



FINAL EXAM

Course # 171023 Cost Management : Accounting and Control

based on the electronic .pdf file(s):

Cost Management : Accounting and Control

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20 CPE Credit Hours
Accounting & Auditing

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Instructions are provided at the end of this document.*

Chapter 1 - Introduction to Cost Management

1. Cost management is not concerned with

- Cost analysis.
- Cost planning
- Cost reporting
- Cost control.

2. Significant developments in cost management do not include

- The Sarbanes-Oxley Act.
- Theory of constraints.
- Corporate balanced scorecard
- Target costing.

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. _____ is not the function the treasury function is usually concerned with

- Financial reporting.
- Short-term financing.
- Cash custody and banking.
- Credit extension and collection of bad debts.

5. The professional certification program most suited for one interested in a career in management accounting leads to which of the following designations?

- CDP.
- CIA.
- CISA.

CMA.

Chapter 2 - Cost Classifications, Terminology, and Profit Concepts

6. TQM seeks evolutionary changes in the processes while the practice called business process reengineering (BPR) seeks to make revolutionary changes. T F

True

False

7. Managerial accounting is concerned with all but

Internal users of financial information

Future orientation

External users of financial information

Focuses on parts as well as the whole business

8. Management performs all but

Recording

Planning

Controlling

Decision making

9. The Certified Management Accountants (CMA) does not require examination of:

Economics, finance and management

Managerial reporting, analysis ,behavioral issues

Taxation

Decision analysis and information systems

10. Manufacturing costs are those costs associated with the human resource activities of the company.

True

False

11. 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 fixed costs never change.

Unit variable costs change in varying increments, while unit fixed costs change in

equal increments.

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

Out-of-Pocket.

Marginal.

Variable.

Fixed.

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

Factory overhead cost.

Direct labor cost.

Period cost.

Prime cost.

Chapter 3 - Cost Accounting Systems – Job Order Costing

14. All costs related to the manufacturing function in a company are

Prime costs.

Direct costs.

Product costs.

Conversion costs.

15. 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.

16. 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.

Chapter 4 - Activity-Based Costing

17. For product costing purposes, the cost of production overtime caused by equipment failure that represents idle time plus the overtime premium should be classified as a(n)
- Indirect cost.
 - Direct cost.
 - Controllable cost.
 - Discretionary cost.
18. 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.
19. There are several alternative denominator measures for applying overhead. Which is not commonly used?
- Direct labor hours.
 - Direct labor costs.
 - Machine hours
 - Sales value of product produced.

Chapter 5 - Cost?Volume?Profit Analysis

20. Manufacturing costs can be classified into all but
- Direct material costs
 - Direct labor costs
 - Factory overhead
 - Operating costs
21. . The contribution approach to income determination may not be useful for:
- Break-even and cost-volume-profit analysis
 - Assigning common fixed costs
 - Evaluating performance of a division and management
 - Short-term and non-routine decisions
22. The traditional income statement classifies costs by
- Managerial function

- Behavior
- Timing of charges against sales revenue
- Traceability

23. Companies characterized by the production of heterogeneous products will most likely use which of the following methods for the purpose of averaging costs and providing management with unit cost data?

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

24. Companies characterized by the production of basically homogeneous products will most likely use which of the following methods for the purpose of averaging costs and providing management with unit cost data?

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

25. A basic approach to cost accumulation is

- Job order costing
- Segmented costing
- Accrued costing
- Precision costing

26. Process costing includes all except

- By department
- Cost of production
- By jobs
- Processing industries

Chapter 6 - Analysis of Cost Behavior

27. Job cost records do not include:

- Job cost sheet
- Materials requisition form
- Production and inventory report

Work ticket

28. A cost accumulation system is a product costing system

True

False

29. Unit costs may be misleading for:

Decision making

Inventory evaluation

Income determination

Pricing

30. Factory overhead costs include all except

Setup

Inventory

Quality control

Power

Chapter 7 - Budgeting for Profit Planning

31. 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

32. The three elements of production cost are direct materials, direct labor, and factory overhead.

True

False

33. When products consume overhead activities in different proportions, a firm has product diversity

True

False

Chapter 8 - Responsibility Accounting, Standard Costs, and Variances

34. _____ is not an activity drive level.

- Batch level
- Normal level
- Product level
- Facility level.

35. _____ is not included in the value chain of business functions:

- Research and development
- Design
- Financial reporting
- Marketing

36. The dollar amount of revenues needed to attain a desired income is calculated by dividing the contribution margin ratio into

- Fixed cost.
- Desired income.
- Desired income plus fixed costs.
- Desired income less fixed costs.

37. The basic break even and CVP models assumes

- The selling price per unit is unchanged throughout the entire relevant range of activity.
- Inventories change significantly from period to period.
- The variable cost per unit is nonlinear.
- Total costs are unchanged.

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

- Increase 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.

39. 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.

40. Linda International's sales are 8,000 racing bicycles and 12,000 5-speed bicycles, respectively. If the selling price and variable costs are \$570 and \$200 for a racer and \$180 and \$90 for a 5-speed, respectively, what is the weighted-average contribution margin?

250

202

222

110

41. 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 alternatives.

Is done through various possible scenarios and computes the impact on profit of various predictions of future events.

Is limited because in cost-volume-profit analysis, costs are not separated into fixed and variable components.

42. The difference between sales and total variable costs is

Gross operating profit.

Net profit.

The breakeven point.

The contribution margin.

43. Cost-volume-profit (CVP) analysis allows management to determine the relative profitability of a product by

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 of production.

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

Chapter 9 - Control of Profit Centers

44. 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

45. Variable cost categories do not include

- Direct materials
- Insurance
- Direct labor
- Sales commissions

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

- Rent.
- Property taxes.
- Supervisory salaries.
- Power.

Chapter 10 - Performance Measurement, Balanced Scorecard, and Transfer Pricing

47. The following cost functions were developed for manufacturing overhead costs. Manufacturing Overhead Cost Cost Function Electricity $\$50 + \10 per direct labor hour Maintenance $\$100 + \15 per direct labor hour Supervisors' Salaries $\$5,000$ per month Indirect materials $\$8$ per direct labor hour If July production is expected to be 1,000 units requiring 1,500 direct labor hours, estimated manufacturing overhead costs would be:

- 5183
- 38150
- 49500
- 54650

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

- Progressive analysis
- Differential analysis
- Regression analysis
- Total analysis

49. Major steps in preparing the budget do not include

- Formulate present value
- Prepare a sales forecast
- Estimate manufacturing costs and operating expenses
- Determine cash flow and other financial effects

50. Use the following for information: Projected sales for Tony, Inc. for next year and beginning and ending inventory data are as follows. Sales 20,000 units Beginning inventory 1,000 units Desired ending inventory 5,000 units According to the production budget, how many units should be

produced?

16000

20000

24000

21000

51. Computer-based models are used for

Financial planning and budgeting

Management development

Relocation development

Compliance diversity

52. In 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 used.

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

Standard price by the difference between standard quantity purchased and standard quantity used.

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

53. 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.

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

Production manager.

Cost accounting manager.

Sales manager.

Purchasing manager.

Chapter 11 - Nonroutine Decisions and Life-Cycle and Target Costing

55. 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 and actual rates.

56. If a manufacturing company uses responsibility accounting, which one of the following items is least likely to appear in performance report for a manager of an assembly line?

- Supervisory salaries.
- Materials.
- Repairs and maintenance.
- Depreciation on equipment

57. Responsibility centers can be all except

- Cost center
- Queuing center
- Profit center
- Investment center

58. Performance reports based on analysis of variances do not address:

- If it is favorable or unfavorable
- If it is significant
- If the standard is tight
- If it is controllable

59. Variance analysis for factory overhead does not consist of

- Two-way analysis
- Three-way analysis
- One-way analysis
- Four-way analysis

60. Non-financial performance task measures do not include

- Diversification
- Rate of product recall
- Delivery success rate
- Number of customer complaints

61. New performance measures tend to be nonfinancial and more subjective than standard costs.

- True
- False

62. The sales quantity variance equals

- Actual units x (budgeted weighted-average CM for planned mix - budgeted weighted-average CM for actual mix).
- (Actual sales at budget mix - budget sales at budget mix) x budget CM (or gross profit / unit).
- (Actual market share percentage - budgeted market share percentage) x actual market size in units x budgeted weighted-average CM
- Answer d (blank if True False question)

63. The sales mix variance equals

- (Actual sales at budget mix - actual sales at actual mix) x budget CM (or gross profit / unit)
- (Actual units - master budget units) x budgeted weighted-average UCM for the planned mix.
- Budgeted market share percentage x (actual market size in units - budgeted market size in units) x budgeted weighted-average UCM.
- (Actual market share percentage - budgeted market share percentage) x actual market size in units x budgeted weighted-average UCM.

64. Rate of Return on Investment (ROI) can be enhanced by the following actions

- Increase sales
- Improve margin, turnover, or margin and turnover together
- Increase assets
- Decrease the cost of capital

Chapter 12 - Capital Budgeting

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

- Use more capital
- Increase the cost of capital
- Invest capital in high-performing projects
- Enhance ROI

66. The Du Pont formula combines the income statement and balance sheet into a static measure of performance.

- True
- False

67. Residual income is a performance evaluation that is used in conjunction with, or instead of, return on investment (ROI). In many cases, residual income is preferred to ROI because.

- Residual income is a measure over time, while ROI represents the results for one period.

- Residual income concentrates on maximizing absolute dollars of income rather than a percentage return as with ROI.
- The imputed interest rate used in calculating residual income is more easily derived than the target rate that is compared to the calculated ROI.
- Average investment is employed with residual income while year-end investment is employed with ROI.

68. 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.

Chapter 13 - Capital Budgeting and Income Taxes

69. Considerations needed to determine which type of transfer policy to use includes all except:

- Goal congruence
- Limited economy
- Performance evaluation
- Autonomy

70. A binding constraint can

- Limit a company's profitability
- Limit advertising
- Limit accounting functions
- Limit benefits

71. Common mistakes you make in decision making are to include

- Unitized fixed costs
- Expected future costs
- Total costs
- Relevant cost

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