

1. An actual cost is the cost incurred – a historical or past cost.

- ☐ True
- ☐ False

ID: 2.1-8

2. A cost is a resource sacrificed or forgone to achieve a specific objective.

- ☐ True
- ☐ False

ID: 2.1-10

3. The determination of a cost as either direct or indirect depends upon the _____.

- ☐ A. inventory valuation
- ☐ B. tax system chosen
- ☐ C. accounting standards
- ☐ D. cost object chosen

ID: 2.2-7

4. 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.

ID: 2.2-11

5. A cost may be direct for one cost object and indirect for another cost object.

- ☐ True
☐ False

ID: 2.2-16

6. Improvements in information – gathering technologies are making it possible to trace more costs as direct.

- ☐ True
☐ False

ID: 2.2-18

7. A direct cost of one cost object cannot be an indirect cost of another cost object.

- ☐ True
☐ False

ID: 2.2-20

8. The broader the cost object definition (i.e., plant versus product), the more confident the manager will be about the accuracy of the direct cost amounts.

- ☐ True
☐ False

ID: 2.2-22

9. Rally Synthesis Inc. manufactures and sells 100 bottles per day. Fixed costs are \$22,000 and the variable costs for manufacturing 100 bottles are \$30,000. Each bottle is sold for \$1,200. How would the daily profit be affected if the daily volume of sales drop by 10%?
-

- ☐ A. profits are reduced by \$9,000
- ☐ B. profits are reduced by \$12,000
- ☐ C. profits are reduced by \$3,000
- ☐ D. profits are reduced by \$59,000

ID: 2.3-7

10. Which one of the following is a variable cost for an insurance company?
-

- ☐ A. property taxes
- ☐ B. CEO's salary
- ☐ C. rent of the building
- ☐ D. electricity expenses

ID: 2.3-9

11. If each motorcycle requires a belt that costs \$20 and 2,000 motorcycles are produced for the month, the total cost for belts is _____.
-

- ☐ A. considered to be an indirect fixed cost
- ☐ B. considered to be a direct variable cost
- ☐ C. considered to be an indirect variable cost
- ☐ D. considered to be a direct fixed cost

ID: 2.3-11

12. When 24,000 units are produced, variable costs are \$12.00 per unit. Therefore, when 18,000 units are produced _____.

- ☐ A. variable unit costs will decrease to \$9.00 per unit
- ☐ B. variable costs will total \$288,000
- ☐ C. variable costs will remain at \$12.00 per unit
- ☐ D. variable unit costs will increase to \$16.00 per unit

ID: 2.4-4a

13. Swansea Manufacturing currently produces 3,000 tires per month. The following per unit data for 3,000 tires apply for sales to regular customers:

Direct materials	\$35
Direct manufacturing labor	8
Variable manufacturing overhead	13
Fixed manufacturing overhead	20
Total manufacturing costs	<u>\$76</u>

The plant has capacity for 5,000 tires and is considering expanding production to 4,000 tires. What is the total cost of producing 4,000 tires?

- ☐ A. \$179,000
- ☐ B. \$304,000
- ☐ C. \$252,000
- ☐ D. \$284,000

ID: 2.4-7a

14. The following information pertains to Alleigh's Mannequins:

Manufacturing costs	\$1,700,000	
Units manufactured	34,000	
Units sold	25,000	units sold for \$110 per unit
Beginning inventory	0	units

What is the amount of gross margin?

- ☐ A. \$1,700,000
- ☐ B. \$2,750,000
- ☐ C. \$1,500,000
- ☐ D. \$1,250,000

ID: 2.5-6a

15. Puritan Apparels is a clothing manufacturer. Unit costs associated with one of its products, Product FGS1156, are as follows:

Direct materials	\$200
Direct manufacturing labor	50
Variable manufacturing overhead	15
Fixed manufacturing overhead	36
Sales commissions (2% of sales)	8
Administrative salaries	27
Total	<u>\$336</u>

What are the inventoriable costs per unit associated with Product FGS1156?

- ☐ A. \$321
- ☐ B. \$301
- ☐ C. \$265
- ☐ D. \$136

ID: 2.5-45a

16. All costs reported on the income statement of a service – sector company are inventoriable costs.

- ☐ True
- ☐ False

ID: 2.5-62

17. All manufacturing costs are period costs.

- ☐ True
- ☐ False

ID: 2.5-61

18. Which of the following includes both traced direct costs and allocated indirect costs?

- ☐ A. cost assignments
- ☐ B. cost allocations
- ☐ C. cost pools
- ☐ D. cost tracing

ID: 4.1-10

19. The cost allocation base _____.

- ☐ A. is anything for which a measurement of costs is desired
- ☐ B. is a grouping of individual indirect cost items
- ☐ C. is a systematic way to link an indirect cost or group of indirect costs to cost objects
- ☐ D. are costs related to a particular cost object that cannot be traced to that cost object in an economically feasible way

ID: 4.1-11

20. Direct costs are allocated to the cost object using a cost-allocation method.

- ☐ True
- ☐ False

ID: 4.1-12

21. Process costing _____.

- ☐ A. results in different costs for different units produced
- ☐ B. is used exclusively in manufacturing
- ☐ C. is commonly used by general contractors who construct custom-built homes
- ☐ D. allocates all product costs, including materials, and labor

ID: 4.2-2

22. Job costing _____.

- ☐ A. is used when each unit of output is identical
- ☐ B. records the flow of costs for each product or service
- ☐ C. cannot be used by the service industry
- ☐ D. allocates an equal amount of cost to each unit made during a time period

ID: 4.2-4

23. Job costing is likely to be used by_____.

- ☐ A. breakfast cereal producers
- ☐ B. advertising agencies
- ☐ C. oil refining companies
- ☐ D. mortgage payment processors

ID: 4.2-5

24. Which of the following differentiates job costing from process costing?

- ☐ A. Job costing is used by manufacturing industries, and process costing is used by service industries.
- ☐ B. Process costing is used when each unit of output is identical, and job costing deals with unique products not produced in batches.
- ☐ C. Job costing is used when each unit of output is identical and not produced in batches, and process costing deals with unique products produced on large scale.
- ☐ D. Job costing is used when each unit of output is identical, and process costing deals with unique products.

ID: 4.2-6

25. Place the following steps in the order suggested by the seven steps used to assign costs to individual jobs:

- A. Identify indirect costs
 - B. Compute the total cost of the job
 - C. Select cost-allocation bases
 - D. Compute the indirect cost rate
-

- ☐ A. BACD
- ☐ B. ACDB
- ☐ C. CADB
- ☐ D. DCAB

ID: 4.4-3

26. X – Industries manufactures 3 – D printers. For each unit, \$3,000 of direct material is used and there is \$2,000 of direct manufacturing labor at \$20 per hour. Manufacturing overhead is applied at \$25 per direct manufacturing labor hour. Calculate the profit earned on 50 units if each unit sells for \$9,000.

- ☐ A. \$120,000
- ☐ B. \$75,000
- ☐ C. \$80,000
- ☐ D. \$2,500

ID: 4.4-9a

27. Smith and Jones CPA firm employs 12 accountants and 10 paraprofessionals. Direct and indirect costs are applied on a professional labor – hour basis that includes both attorney and paraprofessional hours. Following is information for 2018:

	<u>Budget</u>	<u>Actual</u>
Indirect costs	\$300,000	\$330,000
Annual salary of each attorney	\$100,000	\$120,000
Annual salary of each paraprofessional	\$28,000	\$30,000
Total professional labor – hours	40,000 dlh	50,000 dlh

What are the actual direct – cost rate and the actual indirect – cost rate, respectively, per professional labor – hour?

- ☐ A. \$34.80; \$6.00
- ☐ B. \$43.50; \$6.60
- ☐ C. \$37.00; \$7.50
- ☐ D. \$34.80; \$6.60

ID: 4.4-20a

28. Apple Valley Corporation uses a job cost system and has two production departments, A and B. Budgeted manufacturing costs for the year are:

	<u>Department A</u>	<u>Department B</u>
Direct materials	\$750,000	\$100,000
Direct manufacturing labor	\$500,000	\$500,000
Manufacturing overhead	\$1,000,000	\$800,000

The actual material and labor costs charged to Job #432 were as follows:

	<u>Total</u>
Direct materials:	\$24,000
Direct labor:	
Department A	\$7,000
Department B	\$9,000
	<u>\$16,000</u>

Apple Valley applies manufacturing overhead costs to jobs on the basis of direct manufacturing labor cost using departmental rates determined at the beginning of the year.

For Department A, the manufacturing overhead allocation rate is _____.

- ☐ A. 200%
- ☐ B. 180%
- ☐ C. 160%
- ☐ D. 50%

ID: 4.5-15a

29. Actual (rather than allocated) manufacturing overhead costs are first recorded in the _____.

- ☐ A. Manufacturing Overhead Control account
- ☐ B. Cost of Goods Sold account
- ☐ C. Work-in-Process Control account
- ☐ D. Finished Goods Control account

ID: 4.6-9

30. The ending balance in the Work-in-Process Control account represents the costs of all jobs that _____.

- ☐ A. have been completed but not sold
- ☐ B. have not been completed
- ☐ C. have been completed and sold to customers
- ☐ D. are reported on the income statement

ID: 4.6-10

31. Which account is credited if direct materials of \$25,000 and indirect materials of \$10,000 are sent to the manufacturing plant floor?

- ☐ A. Materials Control for \$35,000
- ☐ B. Manufacturing Overhead Control for \$35,000
- ☐ C. Work – in – Process Control for \$35,000
- ☐ D. Accounts Payable Control for \$15,000

ID: 4.6-13a

32. A company would use multiple cost-allocation bases _____.

- ☐ A. because this is a simpler approach than using one cost allocation base
- ☐ B. because there is more than one way to allocate overhead
- ☐ C. if managers believe that using multiple cost-allocation bases is the only acceptable method
- ☐ D. if managers believed the benefits exceeded the additional costs of that costing system

ID: 4.7-9

33. Filippucci Company used a budgeted indirect-cost rate for its manufacturing operations, the amount allocated (\$200,000) is different from the actual amount incurred (\$225,000).

Ending balances in the relevant accounts are:

Work-in-Process	\$10,000
Finished Goods	20,000
Cost of Goods Sold	170,000

Under the writeoff approach, the difference between Manufacturing Overhead Control and Manufacturing Overhead Allocated is adjusted in the _____.

- ☐ A. Miscellaneous Expenses account
- ☐ B. Work-in-Process account
- ☐ C. Cost of Goods Sold account
- ☐ D. Manufacturing Overhead account

ID: 4.7-10

34. Advantage Inc. employs 20 professional cleaners. Budgeted costs total \$1,815,600 of which \$1,652,400 is direct costs. Budgeted indirect costs are \$867,000 and actual indirect costs were \$797,400. Budgeted professional labor – hours are 1,020,000 and actual hours were 1,068,000. What is the budgeted direct cost – allocation rate?

- ☐ A. \$1.78 per hour
- ☐ B. \$1.62 per hour
- ☐ C. \$1.70 per hour
- ☐ D. \$0.85 per hour

ID: 4.8-3a

35. A flexible budget _____.

- ☐ A. is another name for management by exception
- ☐ B. provides favorable operating results
- ☐ C. is developed at the end of the period
- ☐ D. is based on the budgeted level of output

ID: 7.2-3

36. An unfavorable flexible – budget variance for variable costs may be the result of _____.

- ☐ A. paying lower prices for inputs than were budgeted
- ☐ B. selling output at a higher selling price than budgeted
- ☐ C. selling less quantity compared to the budgeted
- ☐ D. using more input quantities than were budgeted

ID: 7.2-5

37. Goodard Inc. planned to use \$151 of material per unit but actually used \$140 of material per unit, and planned to make 1,110 units but actually made 990 units.

The flexible – budget variance for materials is _____.

- ☐ A. \$10,890 unfavorable
- ☐ B. \$10,890 favorable
- ☐ C. \$12,210 unfavorable
- ☐ D. \$12,210 favorable

ID: 7.2-11a

38. The actual information pertains to the month of June. As a part of the budgeting process, Great Cabinets Company developed the following static budget for June. Great Cabinets is in the process of preparing the flexible budget and understanding the results.

	<u>ActualResults</u>	<u>FlexibleBudget</u>	<u>StaticBudget</u>
Sales volume (in units)	10,000		12,000
Sales revenues	\$530,000	\$	\$636,000
Variable costs	200,000	\$	241,920
Contribution margin	\$330,000	\$	\$394,080
Fixed costs	277,800	\$	269,300
Operating profit	\$52,200	\$	\$124,780

The flexible budget will report _____ for variable costs.

- ☐ A. \$290,304
- ☐ B. \$240,000
- ☐ C. \$201,600
- ☐ D. \$241,920

ID: 7.2-21a

39. The actual information pertains to the month of June. As a part of the budgeting process, Great Cabinets Company developed the following static budget for June. Great Cabinets is in the process of preparing the flexible budget and understanding the results.

	<u>Actual Results</u>	<u>Flexible Budget</u>	<u>Static Budget</u>
Sales volume (in units)	11,000		14,000
Sales revenues	\$594,000	\$	\$756,000
Variable costs	253,000	\$	319,760
Contribution margin	341,000	\$	436,240
Fixed costs	275,700	\$	269,400
Operating profit	\$65,300	\$	\$166,840

The flexible – budget variance for variable costs is _____.

- ☐ A. \$66,760 favorable
- ☐ B. \$101,540 favorable
- ☐ C. \$153,967 unfavorable
- ☐ D. \$1,760 unfavorable

ID: 7.2-23a

40. An efficiency variance reflects the difference between _____.

- ☐ A. a standard input quantity in a company and its main competitors
- ☐ B. actual input quantities used last period and current period
- ☐ C. an actual input quantity and a budgeted input quantity
- ☐ D. an actual input quantity used in a company and its main competitors

ID: 7.4-2

41. Which of the following is the correct formula for the materials price variance?

- ☐ A. $(\text{Actual price of input} - \text{Budgeted price of input}) \times \text{Actual quantity of input}$
- ☐ B. $(\text{Actual quantity of input used} - \text{Budgeted quantity of input allowed for actual output}) \times \text{Actual price of input}$
- ☐ C. $(\text{Actual price of input} - \text{Budgeted price of input}) \times \text{Budgeted quantity of input}$
- ☐ D. $(\text{Actual quantity of input used} - \text{Budgeted quantity of input allowed for actual output}) \times \text{Budgeted price of input}$

ID: 7.5-3

42. Which of the following could be a reason for a favorable material price variance?

- ☐ A. the purchasing manager bargaining effectively with suppliers
- ☐ B. the personnel manager hiring underskilled workers
- ☐ C. the purchasing manager giving orders for small quantity to reduce storage cost
- ☐ D. the purchasing manager accepting a bid from the highest – priced supplier to ensure the quality of material

ID: 7.6-2

43. Cost variances should be investigated _____.

- ☐ A. when the variance is less than a certain percentage of budgeted costs, as determined by management
- ☐ B. even though the cost of investigation exceeds the benefit as determined by management
- ☐ C. when they are considered within the "in – control" range as determined by management
- ☐ D. when the variance is more than a certain percentage of budgeted costs, as determined by management

ID: 7.6-9

44. Standard material cost per kg of raw material is \$6.10. Standard material allowed per unit is 3 Kg. Actual material used per unit is 3.5 Kg. Actual cost per kg is \$5.50. What is the standard cost per output unit?

- ☐ A. \$19.25
☐ B. \$18.30
☐ C. \$16.50
☐ D. \$21.35

ID: 7.4-7a

45. Heavy Products, Inc. developed standard costs for direct material and direct labor. In 2017, All estimated the following standard costs for one of their major products, the 10 – gallon plastic container.

	<u>Budgeted quantity</u>	<u>Budgeted price</u>
Direct materials	0.8 pounds	\$60 per pound
Direct labor	0.25 hours	\$25 per hour

During June, Heavy Products produced and sold 15,000 containers using 22,000 pounds of direct materials at an average cost per pound of \$64 and 12,000 direct manufacturing labor – hours at an average wage of \$26.56 per hour.

June's direct material flexible – budget variance is _____.

- ☐ A. \$88,000 favorable
☐ B. \$688,000 unfavorable
☐ C. \$60,000 unfavorable
☐ D. \$18,720 favorable

ID: 7.5-7a

46. Heavy Products, Inc. developed standard costs for direct material and direct labor. In 2017, All estimated the following standard costs for one of their major products, the 10 – gallon plastic container.

	<u>Budgeted quantity.</u>	<u>Budgeted price</u>
Direct materials	0.8 pounds	\$100 per pound
Direct labor	0.2 hours	\$15 per hour

During June, Heavy Products produced and sold 17,000 containers using 1,900 pounds of direct materials at an average cost per pound of \$104 and 3,400 direct manufacturing labor – hours at an average wage of \$100.75 per hour.

The direct manufacturing labor efficiency variance during June is _____.

- ☐ A. \$1,457,750 unfavorable
- ☐ B. \$0
- ☐ C. \$68,510 unfavorable
- ☐ D. \$291,550 favorable

ID: 7.5-10a

47. Genent Industries, Inc. (GII), developed standard costs for direct material and direct labor. In 2017, GII estimated the following standard costs for one of their major products, the 30 – gallon heavy – duty plastic container.

	<u>Budgeted quantity.</u>	<u>Budgeted price</u>
Direct materials	0.2 pounds	\$10 per pound
Direct labor	0.5 hours	\$16 per hour

During July, GII produced and sold 4,000 containers using 1,100 pounds of direct materials at an average cost per pound of \$8 and 2,075 direct manufacturing labor hours at an average wage of \$16.25 per hour.

July's direct material flexible – budget variance is _____.

- ☐ A. \$3,000 favorable
- ☐ B. \$800 unfavorable
- ☐ C. \$4,600 unfavorable
- ☐ D. \$0

ID: 7.5-11a

48. Genent Industries, Inc. (GII), developed standard costs for direct material and direct labor. In 2017, GII estimated the following standard costs for one of their major products, the 30 – gallon heavy – duty plastic container.

	<u>Budgeted quantity</u>	<u>Budgeted price</u>
Direct materials	0.5 pounds	\$20 per pound
Direct labor	0.7 hours	\$13 per hour

During July, GII produced and sold 3,000 containers using 1,600 pounds of direct materials at an average cost per pound of \$19 and 2,180 direct manufacturing labor hours at an average wage of \$13.75 per hour.

The direct material price variance during July is _____.

- ☐ A. \$1,600 favorable
- ☐ B. \$2,000 unfavorable
- ☐ C. \$3,000 unfavorable
- ☐ D. \$1,600 unfavorable

ID: 7.5-12a

49. Mid City Products Inc. (MCP), developed standard costs for direct material and direct labor. In 2017, MCP estimated the following standard costs for one of their most popular products.

	<u>Budgeted quantity</u>	<u>Budgeted price</u>
Direct materials	1 pounds	\$6.25 per pound
Direct labor	0.3 hours	\$19 per hour

During September, MCP produced and sold 2,000 units using 2,400 pounds of direct materials at an average cost per pound of \$6 and 570 direct labor hours at an average wage of \$19.25 per hour.

The direct labor flexible – budget variance during September is _____.

- ☐ A. \$428 favorable
- ☐ B. \$578 favorable
- ☐ C. \$578 unfavorable
- ☐ D. \$428 unfavorable

ID: 7.5-20a

50. Mid City Products Inc. (MCP), developed standard costs for direct material and direct labor. In 2017, MCP estimated the following standard costs for one of their most popular products.

	<u>Budgeted quantity</u>	<u>Budgeted price</u>
Direct materials	7 pounds	\$6.40 per pound
Direct labor	0.4 hours	\$11 per hour

During September, MCP produced and sold 1,000 units using 7,400 pounds of direct materials at an average cost per pound of \$6 and 360 direct labor hours at an average wage of \$11.15 per hour.

The direct labor price variance during September is _____.

- ☐ A. \$54 unfavorable
- ☐ B. \$440 unfavorable
- ☐ C. \$54 favorable
- ☐ D. \$60 favorable

ID: 7.5-21a

51. Mid City Products Inc. (MCP), developed standard costs for direct material and direct labor. In 2017, MCP estimated the following standard costs for one of their most popular products.

	<u>Budgeted quantity</u>	<u>Budgeted price</u>
Direct materials	3 pounds	\$3.30 per pound
Direct labor	0.2 hours	\$11 per hour

During September, MCP produced and sold 2,000 units using 6,400 pounds of direct materials at an average cost per pound of \$3 and 370 direct labor hours at an average wage of \$11.40 per hour.

The direct labor efficiency variance during September is _____.

- ☐ A. \$330 favorable
- ☐ B. \$182 unfavorable
- ☐ C. \$342 unfavorable
- ☐ D. \$160 favorable

ID: 7.5-22a

52. Radon Corporation manufactured 37,500 units during March. The following fixed overhead data pertain to March:

	<u>Actual</u>	<u>Budgeted</u>
Production	37,500 units	34,000 units
Machine-hours	10,375 hours	10,200 hours
Fixed overhead costs for March	\$213,200	\$204,000

What is the fixed overhead production-volume variance?

- ☐ A. \$21,000.00 unfavorable
- ☐ B. \$9,200.00 favorable
- ☐ C. \$9,200.00 unfavorable
- ☐ D. \$21,000.00 favorable

ID: 8.4-20

53. If the production planners set the budgeted machine hours standards too loose, one could anticipate there would be a favorable fixed overhead efficiency variance.

- ☐ True
- ☐ False

ID: 8.4-22

54. Allocated fixed overhead can be expressed in terms of allocation-base units or in terms of the budgeted fixed cost per unit.

- ☐ True
- ☐ False

ID: 8.4-24

55. Fixed costs for the period are by definition a lump sum of costs that remain unchanged and therefore the fixed overhead spending variance is always zero.

- ☐ True
- ☐ False

ID: 8.4-28

56. If fixed overhead cost variances are always written off to Cost of Goods Sold, operating income can be manipulated for either financial reporting or income tax purposes.

- ☐ True
☐ False

ID: 8.4-31

57. **Variances**
- | | | | |
|---------------------------------|------------------------|--------------------------|----------------------|
| | <u>Spending</u> | <u>Efficiency</u> | <u>Volume</u> |
| Variable manufacturing overhead | \$7,100 F | \$38,000 U | (B) |
| Fixed manufacturing overhead | \$27,400 U | (A) | \$85,000 U |

In the above table, the amounts for (A) and (B), respectively, are _____.

- ☐ A. Zero; Zero
☐ B. \$30,900 U; \$123,000 U
☐ C. Zero; \$123,000 U
☐ D. \$30,900 U; Zero

ID: 8.5-9a

58. **Variances**
- | | | | |
|---------------------------------|------------------------|--------------------------|----------------------|
| | <u>Spending</u> | <u>Efficiency</u> | <u>Volume</u> |
| Variable manufacturing overhead | \$7,700 F | \$40,000 U | (B) |
| Fixed manufacturing overhead | \$28,200 U | (A) | \$81,000 U |

In a combined 3 – variance analysis, the total spending variance would be _____.

- ☐ A. \$32,300 U
☐ B. \$20,500 U
☐ C. \$20,500 F
☐ D. \$47,700 F

ID: 8.5-10a

59. <u>Variances</u>	<u>Spending</u>
Variable manufacturing overhead	\$7,900 F
Fixed manufacturing overhead	\$28,300 U

<u>Efficiency</u>	<u>Volume</u>
\$32,000 U	(B)
(A)	\$88,000 U

The total production – volume variance should be _____.

- ☐ A. \$116,300 F
- ☐ B. \$116,300 U
- ☐ C. \$88,000 F
- ☐ D. \$88,000 U

ID: 8.5-11a

60. <u>Variances</u>	<u>Spending</u>
Variable manufacturing overhead	\$8,000 F
Fixed manufacturing overhead	\$28,400 U

<u>Efficiency</u>	<u>Volume</u>
\$31,000 U	(B)
(A)	\$80,000 U

The total overhead variance should be _____.

- ☐ A. \$131,400 F
- ☐ B. \$147,400 F
- ☐ C. \$131,400 U
- ☐ D. \$147,400 U

ID: 8.5-12a

61. The production-volume variance is a component of the sales-volume variance.

- ☐ True
- ☐ False

ID: 8.6-8

62. A favorable production-volume variance arises when manufacturing capacity planned for is NOT used.

- ☐ True
- ☐ False

ID: 8.6-10

63. Raposa, Inc., produces a special line of plastic toy racing cars. Raposa, Inc., produces the cars in batches. To manufacture a batch of the cars, Raposa, Inc., must set up the machines and molds. Setup costs are batch – level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and molds for different styles of car.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup – hours. The following information pertains to June 2015:

	Actual <u>Amounts</u>	Static – budget <u>Amounts</u>
Units produced and sold	14,900	11,800
Batch size (number of units per batch)	290	250
Setup – hours per batch	5	6
Variable overhead cost per setup – hour	\$49.00	\$45.00
Total fixed setup overhead costs	\$15,894	\$13,594

Calculate the efficiency variance for variable overhead setup costs. (Round all intermediary calculations two decimal places and your final answer to the nearest whole number.)

- ☐ A. \$1,028 favorable
- ☐ B. \$4,532 unfavorable
- ☐ C. \$1,028 unfavorable
- ☐ D. \$4,532 favorable

ID: 8.7-1a

64. Raposa, Inc., produces a special line of plastic toy racing cars. Raposa, Inc., produces the cars in batches. To manufacture a batch of the cars, Raposa, Inc., must set up the machines and molds. Setup costs are batch – level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and molds for different styles of car.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup – hours. The following information pertains to June 2015:

	Actual Amounts	Static – budget Amounts
Units produced and sold	15,000	11,250
Batch size (number of units per batch)	345	295
Setup – hours per batch	5	6
Variable overhead cost per setup – hour	\$47.00	\$45.00
Total fixed setup overhead costs	\$13,540	\$11,440

Calculate the spending variance for variable overhead setup costs. (Round all intermediary calculations two decimal places and your final answer to the nearest whole number.)

-
- ☐ A. \$435 favorable
- ☐ B. \$3,947 favorable
- ☐ C. \$3,947 unfavorable
- ☐ D. \$435 unfavorable

ID: 8.7-2a

65. Raposa, Inc., produces a special line of plastic toy racing cars. Raposa, Inc., produces the cars in batches. To manufacture a batch of the cars, Raposa, Inc., must set up the machines and molds. Setup costs are batch – level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and molds for different styles of car.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup – hours. The following information pertains to June 2015:

	Actual Amounts	Static – budget Amounts
Units produced and sold	15,450	11,950
Batch size (number of units per batch)	345	285
Setup – hours per batch	6	6.25
Variable overhead cost per setup – hour	\$46.00	\$40.00
Total fixed setup overhead costs	\$14,357	\$12,057

Calculate the flexible – budget variance for variable overhead setup costs. (Round all intermediary calculations two decimal places and your final answer to the nearest whole number.)

-
- ☐ A. \$1,193 unfavorable
- ☐ B. \$1,193 favorable
- ☐ C. \$1,612 favorable
- ☐ D. \$1,612 unfavorable

ID: 8.7-3a

66. Raposa, Inc., produces a special line of plastic toy racing cars. Raposa, Inc., produces the cars in batches. To manufacture a batch of the cars, Raposa, Inc., must set up the machines and molds. Setup costs are batch – level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and molds for different styles of car.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup – hours. The following information pertains to June 2015:

	Actual Amounts	Static – budget Amounts
Units produced and sold	14,850	11,850
Batch size (number of units per batch)	325	285
Setup – hours per batch	5	5.25
Variable overhead cost per setup – hour	\$41.00	\$39.00
Total fixed setup overhead costs	\$12,940	\$10,915

Calculate the spending variance for fixed setup overhead costs.

-
- ☐ A. \$2,025 unfavorable
- ☐ B. \$2,025 favorable
- ☐ C. \$3,000 unfavorable
- ☐ D. \$8,271 unfavorable

ID: 8.7-4a

67. Raposa, Inc., produces a special line of plastic toy racing cars. Raposa, Inc., produces the cars in batches. To manufacture a batch of the cars, Raposa, Inc., must set up the machines and molds. Setup costs are batch – level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and molds for different styles of car.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup – hours. The following information pertains to June 2015:

	Actual Amounts	Static – budget Amounts
Units produced and sold	14,750	11,450
Batch size (number of units per batch)	300	250
Setup – hours per batch	3	4.25
Variable overhead cost per setup – hour	\$43.00	\$39.00
Total fixed setup overhead costs	\$16,850	\$16,682

Calculate the production – volume variance for fixed overhead setup costs. (Round all intermediary calculations to two decimal places and your final answer to the nearest whole number.)

-
- ☐ A. \$4,807 unfavorable
- ☐ B. \$72 unfavorable
- ☐ C. \$72 favorable
- ☐ D. \$4,807 favorable

ID: 8.7-5a

68. Bristol Fabricators, Inc., produces air purifiers in batches. To manufacture a batch of the purifiers, Bristol Fabricators, Inc, Inc., must set up the machines and assembly line tooling. Setup costs are batch – level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and tooling for different models of the air purifiers.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup – hours. The following information pertains to June 2015:

	Budget Amounts	Actual Amounts
Units produced and sold	13,200	12,000
Batch size (number of units per batch)	410	385
Setup – hours per batch	6	5.5
Variable overhead cost per setup – hour	\$50.00	\$52.00
Total fixed setup overhead costs	\$23,953	\$23,803

Calculate the efficiency variance for variable overhead setup costs. (Round all intermediary calculations two decimal places and your final answer to the nearest whole number.)

-
- ☐ A. \$113 favorable
- ☐ B. \$322 unfavorable
- ☐ C. \$209 favorable
- ☐ D. \$322 favorable

ID: 8.7-6a

69. Bristol Fabricators, Inc., produces air purifiers in batches. To manufacture a batch of the purifiers, Bristol Fabricator, Inc., must set up the machines and assembly line tooling. Setup costs are batch – level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and tooling for different models of the air purifiers.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup – hours. The following information pertains to June 2015:

	Budget Amounts	Actual Amounts
Units produced and sold	11,100	10,000
Batch size (number of units per batch)	460	400
Setup – hours per batch	7	5.75
Variable overhead cost per setup – hour	\$52.00	\$55.00
Total fixed setup overhead costs	\$21,621	\$21,521

Calculate the spending variance for variable overhead setup costs. (Round all intermediary calculations two decimal places and your final answer to the nearest whole number.)

-
- ☐ A. \$438 unfavorable
- ☐ B. \$431 favorable
- ☐ C. \$438 favorable
- ☐ D. \$431 unfavorable

ID: 8.7-7a

70. Bristol Fabricators, Inc., produces air purifiers in batches. To manufacture a batch of the purifiers, Bristol Fabricators, Inc., must set up the machines and assembly line tooling. Setup costs are batch – level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and tooling for different models of the air purifiers.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup – hours. The following information pertains to June 2015:

	Budget Amounts	Actual Amounts
Units produced and sold	12,400	11,000
Batch size (number of units per batch)	445	395
Setup – hours per batch	10	8.75
Variable overhead cost per setup – hour	\$45.00	\$50.00
Total fixed setup overhead costs	\$34,831	\$34,531

Calculate the flexible – budget variance for variable overhead setup costs. (Round all intermediary calculations two decimal places and your final answer to the nearest whole number.)

-
- ☐ A. \$1,218 favorable
☐ B. \$1,060 favorable
☐ C. \$1,218 unfavorable
☐ D. \$1,060 unfavorable

ID: 8.7-8a

71. Bristol Fabricators, Inc., produces air purifiers in batches. To manufacture a batch of the purifiers, Bristol Fabricators, Inc., must set up the machines and assembly line tooling. Setup costs are batch – level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and tooling for different models of the air purifiers.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup – hours. The following information pertains to June 2015:

	Budget Amounts	Actual Amounts
Units produced and sold	13,400	12,000
Batch size (number of units per batch)	430	400
Setup – hours per batch	10	8.75
Variable overhead cost per setup – hour	\$50.00	\$55.00
Total fixed setup overhead costs	\$38,953	\$38,803

Calculate the spending variance for fixed overhead setup costs.

-
- ☐ A. \$150 unfavorable
- ☐ B. \$828 unfavorable
- ☐ C. \$150 favorable
- ☐ D. \$828 favorable

ID: 8.7-9a

72. Bristol Fabricators, Inc., produces air purifiers in batches. To manufacture a batch of the purifiers, Bristol Fabricators, Inc., must set up the machines and assembly line tooling. Setup costs are batch-level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and tooling for different models of the air purifiers.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup-hours. The following information pertains to June 2015:

	<u>Actual Amounts</u>	<u>Static- budget Amounts</u>
Units produced and sold	16,200	15,000
Batch size (number of units per batch)	460	410
Setup-hours per batch	8	7
Variable overhead cost per setup-hour	\$46	\$51
Total fixed setup overhead costs	\$33,809	\$33,709

Calculate the spending variance for fixed overhead setup costs.

-
- ☐ A. \$100 unfavorable
- ☐ B. \$100 favorable
- ☐ C. \$220 favorable
- ☐ D. \$220 unfavorable

ID: 8.7-9

73. Bristol Fabricators, Inc., produces air purifiers in batches. To manufacture a batch of the purifiers, Bristol Fabricators, Inc., must set up the machines and assembly line tooling. Setup costs are batch – level costs because they are associated with batches rather than individual units of products. A separate Setup Department is responsible for setting up machines and tooling for different models of the air purifiers.

Setup overhead costs consist of some costs that are variable and some costs that are fixed with respect to the number of setup – hours. The following information pertains to June 2015:

	Budget Amounts	Actual Amounts
Units produced and sold	16,400	15,000
Batch size (number of units per batch)	455	395
Setup – hours per batch	9	7.75
Variable overhead cost per setup – hour	\$51.00	\$53.00
Total fixed setup overhead costs	\$36,100	\$35,739

Calculate the production – volume variance for fixed overhead setup costs. (Round all intermediary calculations to two decimal places and your final answer to the nearest whole number.)

-
- ☐ A. \$361 unfavorable
- ☐ B. \$3,074 favorable
- ☐ C. \$3,074 unfavorable
- ☐ D. \$361 favorable

ID: 8.7-10a

-
74. Which of the following best describes how fixed cost are treated in a variable cost method?

- ☐ A. They are classified as nonmanufacturing costs
- ☐ B. They are allocated to the product cost using a denominator-level capacity choice
- ☐ C. They are part of the product cost
- ☐ D. They are excluded from inventory cost and are treated as period costs

ID: 9.1-3

75. In _____, fixed manufacturing costs are included as inventoriable costs.

- ☐ A. absorption costing
- ☐ B. throughput costing
- ☐ C. direct costing
- ☐ D. variable costing

ID: 9.1-7

76. _____ method includes fixed manufacturing overhead costs as inventoriable costs.

- ☐ A. Absorption costing
- ☐ B. Direct costing
- ☐ C. Throughput costing
- ☐ D. Variable costing

ID: 9.1-8

77. Time Again LLC produces and sells a mantel clock for \$120.00 per unit. In 2017, 42,125 clocks were produced and 37,958 were sold. Other information for the year includes:

Direct materials \$41.00 per unit

Direct manufacturing labor \$6.00 per unit

Variable manufacturing costs \$4.50 per unit

Sales commissions \$13.50 per part

Fixed manufacturing costs \$65.00 per unit

Administrative expenses, all fixed \$39.50 per unit

What is the inventoriable cost per unit using absorption costing?

- ☐ A. \$116.50
- ☐ B. \$104.50
- ☐ C. \$47.00
- ☐ D. \$51.50

ID: 9.1-15a

78. Fast Track Auto produces and sells an auto part for \$75 per unit. In 2017, 125,000 parts were produced and 75,000 units were sold. Other information for the year includes:

Direct materials \$25 per unit
Direct manufacturing labor \$6 per unit
Variable manufacturing costs \$2 per unit
Sales commissions \$6 per part
Fixed manufacturing costs \$760,000 per year
Administrative expenses, all fixed \$270,000 per year

What is the inventoriable cost per unit using variable costing?

- ☐ A. \$39
- ☐ B. \$25
- ☐ C. \$33
- ☐ D. \$31

ID: 9.1-16a

79. Which of the following would be subtracted from sales while calculating contribution margin in a variable costing format of an operating income statement?

- ☐ A. Rent on the headquarters building
- ☐ B. Sales commission on incremental sales
- ☐ C. Rent on factory building
- ☐ D. Direct labor in factory

ID: 9.2-5

80. _____ are subtracted from sales to calculate gross margin.

- ☐ A. Variable administrative costs
- ☐ B. Variable and fixed manufacturing costs
- ☐ C. Fixed selling costs
- ☐ D. Fixed administrative costs

ID: 9.2-6

81. Swansea Finishing produces and sells a decorative pillow for \$98.00 per unit. In the first month of operation, 2,300 units were produced and 1,750 units were sold. Actual fixed costs are the same as the amount budgeted for the month. The fixed cost budget is based on the production of 2,300 units. Other information for the month includes:

Variable manufacturing costs	\$22.10 per unit
Variable marketing costs	\$5.00 per unit
Fixed manufacturing costs	\$16.00 per unit
Administrative expenses, all fixed	\$23.00 per unit
Ending inventories:	
Direct materials	- 0 -
WIP	- 0 -
Finished goods	550 units

What is cost of goods sold using variable costing?

-
- ☐ A. \$75,425
- ☐ B. \$38,675
- ☐ C. \$62,330
- ☐ D. \$152,030

ID: 9.2-8a

82. Jean Peck's Furniture manufactures tables for hospitality sector. It takes only bulk orders and each table is sold for \$300.00 after negotiations. In the month of January, it manufactures 3,300 tables and sells 2,500 tables. Actual fixed costs are the same as the amount of fixed costs budgeted for the month.

The following information is provided for the month of January:

Variable manufacturing costs	\$140.00 per unit
Fixed manufacturing costs	\$95,000 per month
Fixed Administrative expenses	\$26,000 per month

At the end of the month Jean Peck's Furniture has an ending inventory of finished goods of 800 units. The company also incurs a sales commission of \$15.00 per unit.

What is the gross margin when using absorption costing? (Round any intermediary calculations to the nearest cent and your final answer to the nearest dollar.)

- ☐ A. \$328,025
- ☐ B. \$192,993
- ☐ C. \$350,500
- ☐ D. \$591,500

ID: 9.2-12a

83. Given a constant contribution margin per unit and constant fixed costs, the period-to-period change in operating income under variable costing is driven solely by _____.

- ☐ A. changes in the quantity of units produced
- ☐ B. changes in the quantity of units actually sold
- ☐ C. changes in sales price per unit
- ☐ D. changes in ending inventory

ID: 9.2-36

84. Ways to "produce for inventory" that result in increasing operating income include _____.

- ☐ A. undervaluing ending inventory by not recording certain costs that have been incurred
- ☐ B. switching production to products that absorb the most amounts of fixed manufacturing costs
- ☐ C. delaying items that absorb the greatest amount of fixed manufacturing costs
- ☐ D. switching production to products that absorb the least amounts of fixed manufacturing costs

ID: 9.3-3

85. To discourage producing for inventory, management can _____.

- ☐ A. implement absorption costing across all departments
- ☐ B. evaluate performance over a quarterly period rather than a single year
- ☐ C. develop budgeting and planning activities that reduce management's freedom to inappropriately build inventory through increased production
- ☐ D. discourage using nonfinancial measures such as units in ending inventory compared to units in sales as nonfinancial measures may not be congruent with management performance goals

ID: 9.3-5

86. The accounting firm of Smith & Jones LLC has a staff of 29 staff accountants and auditors and administrative staff. Budgeted total costs of the firm total \$4,400,000 of which \$3,300,000 is direct – labor costs. Assuming that the remaining costs are indirect and direct – labor cost is the allocation base, calculate the budgeted indirect cost rate.

- ☐ A. 133% of direct – labor cost
- ☐ B. 33% of direct – labor cost
- ☐ C. 75% of direct – labor cost
- ☐ D. 25% of direct – labor cost

ID: 4.8-5a

87. The approach often used when dealing with small amounts of underallocated or overallocated overhead is the _____.

- ☐ A. proration approach
- ☐ B. adjusted allocation-rate approach
- ☐ C. write-off to cost of goods sold approach
- ☐ D. adjusted write-off approach

ID: 4.7-7

88. Which of the following is the correct formula for the materials price variance?

- ☐ A. $(\text{Actual quantity of input used} - \text{Budgeted quantity of input allowed for actual output}) \times \text{Budgeted price of input}$
- ☐ B. $(\text{Actual price of input} - \text{Budgeted price of input}) \times \text{Budgeted quantity of input}$
- ☐ C. $(\text{Actual quantity of input used} - \text{Budgeted quantity of input allowed for actual output}) \times \text{Actual price of input}$
- ☐ D. $(\text{Actual price of input} - \text{Budgeted price of input}) \times \text{Actual quantity of input}$

ID: 7.4-3

89. Standard cost per output unit for each variable direct cost input is calculated by multiplying _____.

- ☐ A. actual input allowed for one output unit by actual price per input unit
- ☐ B. standard input allowed for one output unit by standard price per input unit
- ☐ C. actual input allowed for one output unit by standard price per input unit
- ☐ D. standard input allowed for one output unit by actual price per input unit

ID: 7.4-6

90. If 1,000 units are produced and only 700 units are sold, _____ results in the greatest amount of expense reported on the income statement.

- ☐ A. variable costing
- ☐ B. job costing
- ☐ C. absorption costing
- ☐ D. throughput costing

ID: 9.4-5

91. _____ reduces theoretical capacity for unavoidable operating interruptions.

- ☐ A. Practical capacity
- ☐ B. Normal capacity utilization
- ☐ C. Theoretical capacity
- ☐ D. Master-budget capacity utilization

ID: 9.5-2

92. Which of the following measures capacity levels in terms of demand for the output of the plant?

- ☐ A. practical capacity and theoretical capacity
- ☐ B. master-budget capacity utilization and practical capacity
- ☐ C. normal capacity utilization and master-budget capacity utilization
- ☐ D. theoretical capacity and normal capacity utilization

ID: 9.5-6

93. Normal capacity utilization is the level of capacity that satisfies average customer demand over a period and takes into account seasonal, cyclical, and trend factors.

- ☐ True
- ☐ False

ID: 9.5-13

94. Both theoretical capacity and master-budget capacity measure capacity levels in terms of demand for the output of the plant.

- ☐ True
- ☐ False

ID: 9.5-14

95. Engineering and human resource factors are both important when estimating theoretical or practical capacity.

- ☐ True
- ☐ False

ID: 9.5-17

96. Practical capacity is the level of capacity that reduces theoretical capacity by considering unavoidable operating interruptions, such as scheduled maintenance time and shutdowns for holidays.

- ☐ True
- ☐ False

ID: 9.5-18

97. Using _____ as the denominator level also gives the manager a more accurate idea of the resources needed and used to produce a unit by excluding the cost of unused capacity.

- ☐ A. practical capacity
- ☐ B. normal capacity utilization
- ☐ C. theoretical capacity
- ☐ D. master-budget capacity utilization

ID: 9.6-11

98. Use of practical capacity results in an unrealistically small fixed manufacturing cost per unit because it is based on an idealistic and unattainable level of capacity.

- ☐ True
☐ False

ID: 9.6-17

99. Using master budget capacity as the denominator level sets the cost of capacity at the cost of supplying the capacity, regardless of the demand for the capacity.

- ☐ True
☐ False

ID: 9.6-18

100. Using practical capacity as the denominator level sets the cost of capacity at the cost of supplying the capacity, regardless of the demand for the capacity.

- ☐ True
☐ False

ID: 9.6-21

1. True

2. True

3. D. cost object chosen

4. B. Printing costs incurred for payroll check processing; payroll check processing is the cost object.

5. True

6. True

7. False

8. True

9. A. profits are reduced by \$9,000

10. D. electricity expenses

11. B. considered to be a direct variable cost

12. C. variable costs will remain at \$12.00 per unit

13. D. \$284,000

14. C. \$1,500,000

15. B. \$301

16. False

17. False

18. A. cost assignments

19. C. is a systematic way to link an indirect cost or group of indirect costs to cost objects

20. False

21. D. allocates all product costs, including materials, and labor

22. B. records the flow of costs for each product or service

23. B. advertising agencies

24. B. Process costing is used when each unit of output is identical, and job costing deals with unique products not produced in batches.

25. C. CADB

26. B. \$75,000

27. D. \$34.80; \$6.60

28. A. 200%

29. A. Manufacturing Overhead Control account

30. B. have not been completed

31. A. Materials Control for \$35,000

32. D. if managers believed the benefits exceeded the additional costs of that costing system

33. C. Cost of Goods Sold account

34. B. \$1.62 per hour

35. C. is developed at the end of the period

36. D. using more input quantities than were budgeted

37. B. \$10,890 favorable

38. C. \$201,600

39. D. \$1,760 unfavorable

40. C. an actual input quantity and a budgeted input quantity

41. A. $(\text{Actual price of input} - \text{Budgeted price of input}) \times \text{Actual quantity of input}$

42. A. the purchasing manager bargaining effectively with suppliers

43. D. when the variance is more than a certain percentage of budgeted costs, as determined by management

44. B. \$18.30

45. B. \$688,000 unfavorable

46. B. \$0

47. B. \$800 unfavorable

48. A. \$1,600 favorable

49. A. \$428 favorable

50. A. \$54 unfavorable

51. A. \$330 favorable

52. D. \$21,000.00 favorable

53. False

54. True

55. False

56. True

57. A. Zero; Zero

58. B. \$20,500 U

59. D. \$88,000 U

60. C. \$131,400 U

61. True

62. False

63. D. \$4,532 favorable

64. D. \$435 unfavorable

65. B. \$1,193 favorable

66. A. \$2,025 unfavorable

67. D. \$4,807 favorable

68. C. \$209 favorable

69. D. \$431 unfavorable

70. D. \$1,060 unfavorable

71. C. \$150 favorable

72. B. \$100 favorable

73. C. \$3,074 unfavorable

74. D. They are excluded from inventory cost and are treated as period costs

75. A. absorption costing

76. A. Absorption costing

77. A. \$116.50

78. C. \$33

79. D. Direct labor in factory

80. B. Variable and fixed manufacturing costs

81. B. \$38,675

82. A. \$328,025

83. B. changes in the quantity of units actually sold

84. B. switching production to products that absorb the most amounts of fixed manufacturing costs

85. C. develop budgeting and planning activities that reduce management's freedom to inappropriately build inventory through increased production

86. B. 33% of direct – labor cost

87. C. write-off to cost of goods sold approach

88. D. $(\text{Actual price of input} - \text{Budgeted price of input}) \times \text{Actual quantity of input}$

89. B. standard input allowed for one output unit by standard price per input unit

90. D. throughput costing

91. A. Practical capacity

92. C. normal capacity utilization and master-budget capacity utilization

93. True

94. False

95. True

96. True

97. A. practical capacity

98. False

99. False

100. True
