

Question One: Choose the correct answer:

1. If the selling price per unit is \$40. Variable manufacturing costs are \$18 per unit. A selling commission of 15% of the selling price is paid on each unit sold. The contribution margin per unit is: a- \$7 b- \$17 c- \$16 d- different answer
 2. If Variable expenses are 40% of sales. Sales dollars at the breakeven point, assuming that total fixed expenses \$15,000 would be:
a- \$15,000 b- 37,500 c- 25,000 d- Different Answer.
 3. A Corporation plans to sell 34,000 units during August. If the company has 13,500 units on hand at the beginning of month, and plans to have 14,500 units on hand at the end of month, how many units must be produced during the month?
a- 35,000 b- 33,000 c- 48,500 d- different answer
 4. If the breakeven point is 1,000 units; Variable expenses per unit \$500, fixed expenses \$150,000. How much is added to net income by 1,001st unit sold?
a- \$650 b- \$500 c- \$150 d- different answer
- Use this data for the following four questions: If Sales (8,000 units) equal \$ 320,000, Variable expenses 192,000, Fixed expenses 121,600.
5. Contribution margin ratio is: a- 60% b- 30% c- 40% d- Different Answer.
 6. Dollar sales to break even: a- \$304,000 b- 201,666 c- 403,333 d- Diff. Answer
 7. Margin of safety in dollars: a- \$6,400 b- \$16,000 c- \$42,600 d- Diff. Answer
 8. Margin of safety percentage is: a- 2% b- 5% c- 24% d- Diff. Answer
 9. If selling price is \$10 per unit. Fixed expenses are \$420,000 and the unit variable expenses are 60% of the selling price. What is the amount of sales to realize profit of 10% of sales? a- \$1,050,000 b- \$1,400,000 c- Different Answer
- Use this data for the following three questions: If budgeted unit sales for August and September are 11,100 and 12,600 units. The ending finished goods inventory equals 40% of the following month's sales. The direct labor wage rate is \$19.00 per hour. Each unit of finished goods requires 2.5 direct labor-hours.
10. The budgeted required production for August is (in units):
a- 11,100 b- 11,700 c- 16,140 d- Different Answer
 11. Total direct labor-hours needed ^{August} a- 29,250 b- 27,750 c- Different Answer
 12. The estimated direct labor cost for August is closest to:
a- \$389,000 b- \$555,750 c- \$29,250 d- Different Answer
 13. If cost formula is \$1,350 plus \$18 per frame. If the company planned for activity of 716 frames, but the actual level was 713. The cost in the flexible budget would be: a- \$14,820 b- \$14,184 c- \$14,178 d- Different Answer

True or False (True is A, False is B)
Question One:

14. The starting point of a master budget is to prepare a budgeted balance sheet.
15. A budget provides a comprehensive plan enabling multiple departments to work together in a coordinated manner.
16. The break-even point can be determined by simply adding together all the expenses from the income statement.
17. Performance evaluation involves comparing budgeted with actual amounts.
18. The smaller the contribution margin ratio, the smaller the amount of sales required to cover a given amount of fixed expenses.
19. A company's margin of safety is \$90,000. If the company's sales drop by \$100,000, it will still have positive net operating income.
20. Two companies with the same margin of safety in dollars will also have the same total contribution margin.
21. Flexible budgets can be prepared for sales but not for productions budgets.
22. The manufacturing overhead budget lists all costs of production other than direct materials and direct labor.
23. Comparing a static planning budget to actual costs is not a good way to assess whether variable costs are under control.
24. Fixed costs should be ignored when evaluating how a manager controlled costs.
25. A spending variance is the difference between the amount of the cost in the static planning budget and the amount of cost in flexible budget.
26. A revenue variance is unfavorable if the revenue in the static planning budget is less than the revenue in the flexible budget.
27. Flexible budgets can be used when there is more than one cost driver
28. If the actual hourly rate is greater than the standard hourly rate, the labor rate variance is labeled unfavorable (U).
29. The standard quantity or standard hours allowed refers to the amount of input that should have been used to produce the actual output.
30. The difference in service industry budgets compared to manufacturing budgets is the absence of sales forecasting.
31. Plan that allows manufacturing firm to satisfy its sales goals and have on hand desired inventory at the end of the budget period is the production budget.
32. A budget that is based on actual activity is known as static budget.
33. If a company increases its selling price by \$2 per unit due to an increase in its variable labor cost of \$2 per unit, the break-even point in units will decrease .