

STUDENT NAME: _____

STUDENT#: 1

37.5
5

FIRST EXAM
SECOND SEM 2013/2014
ANSWER SHEET
ACCT "331"

MULTIPLE CHOICES

1.	A
2.	C → B
3.	D
4.	B
5.	A → C
6.	B → C
7.	B
8.	A
9.	A → B
10.	C → A
11.	A
12.	D → B
13.	C → D
14.	C
15.	C → D
16.	A → D
17.	B
18.	E
19.	E
20.	B D

10
20

PART ONE: MULTIPLE CHOICE QUESTIONS (20 POINTS)

1. The Institute of Management Accountants (IMA):

- a. is a professional organization of management accountants
- b. is a professional organization of financial accountants
- c. is a professional subsidiary of the Financial Accounting Standards Board (FASB)
- d. issues standards for financial accounting

2. Which of the following statements about the direct/indirect cost classification is NOT true?

- a. Direct costs are always traced
- b. Direct costs are always allocated
- c. The design of operations affect the direct/ indirect classification
- d. The direct/ indirect classification depends on the choice of the cost object

3. A manufacturing plant produces two product lines: football equipment and hockey equipment. Direct costs for manufacturing the football equipment line are the

- a. beverages provided daily in the plant break room
- b. monthly lease payments for a specialized piece of equipment needed to manufacture the football helmet
- c. salaries of the clerical staff that work in the company administrative office
- d. utilities paid for the manufacturing plant

4. A mixed cost is:

- a. A fixed costs
- b. A cost with fixed and variable elements
- c. A variable cost
- d. Always an indirect cost

5. when 10,000 units are produced, fixed costs are \$14 per unit. Therefore, when 20,000 units are produced fixed costs will:

- a. increase to \$28 per unit
- b. remain at \$14 per unit
- c. decrease to \$7 per unit
- d. total \$280,000

10
10 →
10,000 → 14
20,000 → ??

6. Wheel and Tire Manufacturing currently produces 1,000 tires per month. The following per unit data apply for sales to regular customers:

<u>Direct materials</u>	\$20
<u>Direct manufacturing labor</u>	3
<u>Variable manufacturing overhead</u>	6
<u>Fixed manufacturing overhead</u>	10
<u>Total manufacturing costs</u>	<u>\$39</u>

DL
DM

The plant has capacity for 3,000 tires and is considering expanding production to 2,000 tires. What is the total cost of producing 2,000 tires?

- a. \$39,000
- b. \$78,000
- c. \$68,000
- d. \$62,000

7. During 2007, Kent Company applies overhead using a normal costing system at a rate of \$12 per direct labor hours. Estimated direct labor hours for the year were 150,000, estimated overhead for the year was \$1,800,000. Actual direct labor hours for 2007 were 140,000 and actual overhead was \$1,700,000.

12 x 150,000 DLH

EDH

What is the amount of under or over applied overhead for the year?

1,680,000

150,000
12 x 150,000

actual OH >

- a. \$100,000 underapplied
- b. \$20,000 underapplied
- c. \$0
- d. \$120,000 underapplied

8. When indirect materials are requisitioned the _____ account is increased

- a. Manufacturing Overhead Control
- b. Work-in-Process Control
- c. Materials Control
- d. Accounts Payable Control

9. Computer-controlled manufacturing systems generally

- a. decrease the accuracy of the production process.
- b. result in a decrease in direct labor costs.
- c. increase the variable costs and decrease fixed costs.
- d. mean that overhead should be allocated based on direct labor hours.

10. If a company has zero beginning inventory and zero ending inventory (is completely just-in-time), then which of the following is true:

- a. cost of goods sold will equal cost of goods manufactured
- b. cost of goods sold will be zero
- c. cost of goods manufactured will be zero
- d. all of the above

USE THE FOLLOWING INFORMATION FOR THE NEXT 4 QUESTIONS

Star Company's accountants estimate total overhead for each month will be \$64,000. They will allocate overhead on the basis of direct labor cost. During the current month, 3 jobs were worked on:

	Job 745	Job 746	Job 747
Direct material	\$36,000	\$56,000	\$24,000
Direct labor	\$56,000	\$72,000	\$40,000

Total MOH

sold

finished good

in WIP

Job 745 was completed and sold, Job 746 was completed, and Job 747 is still in process. Budgeted direct labor cost for the month was \$160,000 and actual overhead was \$65,800.

11. The amount of over- or underapplied overhead for the month was

- a. \$1,400 overapplied
- b. \$1,800 underapplied
- c. \$4,848 overapplied
- d. \$8,000 underapplied

rate 0.4

67

67200

28800

44800

12. Assuming overhead was \$2,000 underapplied and that this amount is considered material, the balance of work in process after allocation of the underapplied overhead based on overhead charged to the accounts during the period is

WIP

- a. \$115,073
- b. \$80,456
- c. \$113,727
- d. \$79,544

13. Assuming overhead was \$2,000 overapplied and that this amount is considered material, the final adjusted balance of finished goods inventory is

- a. \$157,693
- b. \$115,053
- c. \$113,747
- d. \$155,907

14. Assuming overhead was \$100 underapplied and that this amount is considered immaterial, the final adjusted balance of cost of goods sold is

- a. \$92,100
- b. \$211,900
- c. \$114,500
- d. \$79,900

15. The person MOST likely to use management accounting information is a(n):

- a. banker evaluating a credit application
- b. shareholder evaluating a stock investment
- c. governmental taxing authority
- d. assembly department supervisor

16. Cost objects include:

- a. products
- b. customers
- c. departments
- d. All of these answers are correct.

17. The principle that managers follow when they only investigate departures from the plan that appear to be significant is commonly known as

- a. small amounts don't matter.
- b. management by exception.
- c. only labor and materials deserve attention.
- d. exceptional costs yield exceptional results.

18. A retailer purchased some trendy clothes that have gone out of style and must be marked down to 20% of the original selling price in order to be sold. Which of the following is a sunk cost in this situation?

- a. the current selling price
- b. the original selling price
- c. the original purchase price
- d. the anticipated profit

19. If the cost of goods manufactured is less than the cost of goods sold, which of the following is correct?

- a. Finished Goods Inventory has increased.
- b. Work in Process Inventory has increased.
- c. Finished Goods Inventory has decreased.
- d. Work in Process Inventory has decreased.

$$\uparrow \text{C.G.M} + \text{Beg} - \uparrow \text{End} = \downarrow \text{C.G.S}$$

20. If the balance in the Finished Goods Inventory account decreased by \$30,000 during the period and the cost of goods manufactured was \$220,000, what was the cost of goods sold?
- \$110,000
 - \$190,000**
 - \$220,000
 - \$250,000

PART TWO: JOURNAL ENTRIES (22 POINTS)

Horton Company uses a job costing system, and factory overhead is applied on the basis of machine hours. At the beginning of the year, management estimated that the company would incur \$1,050,000 of factory overhead costs and use 70,000 machine hours.

15

Horton Company recorded the following events during the month of March:

- Purchased 200,000 kilos of materials on account, The cost was \$3.00 per kilo
- Issued 150,000 kilos of materials to production, of which 20,000 kilos were used as indirect materials.
- Incurred \$250,000 of direct labor costs and \$50,000 of indirect labor costs.
- Recorded depreciation on equipment for the month, \$15,000.
- Recorded \$4,000 of insurance costs for the manufacturing property.
- Paid \$8,000 cash for utilities and other miscellaneous items for the manufacturing plant.
- Completed job M11 costing \$7,000 and job M12 costing \$80,000 during the month and transferred them to Finished Goods inventory account.**
- Shipped job M12 to the customer during the month. The job was invoiced at 40 percent above cost.
- Used 8,000 machine hours during March.

155
22

86

<p><u>MOH</u></p> <table border="0"> <tr><td>60 000</td></tr> <tr><td>50 000</td></tr> <tr><td>15 000</td></tr> <tr><td>4 000</td></tr> <tr><td>129 000</td></tr> <tr><td>7 000</td></tr> <tr><td>80 000</td></tr> <tr><td><hr/></td></tr> <tr><td>216 000</td></tr> </table>	60 000	50 000	15 000	4 000	129 000	7 000	80 000	<hr/>	216 000	<p><u>WIP</u></p> <table border="0"> <tr><td>60 000</td></tr> <tr><td>34 000</td></tr> <tr><td>25 000</td></tr> <tr><td><hr/></td></tr> <tr><td>64 000</td></tr> </table>	60 000	34 000	25 000	<hr/>	64 000	<p>rate = 15 × 8000 = 120 000</p> <p>MOH applied = 20 000</p> <p>40% × 216 000</p> <p>86 400</p>
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ENTRY	
1	Dr Raw material 600,000 cr Account payable 600,000
2	Dr MOH 60,000 Dr WIP - Inv 390,000 cr Raw material 450,000
3	Dr MOH 50,000 Dr WIP - Inv 250,000 cr Wages payable 300,000
4	Dr MOH 15,000 cr Acc. Dep 15,000
5	Dr MOH 4,000 cr Insurance payable 4,000 Prepaid Insurance
6	Dr MOH 8,000 cr cash 8,000
7	Dr MOH 87,000 cr finished good 87,000 Dr finished cost 87,000 Dr MOH Job 11 37,000 Dr MOH Job 12 50,000 cr finished good 87,000
8	Dr finished good 864,000 cr MOH 864,000 Dr AIR 112,000 cr sales 112,000
9	Dr MOH applied 120,000 cr MOH 120,000 Dr C.G.S 80,000 cr finish 80,000 Dr WIP 120,000 cr MOH applied 120,000

cr MOH 120,000

PART 3: JOB COSTING (8 POINTS)

During a recent month, Pisces, Inc. reported the following activity:

	Jobs			
	1	2	3	4
Beginning balance	\$1,500	\$2,000	\$1,000	\$ 400
Direct materials	0	100	1,200	3,000
Direct labor	495	405	300	450
MCH	247.5	202.5	150	225
Direct labor hours	33	27	20	30

Overhead is allocated at \$7.50 per direct labor hour. Jobs 1, 2, and 4 were completed, and Job 3 was delivered to the customer. $MCH = 7.5 \text{ DLH}$

Required:

ANSWER THE FOLLOWING QUESTIONS:

- a. Ending WIP inventory is 0
- b. Cost of the jobs that were completed 902.5 $\text{total cost of goods} + \text{Beg WIP} - \text{Ending} = \text{C.O.G.}$
- c. Costs of goods sold is 1167.5 $\text{total cost of goods} + \text{Beg WIP} - \text{Ending} = \text{C.O.G.}$
- d. Ending finished goods inventory is 2650 $1167.5 - 2650 = 9.675$

$\text{Total Manufacturing cost} + \text{Beg WIP} - \text{Ending} = \text{C.O.G.}$

~~1995~~

2242.5

2707.5

407.5