#### Select the best answer and shade it in the Bubble Sheet. Cost accounting, as used in 1) a. provides information for the decision makers in an organization. b. focuses on accumulating information related to product costing. c. focuses on accumulating information related to service costing. d. does all of the above. e. non of the above Managerial accounting differs from financial accounting in that managerial accounting 2) a. is used primarily by external decision makers. b. is required by Generally Accepted Accounting Principles (GAAP). c. tends to report on the company as a whole rather than segments of the company. d. emphasizes data relevance over data objectivity. e. none of the above The main objective of value chain analysis is to identify stages of the value chain where the firm can: 3) justify increases in the price of the product or service c. outsource production to other producers a. increase value to the customer or reduce cost in some way d. improve efficiency b Which of the following is not a primary function in the value chain analysis? 4) a. Delivery b. Customer service c. Production d. R&D Sales analysis e. The balance sheet of a service company has 5) a. little or no inventory two categories of inventory с. raw materials inventory only three categories of inventory h d. The fundamental cost elements are: 6) a. materials, labor, and marketing costs direct materials, direct labor, and overhead c. raw materials, work-in-process, and finished goods both B and C are fundamental cost element d. b 7) The term "cost" refers to an asset that has not given benefit and is now expired. a. The present value of future benefits. b. an asset that has given benefit and is now expired. c. the price of products sold or services rendered. d. the value of the sacrifice made to acquire goods or services. e. A cost that can be traced to a cost object is known as a 8) a. direct cost b. indirect cost c. period cost d. product cost e. manufacturing cost Which of the following is not a period cost? 9) a. Marketing expense b. R&D expense c. Freight-in cost d. Customer service None e. 10) A(n) \_\_\_\_\_\_ cost is a cost whose total amount changes in direct proportion to a change in volume. b. irrelevant c. mixed d. fixed e. variable a. relevant 11) Which of the following costs is an example of a fixed cost? Sales commissions b. Direct materials Salary of plant manager d. Delivery costs a. c. Within the relevant range, which of the following statements is **true** with respect to fixed costs per unit? 12) They will increase as production increases They will remain the same as production levels change a. c.

b They will decrease as production decreases d. They will increase as production decreases

## 13) Costs are grouped into ...... according to the activities which drive them.

a. cost drivers b. cost objects c. cost function d. cost pools e. cost units

		60,000 units	90,000 units		
	Cost A	\$75,000	\$75,000		
	Cost B	102,000	153,000		
	Cost C	65,000	80,000		
	Total Costs	\$260,000	\$335,000		
14)	Cost B is a	cost.			
a	fixed	b, variable	c. mixed	d. sunk	e. Another answer
15) a	Cost C is a	cost. b. variable	c. mixed	d. sunk	e. Another answer
16)	Cost A is a	cost			
10) a	fixed	b, variable	c. mixed	d. sunk	e. Another answer
17) a	Total fixed cos 125,000 units a \$5.28/unit	ts for Sinai are \$26 are produced. The v b. \$3.20unit	0,000. Total costs, i ariable cost per unit c. \$2.08/uni	ncluding both fixed and is it d. \$1.12/un	d variable, are \$400,000 if it. e. \$4.20unit
18) a	If production in Increase by 1	ncreases by 25%, he 2.5% b. Increas	ow will total fixed c se by 25% c. De	osts likely react? ccrease by 25% d.	Will not change
19) a b	In the equation \$250,250 are \$250,250 are	y = \$250,250 + \$7 e the total variable c e the total fixed cos	.20x, costs ts	<ul><li>c. \$250,250 are the</li><li>d. \$250,250 are the</li></ul>	total costs total overhead costs
20)	Using account for pay-per-vie	analysis, what type w movies?	of cost is Satellite	W when the charge is	\$45.00 per month plus \$5.99
a	Variable	b. Fixed	c. Mixed	d. Step	e. Another answer
21) a. b.	Mint Corporati maintenance co incurred \$6,700 \$0.40 machin \$0.42 machin	on sells chewing gu osts of \$11,500. Du 0 in maintenance co e hour e hour	um. During January, uring July the compa- osts. What is the vari c. \$0.41 machine d. \$2.50 machine	28,000 machines hour my ran production machable maintenance cost hour e. \$3.50 hour	rs and incurred with total chines for 16,000 hours and per machine hour? ) machine hour
22) a b c d e	In describing th . "Y" is the d . "a" is the va . "a" and "b" . in the high- . None of the	he cost formula equ ependent variable. triable cost per unit are valid for all lev low method, "X" ec above.	ation, $Y = a + bX$ , v els of activity. quals the change in c	which of the following the characteristic of	is correct: nge in activity.
23)	A company is o different levels	estimating its costs of output were as f	based on past inform follows:	nation. The total costs	incurred by the company at
	<u>0</u>	utput (Units)	<u>Fotal costs</u>		

	Use the following	information	to answer	the next 3	questions
--	-------------------	-------------	-----------	------------	-----------

Cost	accounting	Model 1	
COSI	uccounting	mouer	

160

185

190

\$2,420

\$2,775

\$2,840

- -	The company u estimated total	ses the high-low n costs for an output	nethod to sep of 205 units	parate total c s is:	osts into	their fixed	and v	ariable elemen	ts. The
a	. \$2,870	b. \$3,050	с.	\$3,064	d.	\$3,081	e.	\$3,059	
24) a b	Which cost es . Industrial e . Conference	stimation method is engineering method e method.	based on th	e opinions o	f various c. The d. Regr	departmen high-low n ession ana	ts of a nethoo lysis o	a company? 1 only	
25) a. b.	The work mea price engine work engine	asurement method o ering method ering method	of cost estim c. indust d. Accou	nation is also trial work me unt analysis i	called ethod nethod	e. indus	trial e	ngineering met	hod
26)	Which of the income staten a. Service an b. Service an	following types of nents? nd merchandising c nd manufacturing c	companies v ompanies ompanies	will always h c. Servio d. Mercl	ave the C e, merch andising	ost of Goo andising, a and manu	ods So and ma factur	ld account on t anufacturing co ing companies	heir ompanies
27) a	A delicious pri Ingredients: 1 Labor: 1/3 ho Overhead: 2/3 The total cost . \$48	izza incurs the follo /2 pound @ \$4 per ur @ \$18 per hour 3 hour @ \$12 per hour to make 3 pizzas is b. \$34	owing costs: pound our s: c.	\$16	d.	\$45		e. \$38	
28)	Dividing cost	s among people, de	partments, o	or products:					

- a. should never be equal c. should depend on logic, fairness, and the cost/benefit of any method
  - should always be equal d. should depend on rules approved by the Tax authorities
- 29) In a manufacturing organization, the normal flow of costs is direct materials plus direct labor plus factory overhead:
  - a. to work-in-process inventory to cost of goods sold to finished goods inventory
  - b. to work-in-process inventory to finished goods inventory to cost of goods sold.
  - **c.** to cost of goods sold to work-in-process inventory to finished goods inventory
  - d. to finished goods inventory to work-in-process inventory to cost of goods sold.
- 30) Activity-based costing

b.

- a. uses a plant-wide overhead rate to assign overhead
- b. typically applies overhead costs using direct labor-hours d.

# is not expensive to implement

l. uses multiple activity rates

c.

## The next 4 questions refer to the following information.

Damietta Company is considering implementing activity-based costing. Three cost pools (and activity measures) have been identified: machine-related (machine-hours), production orders (number of orders), and product testing (number of tests). The estimated overhead was assigned to the pools as follows: \$200,000 to machine-related, \$100,000 to production orders, and \$300,000 to product testing. Damietta Company produces two products. The following information is available:

	Product 1	Product 2
Machine-hours	40,000	10,000
Production orders	800	200
Tests	6,000	9,000
Direct labor hours	25,000	15,000

31)	If the company uses the simple costing system and allocates overhead based on direct labor-hours, how
	much overhead is assigned to Product 1.

- a. \$300,000 b. \$325,000 c. \$375,000 d. \$225,000 e. \$600,000
- 32) If the company uses the simple costing system and allocates overhead based on machine-hours, how much overhead is assigned to Product 2.?
  - a. \$300,000 b. \$325,000 c. \$600,000 d. \$120,000 e. \$225,000

a. \$300,000 b. \$173,000 c. \$240,000 d. \$225,000 e. \$360,000

a. \$300,000 b. \$240,000 c. \$173,000 d. \$225,000 e. \$360,000

### Use the following information to answer the next 5 questions

The Pinewood Furniture Company plans to manufacture two lines of chairs in the coming year-Luxury and Standard. The company is considering introducing an activity-based costing system. The following are each activity. Its cost and its related activity driver.

Activity	Cost	Activity Driver
Material setups	\$240,000	Number of setups
Material handling	225,000	Number of parts
Cutting	650,000	Number of parts
Assembly	540,000	Direct labor hours
Finishing	450,000	Number of units

The level of activity for the year is

	Luxury	Standard
Units to be produced	10,000	5,000
Number of setups	80	40
Number of parts per unit	10	5
Direct Labor hours per unit	5	2

35) What is the activity rate of Materi	al setups?
---	------------

a.	\$6,000	b.	\$3,000	c.	\$2,000	d.	\$1,000	e.	Another answer	
36)	What is the activ	vity	rate of Material ha	ndli	ng?					
a.	\$1.8	b.	\$15	c.	\$22,500	d.	\$15,000	e.	\$45,000	
37)	What is the activ	vity	rate of Cutting?							
a.	54,000	b.	\$10,800	c.	\$35	d.	\$5.2	e.	Another answer	
38)	What is the activity rate of Assembly?									
a.	\$36	b.	\$9.0	c.	\$10.8	d.	\$21.6	e.	Another answer	
39)	What is the activity rate of Finishing?									
a.	\$108	b.	\$90,000	c.	\$90	d.	\$45	e.	\$30	

40) One of Cairo Company's cost pools is parts administration. The expected overhead cost for that cost pool was \$420,000 and the expected activity was 5,000 parts. The actual overhead cost for the cost pool was \$420,000 at an actual activity of 6,000 parts. The activity rate for that cost pool per part was
a. \$84 b. \$70 c. \$38,18 d. \$420 e. Another answer

#### END OF EXAM QUESTIONS

<sup>33)</sup> How much overhead would be assigned to Product 1, if Activity-based costing (ABC) is used?

<sup>34)</sup> How much overhead would be assigned to Product 2, if Activity-based costing (ABC) is used?