are correct.

126. Which of the following statements about activity-based costing is **NOT true**?

A. Activity-based costing is useful for allocating marketing and distribution costs.

B. Activity-based costing is more likely to result in major differences from traditional costing systems if the firm manufactures only one product rather than multiple products.

C. Activity-based costing seeks to distinguish batch-level, product-sustaining, and facility-sustaining costs, especially when they are not proportionate to one another.

D. Activity-based costing differs from traditional costing systems in that products are not cross subsidized.

Answer the following questions using the information below.

Mertens Company provides the following ABC costing information

Activities	**Total Costs**	**Activity-cost drivers**
Account inquiry hours	$200,000	10,000 hours
Account billing lines	$140,000	4,000,000 lines
Account verification accounts	$75,000	40,000 accounts
Correspondence letters	$ 25,000	4,000 letters
Total costs	$440,000	

The above activities are used by Departments A and B as follows:

	Department A	**Department B**
Account inquiry hours	2,000 hours	4,000 hours
Account billing lines	400,000 lines	200,000 lines
Account verification accounts	10,000 accounts	8,000 accounts
Correspondence letters	1,000 letters	1,600 letters

127. How much of the account inquiry cost will be assigned to Department A?

A. $40,000
B. $200,000
C. $80,000
D. None of these answers are correct.

128. How much of the account billing cost will be assigned to Department B?

A. $14,000
B. $140,000
C. $7,000
D. None of these answers are correct.

129. How much of account verification costs will be assigned to Department A?

A. $15,000
B. $18,750
C. $75,000
D. $5,000

130. How much of correspondence costs will be assigned to Department B?

A. $800
B. $6,250
C. $25,000
D. $10,000

131. How much of the total costs will be assigned to Department A?

A. $79,000
B. $40,000
C. $112,000

D. $440,000

132. How much of the total costs will be assigned to Department B?

A. $79,000

B. $40,000

C. $112,000

D. $440,000

133. A budget should/can do all of the following **EXCEPT**:

A. be prepared by managers from different functional areas working independently of each other

B. be adjusted if new opportunities become available during the year

C. help management allocate limited resources

D. become the performance standard against which firms can compare the actual results

134. Actual results should NOT be compared against past performance because:

A. past results may contain mistakes and substandard performance

B. past results will never happen again

C. past performance is an indicator of future performance

D. future conditions will be similar to past conditions

135. Budgeted production equals:

A. beginning finished goods inventory + budgeted unit sales - targeted ending finished goods inventory

B. targeted ending finished goods inventory + beginning finished goods inventory - budgeted unit sales

C. budgeted unit sales + targeted ending finished goods inventory - beginning finished goods inventory

D. budgeted unit sales + targeted ending finished goods inventory + beginning finished goods inventory

Answer the following questions using the information below.

The following information pertains to the January operating budget for Casey Corporation, a retailer:

- Budgeted sales are $200,000 for January
- Collections of sales are 50% in the month of sale and 50% the next month
- Cost of goods sold averages 70% of sales
- Merchandise purchases total $150,000 in January
- Marketing costs are $3,000 each month
- Distribution costs are $5,000 each month
- Administrative costs are $10,000 each month

136. For January, budgeted gross margin is:

A. $100,000
B. $140,000
C. $60,000
D. $50,000

137. For January, the amount budgeted for the nonmanufacturing costs budget is:
A. $78,000
B. $10,000
C. $168,000
D. $18,000

138. The operating budget process generally concludes with the preparation of the:
A. production budget
B. distribution budget
C. research and development budget
D. budgeted income statement

139. The order to follow when preparing the operating budget is:
A. revenues budget, production budget, and direct manufacturing labor costs budget
B. costs of goods sold budget, production budget, and cash budget
C. revenues budget, manufacturing overhead costs budget, and production budget
D. cash expenditures budget, revenues budget, and production budget.

140. Responsibility accounting:
A. is a system that measures the plans, budgets, actions, and actual results of a responsibility center
B. is an arrangement of lines of responsibility within the organization
C. explicitly incorporates continuous improvement anticipated during the budget period
D. examines how a result will change if the original plan is not achieved

141. Responsibility centers include all of the following **EXCEPT**:
A. cost
B. revenue
C. customers
D. investment

142. Variances between actual and budgeted amounts can be used to:
A. alert managers to potential problems and available opportunities
B. inform managers about how well the company has implemented its strategies
C. signal that company strategies are ineffective
D. All of these answers are correct

Answer the following questions using the information below.

The following information pertains to Hepburn Company:

Month	Sales	Purchases
January	$60,000	$32,000
February	$80,000	$40,000
March	$100,000	$56,000

- Cash is collected from customers in the following manner: Month of sale 30% & Month following the sale 70%;
- 40% of purchases are paid for in cash in the month of purchase, and the balance is paid the following month.
- Labor costs are 20% of sales.
- Other operating costs are $30,000 per month (including $8,000 of depreciation). Both of these are paid in the month incurred.
- The cash balance on March 1 is $8,000. A minimum cash balance of $6,000 is required at the end of the month. Money can be borrowed in multiples of $1,000.

143. How much cash will be collected from customers in March?

A. $94,000
B. $86,000
C. $100,000
D. None of these answers are correct.

144. How much cash will be paid to suppliers in March?

A. $46,400
B. $56,000
C. $88,000
D. None of these answers are correct.

145. How much cash will be disbursed in total in March?

A. $42,000
B. $50,000
C. $88,400
D. $96,400

146. What is the ending cash balance for March?

A. ($50,000)
B. $6,000
C. $5,600
D. $6,600

Answer the following questions using the information below.

These questions refer to flexible-budget variance formulas with the following descriptions for the variables: **A = Actual; B = Budgeted; P = Price; Q = Quantity.**

147. The best label for the formula **(AQ - BQ) BP** is the:

A. efficiency variance
B. price variance
C. total flexible-budget variance
D. spending variance

148. The best label for the formula **(AP - BP) AQ** is the:

A. efficiency variance
B. price variance
C. total flexible-budget variance
D. spending variance

149. The best label for the formula [(AP)(AQ) - (BP)(AQ)] is the:

A. efficiency variance
B. price variance
C. total flexible-budget variance
D. spending variance

150. The best label for the formula [(AP)(AQ) - (BP)(BQ)] is the:

A. efficiency variance.
B. price variance
C. total flexible-budget variance
D. spending variance

151. An unfavorable flexible-budget variance for variable costs may be the result of:

A. using more input quantities than were budgeted
B. paying higher prices for inputs than were budgeted
C. selling output at a higher selling price than budgeted
D. Both A and B are correct.

Answer the following questions using the information below.

JJ Abrams planned to use $164 of material per unit but actually used $160 of material per unit, and planned to make 1,200 units but actually made 1,000 units.

152. The flexible-budget amount is:

A. $160,000
B. $164,000
C. $192,000
D. $196,800

153. The flexible-budget variance is:

A. $4,000 favorable

B. $28,000 unfavorable
C. $32,800 unfavorable
D. $4,800 favorable

154. The sales-volume variance is:
A. $4,000 favorable
B. $28,000 unfavorable
C. $32,800 unfavorable
D. $4,800 favorable

155. The variable overhead flexible-budget variance measures the difference between:
A. actual variable overhead costs and the static budget for variable overhead costs
B. actual variable overhead costs and the flexible budget for variable overhead costs
C. the static budget for variable overhead costs and the flexible budget for variable overhead costs
D. None of these answers is correct.

156. For decision making, a listing of the relevant costs:
A. will help the decision maker concentrate on the pertinent data
B. will only include future costs
C. will only include costs that differ among alternatives
D. All of these answers are correct.

157. Relevant information has all of these characteristics **EXCEPT**:
A. past costs are irrelevant
B. all future revenues and expenses are relevant
C. different alternatives can be compared by examining differences in total revenue and expenses
D. qualitative factors should be considered

158. One-time-only special orders should only be accepted if:
A. incremental revenues exceed incremental costs
B. differential revenues exceed variable costs
C. incremental revenues exceed fixed costs
D. total revenues exceed total costs

Answer the following questions using the information below.
Donald's Engine Company manufactures part TE456 used in several of its engine models. Monthly production costs for 1,000 units are as follows:

- Direct materials……. $ 20,000
- Direct labor……. 5,000
- Variable overhead costs ……15,000
- Fixed overhead costs …….10,000
  Total costs…… **$50,000**

It is estimated that 10% of the fixed overhead costs assigned to TE456 will no longer be incurred if the company purchases TE456 from the outside supplier. Donald's Engine Company has the option of purchasing the part from an outside supplier at $42.50 per unit.

159. If Donald's Engine Company accepts the offer from the outside supplier, the monthly avoidable costs (costs that will no longer be incurred) total:

A. $ 41,000
B. $ 49,000
C. $ 25,000
D. $50,000

160. If Donald's Engine Company purchases 1,000 TE456 parts from the outside supplier per month, then its monthly operating income will:

A. increase by $1,000
B. increase by $40,000
C. decrease by $1,500
D. decrease by $42,500

161. The maximum price that Donald's Engine Company should be willing to pay the outside supplier is:

A. $40 per TE456 part
B. $41 per TE456 part
C. $49 per TE456 part
D. $50 per TE456 part

162. For make-or-buy decisions, relevant costs include:

A. direct material costs plus direct labor costs
B. incremental costs plus opportunity costs
C. differential costs plus fixed costs
D. incremental costs plus differential costs

163. Yield variances:

A. reveal the effect of substitution within a single factor of production
B. address the productivity of a single component of one factor of production
C. capture both substitutions between factors of production as well as within factors of production
D. reveal the effect of substitution within multiple factors of production

164. The sales-quantity variance will be unfavorable when:

A. the composite unit for the actual mix is greater than for the budgeted mix
B. actual unit sales are less than budgeted unit sales
C. the actual contribution margin is greater than the static-budget contribution margin
D. the actual sales mix shifts toward the less profitable units

165. The materials yield variance will be unfavorable when:

A. the flexible-budget contribution margin is greater than the actual contribution margin
B. the actual direct materials input mix is less expensive than the budgeted direct materials input mix
C. the actual quantity of total inputs used is greater than the flexible budget for total inputs
D. actual unit sales are less than budgeted unit sales

166. The method that allocates costs in each cost pool using the same rate per unit is known as the:
A. incremental cost-allocation method
B. reciprocal cost-allocation method
C. single-rate cost allocation method
D. dual-rate cost-allocation method

Answer the following questions using the information below.

Jake's Battery Company has two service departments, Maintenance and Personnel. Maintenance Department costs of $320,000 are allocated on the basis of budgeted maintenance-hours. Personnel Department costs of $80,000 are allocated based on the number of employees. The costs of operating departments A and B are $160,000 and $240,000, respectively. Data on budgeted maintenance-hours and number of employees are as follows:

	Support Departments		**Production Departments**	
	Maintenance Department	**Personnel Department**	**A**	**B**
Budgeted costs	$320,000	$80,000	$160,000	$240,000
Budgeted maintenance-hours	NA	800	960	640
Number of employees	40	NA	160	480

167. Using the direct method, what amount of Maintenance Department costs will be allocated to Department B?
A. $96,000
B. $128,000
C. $156,000
D. $192,000

168. Using the direct method, what amount of Personnel Department costs will be allocated to Department B?
A. $20,000
B. $32,000
C. $48,000
D. $60,000

169. Using the step-down method, what amount of Maintenance Department cost will be allocated to Department B if the service department with the highest percentage of interdepartmental support service is allocated first? (Round up)

A. $64,000
B. $85,333
C. $114,667
D. $128,000

170. Using the direct method, what amount of Maintenance Department costs will be allocated to Department A?

A. $96,000
B. $128,000
C. $166,000
D. $192,000

171. Using the direct method, what amount of Personnel Department costs will be allocated to Department A?

A. $20,000
B. $32,000
C. $48,000
D. $60,000

172. Using the step-down method, what amount of Maintenance Department cost will be allocated to Department A if the service department with the highest percentage of interdepartmental support service is allocated first? (Round up)

A. $64,000
B. $85,333
C. $114,667
D. $128,000

173. Which of the following is NOT a primary reason for allocating joint costs?

A. cost justification and insurance settlement cost information requirements
B. cost justification and asset measurement
C. income measurement and rate regulation requirements
D. to calculate the bonus of the chief executive officer

174. The weighted-average process-costing method calculates the equivalent units by:

A. considering only the work done during the current period
B. the units started during the current period minus the units in ending inventory
C. the units started during the current period plus the units in ending inventory
D. the equivalent units completed during the current period plus the equivalent units in ending inventor

175. Costing systems that are used for the costing of like or similar units of products in mass production are called:

A. inventory-costing systems
B. job-costing systems
C. process-costing systems
D. weighted-average costing systems

Answer the following questions using the information below.

Yakima Manufacturing purchases trees from Cheney Lumber and processes them up to the split off point where two products (paper and pencil casings) are obtained. The products are then sold to an independent company that markets and distributes them to retail outlets. The following information was collected for the month of November:

- Trees processed: 100 trees (yield is 60,000 sheets of paper and 60,000 pencil casings and no scrap)
- Production: paper 60,000 sheets & pencil casings 60,000
- Sales: paper 58,000 at $0.04 per page & pencil casings 60,000 at $0.10 per casing

The cost of purchasing 100 trees and processing them up to the split off point to yield 60,000 sheets of paper and 60,000 pencil casings is $3,000. Yakima's accounting department reported no beginning inventories and an ending inventory of 2,000 sheets of paper.

176. What is the sales value at the split off point for paper?
A. $240
B. $2,320
C. $2,400
D. $3,900

177. What is the sales value at the splitoff point of the pencil casings?
A. $600
B. $2,460
C. $6,000
D. $7,500

178. If the sales value at split off method is used, what are the approximate joint costs assigned to ending inventory for paper?
A. $28.58
B. $100.00
C. $870.00
D. $1,500.00

179. If the sales value at splitoff method is used, what is the approximate production cost for each pencil casing?
A. $0.0250
B. $0.0255
C. $0.0335
D. $0.0357

Answer the following questions using the information below.

The Cuckoo Clock Shop manufactures clocks on a highly automated assembly line. Its costing system uses two cost categories, direct materials and conversion costs. Each product must pass through the Assembly Department and the Testing Department. Direct materials are added at the beginning of the production process. Conversion costs are allocated evenly throughout production. Cuckoo Clock Shop uses weighted-average costing.

***Data for the Assembly Department for June 2013 are*:**

- Work in process, beginning inventory: 250 units - Direct materials (100% complete) & Conversion costs (50% complete)
- Units started during June : 800 units
- Work in process, ending inventory: 150 units - Direct materials (100% complete) & Conversion costs (75% complete)

***Costs for June 2013*:**

- Work in process, beginning inventory : Direct materials $90,000 & Conversion costs $135,000
- Direct materials costs added during June: $500,000
- Conversion costs added during June: $500,000

180. What are the equivalent units for direct materials and conversion costs, respectively, for June?

A. 1,200.5 units; 1,160.64 units
B. 1,050 units; 1,012.5 units
C. 1,050 units; 1,050 units
D. 962 units; 990 units

181. What is the total amount debited to the Work-in-Process account during the month of June?

A. $225,000
B. $1,000,000
C. $1,135,000
D. $1,225,000

182. What is the direct materials cost per equivalent unit during June?

A. $561.90
B. $865.10
C. $789.50
D. $945.18

183. What is the conversion cost per equivalent unit in June?

A. $627.16
B. $789.57
C. $865.10

D. $945.18

184. What amount of direct materials costs is assigned to the ending Work-in-Process account for June?

A. $84,285

B. $141,776.25

C. $129,765

D. $118,425

185. What amount of conversion costs are assigned to the ending Work-in-Process account for June?

A. $509,78.32

B. $70,555.50

C. $63,225.25

D. $90,074

Answer the following questions using the information given below.

Fish Fillet Incorporated obtains fish and then processes them into frozen fillets and then prepares the frozen fish fillets for distribution to its retail sales department. Direct materials are added at the initiation of the cycle. Conversion costs are incurred evenly throughout the production cycle. Before inspection, some fillets are spoiled due to non detectible defects. Inspection occurs when units are 50% converted. Spoiled fillets generally constitute 3.5% of the good fillets.

Data for April 2012 are as follows:

- **WIP, beginning inventory** (4/1/2012): 80,000 fillets - Direct materials (100% complete) **&** Conversion costs (50% complete)
- **Started** during April : 150,000 fillets
- **Completed and transferred out** (4/31/2012) : 200,000 fillets
- **WIP, ending inventory** (4/31/2012) : 16,000 fillets-Direct materials (100% complete) **&** Conversion costs (20% complete)

Costs for April:

- **WIP, beginning Inventory**: Direct materials $ 110,000 & Conversion costs 80,000
- **Direct materials added** : $290,200
- **Conversion costs added** : $376,130

186. What is the number of total spoiled units?

A. 16,000 units

B. 10,000 units

C. 50,000 units

D. 14,000 units

187. Normal spoilage totals:

A. 7,000 units

B. 0 units
C. 16,000 units
D. 14,000 units

188. Abnormal spoilage totals:
A. 7,000 units
B. 0 units
C. 16,000 units
D. 14,000 units

189. What is the total cost per equivalent unit using the weighted-average method of process costing?
A. $4.00
B. $1.74
C. $2.10
D. $3.84

190. What cost is allocated to abnormal spoilage using the weighted-average process-costing method?
A. $ 0
B. $26,880
C. $53,760
D. $29,000

191. What are the amounts of direct materials and conversion costs assigned to ending work in process using the weighted-average process-costing method?
A. $6,720; $27,840
B. $27,840 $6,720
C. $27,840; $33,600
D. $33,600; $27,840

192. Assume the amount of scrap is material and the scrap is sold immediately after it is produced. If the scrap attributable to a specific job is sold on account, the journal entry:
A. Work-in-Process Control (Dr) & Cash (Cr)
B. Work-in-Process Control (Dr) & Accounts Receivable (Cr)
C. Accounts Receivable (Dr) & Work-in-Process Control (Cr)
D. Work-in-Process Control (Dr) & Accounts Payable (Cr)

193. Rework is an example of:
A. prevention costs
B. appraisal costs
C. internal failure costs
D. external failure costs

194. Which of the following is NOT a characteristic of a management control system?
A. It aids and coordinates the process of making decisions.

B. It encourages short-term profitability.
C. It motivates individuals throughout the organization to act in concert.
D. It coordinates forecasting sales and cost-driver activities, budgeting, and measuring and evaluating performance.

195. An advantage of decentralization is that it:
A. creates greater responsiveness to local needs
B. focuses manager's attention on the organization as a whole
C. does not result in a duplication of activities
D. reduces the cost of gathering information

196. A transfer-pricing method leads to goal congruence when managers:
A. always act in their own best interest
B. act in their own best interest and the decision is in the long-term best interest of the manager's subunit
C. act in their own best interest and the decision is in the long-term best interest of the company
D. act in their own best interest and the decision is in the short-term best interest of the company

197. Transferring products or services at market prices generally leads to optimal decisions when:
A. the market for the intermediate product is perfectly competitive
B. the interdependencies of the subunits are minimal
C. there are no additional costs or benefits to the company in buying or selling in the external market
D. All of these answers are correct

Answer the following questions using the information given below.

Calculate the Division operating income for the Alpha Shoe Company which manufactures only one type of shoe and has two divisions, the Sole Division, and the Assembly Division. The Sole Division manufactures soles for the Assembly Division, which completes the shoe and sells it to retailers. The Sole Division "sells" soles to the Assembly Division. The market price for the Assembly Division to purchase a pair of soles is $40. (Ignore changes in inventory.) The fixed costs for the Sole Division are assumed to be the same over the range of 40,000-100,000 units. The fixed costs for the Assembly Division are assumed to be $14 per pair at 100,000 units.

- Sole's costs per pair of soles are : Direct materials $8, Direct labor $6, Variable overhead $4, Division fixed costs $2;
- Assembly's costs per completed pair of shoes are : Direct materials $12, Direct labor $4, Variable overhead $2, Division fixed costs $14;

198. What is the market-based transfer price per pair of soles from the Sole Division to the Assembly Division?

A. $20
B. $32
C. $40
D. $52

199. What is the transfer price per pair of soles from the Sole Division to the Assembly Division if the method used to place a value on each pair of soles is 180% of variable costs?

A. $28.80
B. $25.20
C. $32.40
D. $57.60

200. What is the transfer price per pair of shoes from the Sole Division to the Assembly Division per pair of soles if the transfer price per pair of soles is 125% of full costs?

A. $20
B. $25
C. $26
D. $30

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