Final Exam

Due Jul 30 at 10:59pm **Points** 300 **Questions** 56
Available Jul 22 at 11pm - Jul 30 at 10:59pm **Time Limit** None

Instructions

In Unit 8 you will be taking a comprehensive final exam. Please review all previous module information to prepare for the exam, as any information presented in this course may be on the final exam. Please review You will have one attempt and unlimited time to take the exam. It is worth 300 points. Good Luck!!

This exam may consist of various question types: (1) a multiple-choice, (2) fill-in-the-blank(s) and (3) essay.

(1) Multiple-Choice. Each multiple-choice question has a varied number of choices. Read each question and answer choice carefully and choose the one best answer. There is only one correct answer for each question.

(2) Fill-in-the-Blank. Read each statement or question below carefully and fill in the blank(s) with the correct answer. Answers may be more than one word. Do not capitalize any words or add additional spaces to response(s). Do not include " $ " or " , " in your responses. Otherwise, your answer will be marked as incorrect.

(3) Essay. This is an opportunity to be creative and use the information you have learned. Where possible, support your analysis by referring to relevant research and write what is needed to answer the question(s). Do not write everything that you know about the topic(s). Your answer should be concise but to the point.

Please note that some questions will need to be manually graded by the instructor. Any questions that need to be manually scored will be reported no later than Wednesday at 11:59 pm following the due date. After grading has been completed, please reach out to the instructor if you have questions.

Try to answer all of the questions. In general, if you have some knowledge about a question, it is better to try to answer it. You will not be penalized for guessing.

Attempt History

	Attempt	Time	Score

Score for this quiz: **294.25** out of 300
Submitted Jul 23 at 2:14am
This attempt took 72 minutes.

Question 1

2 / 2 pts

How are fixed costs related to production levels?

- Fixed costs decrease as production levels increase
- Fixed costs can change, but not due to changes in production levels

Correct!

- Fixed costs increase as production levels decrease
- Fixed costs increase as production levels decrease

Question 2

2 / 2 pts

Managers may choose to retain an unprofitable line because it:

- Attracts customers
- Helps disperse the burden of fixed costs
- Both a. and b.

Correct!

- None of the above

Question 3

2 / 2 pts

Sally, Inc. has excess capacity. Under what situations should the company accept a special order for less than the current selling price?

Correct!

- (•) When incremental revenues exceed incremental costs
- ( ) When incremental revenues are less than incremental costs
- ( ) Both a. and b.
- ( ) None of the above

Question 4

2 / 2 pts

If your costs are $15,000 for producing product A, and your costs are $32,500 for producing products A and B, $17,500 would be which of the following costs?

- ( ) Avoidable

Correct!

- (•) Differential
- ( ) Sunk
- ( ) Opportunity

Question 5

2 / 2 pts

Which of the following is a period expense?

- factory insurance
- Correct! CEO salary
- direct labor
- factory maintenance
- all of these

Question 6

2 / 2 pts

Manufacturing overhead is the cost of manufacturing activities other than direct materials and direct labor (all indirect costs).

- Correct! True
- False

Question 7

2 / 2 pts

One of the disadvantages of return on investment is that:

- It focuses on profit only and disregards the cost of the assets
- Correct! It may discourage managers from investing in profitable projects

It does not enable comparison of investment centers of different sizes

It focuses only on long-term performance

Question 8

2 / 2 pts

What is 'strategy mapping' in the balanced scorecard?

Correct!

- (•) Identifying causal links between the four perspectives
- ( ) Mapping the business' processes
- ( ) Setting the mission
- ( ) Agreeing on the strategy with the director of the business

Question 9

2 / 2 pts

A standard cost system may be used in:

- ( ) Job order costing, but not process costing
- ( ) Process costing, but not job order costing

Correct!

- (•) Either job order costing or process costing
- ( ) Neither job order costing or process costing

Question 10

2 / 2 pts

In which of the four perspectives of a balanced scorecard is the objective 'reduce staff turnover' mostly likely to be?

- Financial
- Customer
- Internal processes

Correct!

- Learning and growth

Staff turnover is most likely to be in the 'learning and growth' perspective.

Question 11

2 / 2 pts

Standard cost system contains quantities and costs for:

- Direct material only
- Direct labor only
- Direct material and direct labor only

Correct!

- Direct material, direct labor, and overhead

Question 12

6 / 6 pts

Broihan Corporation has the following purchases budget for the last half of 2018:

July	$100,000
August	$80,000
September	$110,000
October	$90,000
November	$100,000
December	$94,000

Historically, the company pays one half at the time of purchase and the remainder in the month following the purchase. Based on the information, above, what are the expected cash disbursements in August?

- $80,000
- $90,000

Correct!

- $95,000
- $100,000

($100,000+80,000) X 1/2

Question 13

4 / 4 pts

Shelby Cabinets, Inc. produces custom cabinets. The following inventory balances appeared on its balance sheet.

	12/31/2012	12/31/2011
Raw materials inventory	$ 8,000	$ 10,000
Work-in-process inventory	600,000	550,000
Finished goods inventory	350,000	410,000

Shelby Cabinets had $1,265,000 in sales for the year ended December 31, 2012. The company also had the following costs for the year:

Selling	$ 90,000
General and administrative	$240,000
Raw materials purchases	$100,000

Direct labor used in production	$125,000
Manufacturing overhead	$630,000

Of the total raw materials placed in production for the year, $12,000 was for indirect materials and must be deducted to find direct materials placed in production.

Using the above information, what was Shelby's Cost of Goods Sold?

(Hint: You must first calculate the Cost of Goods Manufactured before calculating Cost of Goods Sold.)

- $795,000
- $845,000

Correct!

- $855,000
- $1,395,000

FG Inv, Beg Bal + COGM = COGAFS - Less FG Inv, End Bal = COGS

410000+795000-350000=855000

Question 14

1 / 1 pts

Which of the following is not a product cost?

Correct!

- (•) Depreciation on finished good warehouse
- ( ) Indirect labor
- ( ) Insurance on factory building
- ( ) Direct material

Question 15

2 / 2 pts

Two different products are obtained by refining one ore. The refining process would be considered as:

- ( ) Reduction process
- ( ) Extraction process

Correct!

- (•) Joint process
- ( ) Mixed cost process

Question 16

16 / 16 pts

Complete the following journal entries to show the flow of goods and costs through relative accounts in the process costing system.

You will use each of the following accounts at least once: Work in

Process, Raw Materials, Wages Payable, Manufacturing Overhead, Finished Goods

XX/XX/2019	**a.**	Work in Process	$XX.XX	
	b.	Raw Materials		$XX.XX
		Record raw materials into WIP		
XX/XX/2019	**c.**	Work in Process	$XX.XX	
	d.	Wages Payable		$XX.XX
		Record/apply labor costs		
XX/XX/2019	**e.**	Work in Process	$XX.XX	
	f.	Manufacturing Ove		$XX.XX
		Record/apply manufacturing overhead		

XX/XX/2019 **g.** Finished Goods $XX.XX

h. Work in Process $XX.XX

Transfer of WIP into finished goods

Answer 1:

Correct! work in process

Answer 2:

Correct! raw materials

Answer 3:

Correct! work in process

Answer 4:

Correct! wages payable

Answer 5:

Correct! work in process

Answer 6:

Correct! manufacturing overhead

Answer 7:

Correct! finished goods

Answer 8:

Correct!

work in process

Question 17

2 / 2 pts

What is the point where total costs are equal to total revenue?

Correct!

- (•) Break-even point
- ( ) Contribution ratio
- ( ) Contribution margin
- ( ) Gross profit

Question 18

6 / 6 pts

Coed Novelties manufactures key chains for college bookstores. During 2017, the company had the following costs

Direct materials used	$31,000
Direct labor	$18,000
Factory Rent	$12,000
Equip. Depreciation – Factory	$2,000

Equip. Depreciation – Office	$750
Marketing expense	$2,500
Administrative expense	$40,000

If 35,000 units were produced in 2017, what is the product cost per unit?

- $1.24
- $1.80

Correct!

- $3.04
- $1.40

$31000+18000+12000+2000=$63000/35000 units

Question 19

2 / 2 pts

The contribution margin is the

- amount by which sales exceed total fixed cost
- difference between sales and total cost
- difference between sales and operating income

Correct!

- difference between sales and total variable cost
- difference between variable cost and fixed cost

Question 20

2 / 2 pts

Portal Palace is a door manufacturer that is considering moving into a new regional market. Which of the following would be information on a balanced scorecard?

- Employee satisfaction

Correct!

- Number of people that buy doors in the region
- A list of popular door styles
- The company’s mission statement

Question 21

2 / 2 pts

If you have three choices and with each choice these costs are different, what type of costs are they?

Correct!

- Relevant
- Overhead
- Sunk

Irrelevant

Question 22

2 / 2 pts

If Precision Manufacturing uses direct labor hours as the allocation base for applying predetermined overhead to jobs, determine the appropriate overhead rate given the following data:

- $270,000 estimated total manufacturing overhead for the year
- $ 30,000 direct labor hours

Predetermined overhead rate is $_____ per direct labor hour. Round your answer to the nearest cent.

$0.11

$0.12

Correct!

$9.00

$10.00

$270,000 / 30,000 = $9.00

Question 23

1 / 1 pts

Manufactured inventory that has begun the production process but is

not yet completed is

Correct!

- (•) work in process
- ( ) raw materials
- ( ) merchandise inventory
- ( ) finished goods

Question 24

2 / 2 pts

A primary purpose of using a standard cost system is:

- ( ) To make things easier for managers in the production facility

Correct!

- (•) To provide a distinct measure of cost control
- ( ) To minimize the cost per unit of production
- ( ) B and C are correct

Question 25

2 / 2 pts

The joint production cost should be allocated

- ( ) on the basis of selling price
- ( ) to by-products

- on the basis of costs after separation
- Correct! on an authoritatively selected and consistently applied basis

Question 26

2 / 2 pts

Which budget allows a business owner to calculate the amount to charge the customer in order to make a profit?

- Selling and administrative budget
- Correct! Ending finished goods inventory budget
- Cash budget
- Direct materials budget

Question 27

2 / 2 pts

A company sells cupcakes for $4.25 each. If the variable costs are $1.95, what is the contribution margin?

- Correct! $2.30
- 0.45
- $2.18
- None of the above

$4.25 - $1.95 = $2.30

Question 28

2 / 2 pts

Determining whether to carry out an activity in the value chain internally or use a supplier is a _____ decision.

Correct!

- (•) make or buy
- ( ) contribution margin
- ( ) cost-plus pricing
- ( ) none of the above

Question 29

4 / 4 pts

Herb's Herbs packages high-quality dried herbs for home use. The following costs are taken from Herb's accounting records:

- Fresh herbs: $137,000
- Depreciation on the drying machine: $8,100
- Glass jars for packaging the herbs: $5,000
- Electricity to run the drying machines: $15,000
- Gasoline for delivery trucks: $24,000
- Internet advertising: $3,000
- Depreciation on the computer used to do the accounting for the

company: $1,000

Using the information from above, calculate the total manufacturing costs.

- $150,100
- $160,100

Correct!

- $165,100
- $192,100

The manufacturing costs are the costs directly associated with production—in this case, direct materials, variable overhead, and fixed overhead. The herbs and the glass jars are direct materials. The electricity to run the drying machines is a variable overhead cost. Depreciation on the drying machine is a fixed overhead cost.

137000+8100+5000+15000=165100

Question 30

4 / 4 pts

Shelby Cabinets, Inc. produces custom cabinets. The following inventory balances appeared on its balance sheet.

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Raw materials		

inventory	$ 8,000	$ 10,000
Work-in-process inventory	600,000	550,000
Finished goods inventory	350,000	410,000

Shelby Cabinets had $1,265,000 in sales for the year ended December 31, 2012. The company also had the following costs for the year:

Selling	$ 90,000
General and administrative	$240,000
Raw materials purchases	$100,000
Direct labor used in production	$125,000
Manufacturing overhead	$630,000

Of the total raw materials placed in production for the year, $12,000 was for indirect materials and must be deducted to find direct materials placed in production.

Using the above information, what was Shelby's Cost of Goods Manufactured?

(Hint: You must first calculate Direct materials placed in production before calculating the Cost of Goods Manufactured.)

Correct!

- (•) $795,000
- ( ) $845,000
- ( ) $855,000
- ( ) $1,395,000

WIP Inv, Beginning Balance 550000 + DM 90000* + DL 125000 + 630000 - WIP inv, End Bal 600000 =

795000 COGS

*Remember, you needed to calculate direct materials placed in production before calculating the COGM.

Question 31

1 / 1 pts

Direct costs are directly traceable to a product, activity, or department, while indirect costs are not.

Correct!

- (•) True
- ( ) False

Question 32

2 / 2 pts

Product (or manufacturing) costs consist of

direct materials, direct labor, and selling costs

direct materials, direct labor, manufacturing overhead, and operating costs

administrative costs and conversion costs

Correct!

prime costs and manufacturing overhead

selling and administrative costs

Question 33

2 / 2 pts

What is the practice of setting the initial entry price relatively low when introducing a new product to the marketplace called?

predatory pricing

Correct!

penetration pricing

Target pricing

Cost-plus pricing

Question 34

2 / 2 pts

Costs that will differ between alternatives and influence the outcome of a decision are

Correct!

- (•) Relevant costs
- ( ) Irrelevant costs
- ( ) Selling and administrative costs
- ( ) Incremental costs

Question 35

46.43 / 50 pts

Farm Equipment, Inc., produces tractors and other farm machinery. Each piece of equipment is built to customer specifications. During May, its first month of operations, Farm Equipment, Inc., began working on three customer orders: jobs 1, 2, and 3. The following transactions occurred during May:

- Purchased production materials on account totaling $450,000
- Processed material requisitions for the following items:
  - Job 1 direct materials $77,600
  - Job 2 direct materials $38,600
  - Job 3 direct materials $45,000
  - Indirect materials $87,000
- Processed timesheets showing the following:
  - Job 1 direct labor hours (700 hours) $14,800
  - Job 2 direct labor hours (550 hours) $11,800
  - Job 3 direct labor hours (300 hours) $ 6,500
  - Indirect labor $ 9,700
- Applied overhead using a predetermined rate of 160 percent of direct labor cost
- Completed job 1 and transferred it to finished goods
- Delivered job 1 to the customer and billed her $140,000. (Hint: Two entries are required—one for the cost of the goods and

another for the revenue.)

Required: Calculate the production costs incurred in May for each of the three jobs. (Answers must be entered as numbers only. No spaces, dollar signs, commas, decimals, etc. Example: 50000)

	Job 1	Job 2	Job 3	Total
Direct Materials	**A. $** 77600	**D. $** 38600	**G. $** 45000	$161,200
Direct Labor	**B. $** 148000	**E. $** 11800	**H. $** 6500	$33,100
Manufacturing Overhead	**C. $** 23680	**F. $** 18880	**I. $** 10400	$52,960
Total Cost Per Job:	$116,080	$69,280	$61,900	$247,260

Using the previous information, make the appropriate journal entry for each item described above. Assume all payments will be made next month. You will use the following accounts at least once: Raw Materials Inventory, Accounts payable, WIP Inventory, Manufacturing Overhead, Raw Materials Inventory, Wages Payable. (Answers must be entered as numbers only. No spaces, dollar signs, commas, decimals, etc. Example: 50000)

05/01/20XX	**J.** Raw Materials Inve		$450,000	
	K. Accounts Payable			$450,000
	Purchased Production Materials on Account			

05/XX/20XX	WIP Inventory	**L. $** 161200		
	Manufacturing O/head	**M. $** 87000		
	Raw materials Inventory			$248,200
	Transfer Raw Materials into WIP			

05/XX/20XX	WIP Inventory	**N. $** 33100		

	Manufacturing Overhead	**$9,700**		
	Wages Payable			$42,800
	Apply labor costs to Inventory			
05/01/20XX	WIP Inventory		$52,960	
	Manufacturing Overhead			$52,960
	Apply Man. Overhead to Inventory costs			

Answer 1:

Correct!

77600

Answer 2:

Correct!

38600

Answer 3:

Correct!

45000

Answer 4:

ou Answered

148000

rrect Answer

14800

Answer 5:

Correct! 11800

Answer 6:

Correct! 6500

Answer 7:

Correct! 23680

Answer 8:

Correct! 18880

Answer 9:

Correct! 10400

Answer 10:

Correct! raw materials inventory

Answer 11:

Correct! accounts payable

Answer 12:

Correct! 161200

Answer 13:

Correct! 87000

Answer 14:

Correct! 33100

Question 36

2 / 2 pts

The Best Toy Co. makes custom ordered wooden toys. Based on the product they manufacture, classify the following costs as direct or indirect materials:

Type a for Direct or b for Indirect. (Do not type direct or indirect in the blank.)

1. Wood a

2. Safety equipment b

3. Tools b

4. Decorative items a

5. Glue b

6. Wheels a

Answer 1:

Correct!

a

Answer 2:

Correct!

b

Answer 3:

Correct!

b

Answer 4:

Correct!

a

Answer 5:

Correct!

b

Answer 6:

Correct!

a

Question 37

2 / 2 pts

Which of the following is not relevant information in a decision whether old equipment presently being used should be replaced by new equipment?

- The book value of the old equipment
- The book value of the new equipment
- The depreciation costs of the old equipment

Correct!

- Both a. and c.

Question 38

2 / 2 pts

Which of the following would be a variable cost in a soda bottling plant?

- direct labor
- bottles
- carbonated water

power to run the bottle machine

Correct!

all of these

Question 39

50 / 50 pts

Given the following data, determine the cost per equivalent unit and use this cost data to determine the cost of ending WIP inventory and units transferred into finished goods. (Answers must be entered as numbers only without spaces, dollar signs, commas, etc. Example: 50000 or 8.34 or .15)

Production Fabrication Co.

Equivalent Units of Production

	Materials	**Labor**	**Overhead**
Units transferred to next process…	350,000	350,000	350,000
Ending WIP Inv. (80,000 units x 50% complete; labor 80,000			

units x 25% complete; overhead 80,000 units x 25% complete)	40,000	20,000	20,000
Equivalent units of production	410,000	370,000	370,000

Production Fabrication Co.

Costs Per Equivalent Unit

	Materials	**Labor**	**Overhead**
Costs:			
Costs beginning WIP Inventory	92,000	21,000	37,000
Costs added this period	810,000	325,000	640,000
Total Costs:	902,000	346,000	677,000
Equivalent			

units of production	410,000	370,000	370,000	
Cost per unit	A. 2.20	B. .94	C. 1.83	

Project Fabrication, Co.

Costs of Ending WIP Inventory and Units Transferred Out

Ending WIP Inventory:	**Materials**	**Labor**	**Overhead**	**Total**
Equivalent units of production	40,000	20,000	20,000	
Cost per equivalent unit	D. 2.20	E. .94	F. 1.83	
Cost of ending WIP inventory (round to nearest dollar)	G. 88000	H. 18703	I. 36595	143298
Units of completed and transferred				

out:

Units transferred to the next dept.	350,000	350,000	350,000	
Cost per equivalent unit	J. 2.20	K. .94	L. 1.83	
Cost of units completed and transferred out (round to the nearest dollar)	M. 770000	N. 329000	O. 640500	1,739,500

Answer 1:

Correct!

2.20

Answer 2:

Correct!

.94

Answer 3:

Correct!

1.83

Answer 4:

Correct!

2.20

Answer 5:

Correct!

.94

Answer 6:

Correct!

1.83

Answer 7:

Correct!

88000

Answer 8:

Correct!

18703

Answer 9:

Correct!

36595

Answer 10:

Correct!

2.20

Answer 11:

Correct!

.94

Answer 12:

Correct!

1.83

Answer 13:

Correct!

770000

Answer 14:

Correct!

329000

Answer 15:

Correct!

640500

Total costs/equivalent units = cost per equivalent unit

EUP x cost per equiv unit = cost of ending WIP

Units transferred x cost per equiv unit = cost of units completed and transferred out

Question 40

6 / 6 pts

The Unique Bookshelf Company is considering the purchase of a custom delivery van costing approximately $50,000. Using a discount rate of 20%, the present value of future cost savings is estimated at $51,200. To yield the 20% return, the actual cost of the van should not exceed the $50,000 estimate by more than:

- $5,000
- 20%
- 12%

Correct!

- $1,200

When using net present value (NVP) analysis, the cost of the investment should not exceed the present value of the future cash flows (or cost savings). Since the present value is $51,200, that is the most you should pay for the van.

Question 41

2 / 2 pts

The elimination of an unprofitable product line may adversely affect the remaining product lines.

Correct!

- (•) True
- ( ) False

By eliminating a product line, we are also eliminating a source to cover fixed costs, which forces the remaining product lines to cover the difference.

Question 42

2 / 2 pts

A company sells 5,000 units at $25 each. If the variable costs are $35,00, what is the contribution margin ratio?

- ( ) 0.28
- ( ) 0.50
- ( ) 0.44

Correct!

- (•) 0.72

Variable cost per unit = $35000/5000=$7

1 - ($7/$25) = .72

Question 43

8 / 8 pts

Given the following production data, calculate the equivalent units of production. (Answers must be entered as numbers only without spaces, dollar signs, commas, decimals, etc. Example: 50000)

Production Flow		**Percent Complete**	
	Units	**Materials**	**Conversion**
Work in process, beginning inventory	200	55%	30%
Units started this period	5,000		
Total units:	5,200		
Completed and transferred units this period	4,800	100%	
Work in process, ending inventory	400	40%	

Shipping and Milling

Dept.	Materials	Conversion
Ending WIP:		
Materials:	**A.** 160 units	
Conversion:		**B.** 100 units
Equivalent units of production:	**C.** 4960 **units**	**D.** 4900 **units**

(Garrison, Noreen, Brewer)

Answer 1:

Correct!

160

Answer 2:

Correct!

100

Answer 3:

Correct!

4960

Answer 4:

Correct!

4900

Ending WIP Materials = 40% of 400 WIP units = 160 units

Ending WIP Conversion Costs = 25% of 400, or 100 units

EUP Materials 4800 + 160

EUP Conversion 4800 + 100

Question 44

2 / 2 pts

_____ is a costing system ideal for use in situations in which the company will produce many of the same, or identical products, for a long period whereas job order costing is a system for use in situations in which many different products are produced within a period. (Garrison, Noreen, Brewer)

- system costing
- process costing

Correct!

- selling costing
- direct costing

Question 45

2 / 2 pts

Manufacturers usually classify inventory into all the following general categories except:

- work in process
- finished goods

Correct!

- merchandise inventory
- raw materials

Question 46

2 / 2 pts

The time value of money focuses on:

Correct!

- Cash flow
- Earnings per share
- Net income
- All of the above

Question 47

2 / 2 pts

Which of the following is part of manufacturing overhead?

- Direct Labor

Correct!

- Indirect Labor
- Office Depreciation

None of the above

Indirect manufacturing labor is part of manufacturing overhead. Other examples of manufacturing overhead include equipment maintenance, factory supplies, and depreciation on the factory building.

Question 48

2 / 2 pts

When comparing actual overhead costs to applied overhead costs and it is determined that overhead costs were under, or over-applied, and the difference is not a material difference, this would require journal entries to adjust the cost of goods sold and overhead accounts.

Answer Options:

a. cost of goods
b. overhead

(When entering answers, type either a or b without a period)

If overhead costs were under applied, the [a] account would require a debit, and the [b] account would be credited by the under applied amount.

If overhead costs were over applied, the [b] account would require a debit entry, and the [a] would be credited by the over-applied amount.

Answer 1:

Correct! a

Answer 2:

Correct! b

Answer 3:

Correct! b

Answer 4:

Correct! a

Question 49

2 / 2 pts

All of the following appropriately describe the use of FIFO in process costing except:

- Factors in work done in different months
- Calculates the unique costs for beginning inventory and the current month
- Correct! Does not factor in the work done in different months of the project/job
- Assumes that beginning WIP is derived from work started in the current month

Question 50

4 / 4 pts

The Cape Cod Cotton Candy Company had the following information available regarding last year's operations

Sales (100,000 units)	$200,000
Variable costs	$100,000
Contribution margin (sales – variable)	$100,000
Fixed Costs	$50,000
Net Income	$50,000

Based on the information above, if sales were to increase by 200 units, what would be the effect on net income?

- $400 increase

Correct!

- $200 increase
- $150 loss
- $200 loss

The CM per unit is $100,000/100,000 = $1

If sales increase with 200 units, the CM and NI will increased with 200 x $1 = $200

Question 51

2 / 2 pts

All of the following appropriately describe the use of weighted average in process costing except:

- Does not factor in work done in different months on the job/project

Correct!

- Factors in work done on the job/project in different months
- Combines work and costs for the project from all months
- Average cost of WIP is weighted by the amount of equivalent units in project batch

Question 52

1 / 1 pts

The salary of the president of a manufacturer is part of the manufacturing overhead costs.

- True

Correct!

False

The salary of the president is part of selling, general and administrative expenses.

Question 53

2 / 2 pts

On which section of the balance sheet is inventory reported?

Revenue

Liabilities

Correct!

Assets

Owner's equity

Question 54

6 / 6 pts

Bubblemania has three product lines – A,B, and C. Product line B appears to be unprofitable, and management is considering discontinuing the line. Based on the information below, how would the discontinuation of Product line B affect net income?

	A	B	C	Total

Sales	$ 10,000	$ 9,000	$ 12,000	$ 31,000
Variable Costs	$ 4,500	$ 7,000	$ 6,000	$ 17,500
Contribution Margin	$ 5,500	$ 2,000	$ 6,000	$ 13,500
Fixed Costs	$ 3,500	$ 6,000	$ 3,000	$ 12,500
Net Income	$ 2,000	$ (4,000)	$ 3,000	$ 1,000

- Increase by $4,000

Correct!

- Increase by $2,000
- Decrease by $4,000
- Decrease by $2,000

$2,000+(4000)+3000+1000

Question 55

6 / 6 pts

If Piper Manufacturing manufactures one unique set of stack pipes, and the sell price is $121,000, the variable costs per unit are $62,000, and the fixed costs are $500,000, what is the break-even point in units?

Correct!

- Approximately 8 units
- Approximately 2 units

Approximately 16 units

None of the above

$500000/($121000-62000)

Question 56

47.83 / 50 pts

Company XYZ has 2 fixed price contracts for 2 different clients. The company has enough capacity for both contracts but is uncertain whether they will be profitable. Using the information below, a) calculate the activity-based costs and profits for each contract (this requires more than one step) and b) calculate the profit for each job using absorption costing, absorbing overheads using molding hours:

Enter all answers in number format without commas, decimals, or dollar signs.

Customer	AAA	BBB
Component Type	A999	B999
Contract Value ($)	$27,000	$100,000
Contract Quantity	1,000 unit	2,000 unit
Material cost/unit	$15	$20
Molding time/batch	5 hours	7.5 hours

Batch size	100 units	50 units

Annual Budgeted Overheads

Activity	Cost Driver	Cost Driver Volume/Yr	Cost Pool
Molding	Molding hours	2,000	$150,000
Inspection	Batches	150	$75,000
Prod. Mgmt.	Contracts	20	$125,000

(Calculate cost per unit of cost driver)

Activity	Cost pool (a)	Cost Driver/Yr (b)	Cost/Unit of Cost Driver (a)/(b)
Molding	$150,000	2,000	A. $ 75 /molding hr.
Inspection	$75,000	150	B. $ 500 /batch
Prod. Mgmt.	$125,000	20	C. $ 6250 /contract

(Calculate the cost drivers consumed by each contract)

Cost driver	Customer AAA	Customer BBB
Batches	**D.** 10	**E.** 40
Molding hours	**F.** 50	**G.** 300
Contracts	1	1

(Calculate the costs and profit for each contract)

	Contract AAA	Contract BBB
Selling price	$27,000	$100,000
Materials	H. $ 15000	**I.** $ 40000
Molding	J. $ 3750	**K.** $ 22500
Inspection	L. $ 5000	M. $ 20000
Management	N. $ 6250	**O.** $ 6250

	P.	Q.
Total cost	30000	88750
Profit/(Loss)	**($3,000)**	**$11,250**

(Multiply (total annual overheads/annual molding hour) by materials and then overheads)

(b)	Contract AAA	Contract BBB
Selling price	$27,000	$100,000
Materials	R. $ 15000	**S.** $ 40000
Overheads	T. $ 8750	**U.** $ 52500
Total Cost	V. $ 23750	**W.** $ 92600
Profit/(Loss)	**$3,250**	**$7,500**

Answer 1:

Correct!

75

Answer 2:

Correct!

500

Answer 3:

Correct!

6250

Answer 4:

Correct! 10

Answer 5:

Correct! 40

Answer 6:

Correct! 50

Answer 7:

Correct! 300

Answer 8:

Correct! 15000

Answer 9:

Correct! 40000

Answer 10:

Correct! 3750

Answer 11:

Correct! 22500

Answer 12:

Correct! 5000

Answer 13:

Correct! 20000

Answer 14:

Correct! 6250

Answer 15:

Correct! 6250

Answer 16:

Correct! 30000

Answer 17:

Correct! 88750

Answer 18:

Correct! 15000

Answer 19:

Correct! 40000

Answer 20:

Correct! 8750

Answer 21:

Correct! 52500

Answer 22:

Correct! 23750

Answer 23:

ou Answered 92600

rrect Answer 92500

Quiz Score: **294.25** out of 300