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FINAL EXAM

Course # 171005
Analyzing Cost Data for Management

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Analyzing Cost Data for Management
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14 CPE Credit Hours
Accounting & Auditing

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Chapter 1 - Cost Concepts

1. Managerial accounting is concerned with all but:
   - External users of financial information
   - Internal users of financial information
   - Future orientation
   - Focuses on parts as well as the whole business

2. ___________________________ is not a function of management:
   - Planning
   - Controlling
   - Recording
   - Decision making

3. The Cost Accounting Standards Board (CASB) was established by
   - The financial accounting standards board (FASB).
   - The general accounting office (GAO).
   - The U.S. congress.
   - The Securities and Exchange Commission (SEC).

4. The treasury function is usually not concerned with
   - Cash management .
   - Pension management.
   - Financial statements Preparation.
   - Obtaining financing.

5. The professional certification program most suited for one interested in a career in internal auditing leads
   - CDP.
   - CISA.
   - CIA.
   - CMA.

6. The Certified Management Accountants (CMA) does not require examination of:
   - Economics, finance and management

|______ Business law

|______ Managerial reporting, analysis ,behavioral issues

|______ Decision analysis and information systems

7. Manufacturing costs can be classified into all but:

|______ Direct material costs

|______ Direct labor costs

|______ Factory overhead

|______ Operating costs

8. All costs related to the selling function in a company are

|______ Prime costs.

|______ Direct costs.

|______ Advertising.

|______ Conversion costs.

9. Period costs

|______ Are always expensed in the same period in which they are incurred.

|______ Vary from one period to the next.

|______ Remain unchanged over a given period of time.

|______ Are associated with the periodic inventory method.

10. In a traditional manufacturing operation, direct costs normally include

|______ Machine repairs in an automobile factory.

|______ Electricity in an electronics plant.

|______ Wood in a furniture factory.

|______ Commissions paid to sales personnel.

11. For product costing purposes, the cost of production overtime caused by equipment failure that represe

|______ Indirect cost.

|______ Direct cost.

|______ Controllable cost.

|______ Discretionary cost.

12. The wages of the factory janitorial staff should be classified as

|______ Factory overhead cost.

|______ Direct labor cost.

|______ Period cost.

|______ Prime cost.

13. The difference between variable costs and fixed costs is

- ______ Unit variable costs fluctuate, and unit fixed costs remain constant.
- ______ Unit variable costs are fixed over the relevant range, and unit fixed costs are variable.
- ______ Total variable costs are variable over the relevant range and fixed in the long term, while
- ______ Unit variable costs change in varying increments, while unit fixed costs change in equal ii

14. The contribution approach to income determination may not be useful for:
    - ______ Break-even and cost-volume-profit analysis
    - ______ Evaluating performance of a division and management
    - ______ Assigning common fixed costs
    - ______ Short-term and non-routine decisions

15. The contribution income statement classifies costs by
    - ______ Managerial function
    - ______ Behavior
    - ______ Timing of charges against sales revenue
    - ______ Traceability

16. A basic approach to cost accumulation is:
    - ______ Job order costing
    - ______ Segmented costing
    - ______ Accrued costing
    - ______ Absorption costing

17. Process costing includes all except:
    - ______ By department
    - ______ Cost of production
    - ______ By jobs
    - ______ Processing industries

18. Job cost records do not include:
    - ______ Job cost sheet
    - ______ Production report
    - ______ Materials requisition form
    - ______ Work ticket

19. Which one of the following is least likely to be an objective of a cost accounting system?
    - ______ Product costing and inventory valuation.
    - ______ Departmental efficiency.
    - ______ Sales commission determination.
    - ______ Income determination.

20. __________________________ is appropriate when the products are manufactured in identifiable lots or

- ______ Direct costing.
- ______ Absorption costing.
- ______ Process costing.
- ______ Job-order costing

21. Under __________________, accounting data are accumulated by the production department (or cost c

- ______ Job-order costing.
- ______ Process costing.
- ______ Variable costing.
- ______ Absorption costing.

22. There are several alternative cost drivers (denominator measures) for applying overhead. Which is not

- ______ Production volume.
- ______ Sales volume.
- ______ Direct labor costs.
- ______ Direct material dollars

23. Unit costs may not be useful for:

- ______ Inventory evaluation
- ______ Income determination
- ______ Decision making
- ______ Pricing

24. Factory overhead costs include all except:

- ______ Setup
- ______ Inventory
- ______ Quality control
- ______ Power

25. Cost drivers for non-manufacturing costs include all except:

- ______ Number of beds in a hospital
- ______ Machine hours
- ______ Flight hours
- ______ Number of rooms occupied in a hotel

26. _____________________ is not included in the value chain of business functions:

- ______ Research and development
- ______ Cost reporting
- ______ Design
- ______ Marketing

27. Cost-volume-profit (CVP) analysis allows management to determine the relative profitability of a produc

______ Highlighting potential bottlenecks in the production process.

______ Keeping fixed costs to an absolute minimum.

______ Determining the contribution margin per unit and the projected profits at various levels o

______ Assigning costs to a product in a manner that maximizes the contribution margin

28. The difference between sales and total variable costs is

______ Gross operating profit.

______ Net profit.

______ The breakeven point.

______ The contribution margin

29. The dollar amount of revenues needed to attain a desired income is calculated by dividing the contributi

______ Fixed cost.

______ Desired income.

______ Desired income plus fixed costs.

______ Desired income less fixed costs.

30. When used in cost-volume-profit analysis, sensitivity (what-if) analysis

______ Determines the most profitable mix of products to be sold.

______ Allows the decision maker to introduce probabilities in the evaluation of decision alternati

______ Is done through various possible scenarios and computes the impact on profit of various

______ Is limited because in cost-volume-profit analysis, costs are not separated into fixed and v

31. Information about two products is as follows: Product A Product B Selling price per unit $20 $25 Variable units are expected to be product A (a sales mix of 6:4 or 3:2). Fixed costs are expected to be $82,000. E

______ 3,000 units 2,000 units

______ 6,000 units 4,000 units

______ 18,000 units 14,000 units

______ 2,460 units 1,312 units

32. The most likely strategy to reduce the breakeven point would be to

______ ncrease both the fixed costs and the contribution margin.

______ Decrease both the fixed costs and the contribution margin

______ Decrease the fixed costs and increase the contribution margin.

______ Increase the fixed costs and decrease the contribution margin.

33. Depreciation based on the straight-line method is classified as what type of cost?

______ Out-of-Pocket.

______ Marginal.

______ Variable.

|______ Fixed.

34. Which one of the following categories of cost is most likely not considered a component of fixed factory

|______ Rent.

|______ Property taxes.

|______ Supervisory salaries.

|______ Power.

35. Basic break-even and CVP models are subject to limiting assumptions such as:

|______ The selling price per unit is nonlinear

|______ All costs are classified as variable and fixed costs

|______ There is uncertain sales mix

|______ Inventories change significantly from period to period.

36. An undertaking of cost behavior is helpful for all except:

|______ Break-even and cost-volume profit analysis

|______ To make long term commitments

|______ Appraisal divisional performance

|______ Flexible budgeting

37. Variable cost categories do not include:

|______ Direct materials

|______ Insurance

|______ Direct labor

|______ Sales commissions

38. One popular method for estimating the cost-volume formula is:

|______ Progressive analysis

|______ Differential analysis

|______ Regression analysis

|______ Total analysis

39. Major steps in preparing the budget do not include:

|______ Project production volume

|______ Prepare a sales forecast

|______ Estimate manufacturing costs and operating expenses

|______ Determine cash flow and other financial effects

40. Computer-based models are used for:

|______ Financial planning and budgeting

|______ Management development

|______ Relocation development

|______ Compliance diversity

41. Responsibility centers can be all except:

|______ Cost center

|______ Distribution center

|______ Profit center

|______ Investment center

42. Performance reports based on analysis of variances do not need to address:

|______ If it is favorable or unfavorable

|______ If the budget is tight

|______ If it is significant

|______ If it is controllable

43. a standard cost system, the materials price variance is obtained by multiplying the

|______ Actual price by the difference between actual quantity purchased and standard quantity

|______ Actual quantity purchased by the difference between actual price and standard price.

|______ Standard price by the difference between standard quantity purchased and standard quai

|______ Standard quantity purchased by the difference between actual price and standard price.

44. An unfavorable price variance occurs because of

|______ Price increases for raw materials.

|______ Price decreases for raw materials.

|______ Less-than-anticipated levels of waste in the manufacturing process.

|______ More-than-anticipated levels of waste in the manufacturing process.

45. Under a standard cost system, the materials price variances are usually the responsibility of the

|______ Production manager.

|______ Cost accounting manager.

|______ Sales manager.

|______ Purchasing manager.

46. How is labor rate variance computed?

|______ The difference between standard and actual rates, times standard hours.

|______ The difference between standard and actual hours, times actual rate.

|______ The difference between standard and actual rates, times actual hours.

|______ The difference between standard and actual hours, times the difference between standard

47. If a manufacturing company uses responsibility accounting, which one of the following items is least like

|______ Supervisory salaries.

______ Materials.

______ Repairs and maintenance.

______ Depreciation on equipment.

48. Variance analysis for factory overhead does not consist of:

______ Two-way analysis

______ Three-way analysis

______ One-way analysis

______ Four-way analysis

49. Non-financial performance task measures do not include:

______ Diversification

______ Rate of product recall

______ Delivery success rate

______ Number of customer complaints

50. The primary difference between centralization and decentralization is

______ Separate offices for all managers.

______ Geographical separation of divisional headquarters and central headquarters.

______ The extent of freedom of decision making by many levels of management.

______ The relative size of the firm.

51. Return on Investment (ROI) can be enhanced by the following actions:

______ Increase sales

______ Increase assets

______ Improve margin, turnover, or margin and turnover together

______ Decrease the cost of capital

52. In some cases, ROI is preferred to RI because.

______ ROI represents the results for one period, while residual income is a measure over time

______ The imputed interest rate used in calculating residual income is harder to derive than the

______ ROI concentrates on maximizing a percentage return rather than absolute dollars of incor

______ Year-end investment is employed with ROI while average investment is employed with re

53. Improving Economic Value Added (EVA) can be achieved by:

______ Invest capital in high-performing projects

______ Use more capital

______ Increase the cost of capital

______ Enhance ROI

54. The corporate balanced scorecard

- [ ] Is an activity-based responsibility accounting model that measures operating activities
- [ ] Is a financial-based responsibility accounting model that focuses on the financial performan
- [ ] Is a strategic-based financial reporting system that balances assets with liabilities and own
- [ ] Is a strategic-based performance management system that identifies objectives and measures from a fin

55. Which of the following would be a nonfinancial measure?
    - [ ] Customer profitability
    - [ ] Number of new patents
    - [ ] Return on investment
    - [ ] Cost per unit

56. Considerations needed to determine which type of transfer policy to use includes all except:
    - [ ] Goal congruence
    - [ ] Limited economy
    - [ ] Performance evaluation
    - [ ] Autonomy

57. A binding constraint can:
    - [ ] Limit a company's profitability
    - [ ] Limit advertising
    - [ ] Limit accounting functions
    - [ ] Limit benefits

58. Common mistakes you make in decision making are to include:
    - [ ] Unitized fixed costs
    - [ ] Expected future costs
    - [ ] Total costs
    - [ ] Relevant cost

59. Future value is best described as
    - [ ] The sum of dollars-in discounted to time zero.
    - [ ] The sum of dollars-out discounted to time zero.
    - [ ] The value of a dollar-in or a dollar-out at a future time adjusted for any compounding effect.
    - [ ] None of the answers are correct.

60. An annuity is a series of payments of a fixed amount for:
    - [ ] A specified number of periods
    - [ ] For one-time period
    - [ ] For an indeterminable period
    - [ ] For an unspecified number of periods

61. The present worth of future sums of money is

- ______ Future value
- ______ Present value
- ______ Past value
- ______ Limited value

62. The discount rate (or cost of capital) ordinarily used in present value calculations is the

- ______ Federal Reserve rate.
- ______ Treasury bill rate.
- ______ Minimum rate of return set by the firm.
- ______ Prime rate.

63. A method of evaluating investment projects does not include:

- ______ Payback period
- ______ External index
- ______ Internal rate of return (IRR)
- ______ Net present value (NPV)

64. A characteristic of the payback method (before taxes) is that it

- ______ Neglects total project profitability.
- ______ Uses accrual accounting inflows in the numerator of the calculation.
- ______ Uses the estimated expected life of the asset in the denominator of the calculator.
- ______ Uses the hurdle rate in the calculation.

65. Jones Company is considering the purchase of a new machine for $57,000. The machine would generate would have no salvage value. The company's cost of capital is 12 percent. The company uses straight-lin the machine rounded to the nearest percent, assuming no taxes are paid?

- ______ 12%.
- ______ 18%.
- ______ 14%.
- ______ 16%.

66. The technique that recognizes the time value of money by discounting the after-tax cash flows for a pro the

- ______ Net present value method.
- ______ Capital rationing method.
- ______ Payback method.
- ______ Accounting rate of return method.

67. Oakland Shop is considering the purchase of a used printing press costing $9,600. The printing press wou three years, the press would have no salvage value. The company's cost of capital is 10 percent. The con present value for the press?

- ______ 2400

______ 348

______ 9948

______ 9600

68. The technique that reflects the time value of money and is calculated by dividing the present value of th capital by the initial cash outlay for the investment is the

______ Net present value method

______ Capital rationing method.

______ Accounting rate of return method.

______ Profitability index method.

69. If the tax rate is 40 percent and a company has $800,000 of income, a depreciation deduction of $160,

______ 105600

______ 96000

______ 64000

______ 54400

70. A project's cash flow will fall into:

______ Initial investment

______ Differential flows over the project's life

______ Terminal cash flow

______ Any one of the above

Chapter 2 - Job Order Costing

Chapter 3 - Activity-Based Costing

Chapter 4 - Break?Even And Cost?Volume?Profit Analysis

Chapter 5 - Cost Behavior Analysis

Chapter 6 - Budgeting For Profit Planning

Chapter 7 - Standard Costs

Chapter 8 - Performance Evaluation

Chapter 9 - Transfer Pricing

Chapter 10 - Decentralization

Chapter 11 - Long Term Investment and Capital Budgeting Decisions

Chapter 12 - A Further Look at Capital Budgeting

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