***Managerial Accounting, 4e* (Whitecotton)**

**Chapter 1 Introduction to Managerial Accounting**

1) Financial accounting information is generally used exclusively by internal parties such as managers.

2) Financial accounting information is reported for the company as a whole.

3) Managers must direct, lead and motivate during the implementation function.

4) Managers of small, private corporations use managerial accounting information whereas managers of large, public corporations use financial accounting information.

5) The Sarbanes-Oxley Act of 2002 places full responsibility on the board of directors for the accuracy of the reporting system.

6) The Sarbanes-Oxley Act of 2002 focuses on three factors that affect the accounting reporting environment: ethics, fraud, and managers.

7) A sustainable business is one with the ability to meet the needs of today without sacrificing the ability of future generations to meet their own needs.

8) The term "Big data" refers to the volume, velocity and veracity of data.

9) Predictive analytics is the process of recommending a course of action based upon meaningful patterns and insights from collected data.

10) Descriptive analytics uses patterns and insights from collected data to show what has happened.

11) An opportunity cost is the cost of not doing something.

12) Whether a cost is treated as direct or indirect depends on whether tracing the cost is both possible and feasible.

13) Variable costs are always direct costs.

14) Fixed costs stay the same, on a per-unit basis, as activity level changes.

15) Prime costs include direct materials, direct labor, and manufacturing overhead.

16) All manufacturing costs are treated as product costs.

17) All manufacturing costs are inventoriable costs.

18) A cost that will occur in the future and differs between various alternatives under consideration is a relevant cost.

19) What is the primary goal of accounting?

A) To set long-term goals and objectives.

B) To arrange for the necessary resources to achieve a plan.

C) To provide information for decision making.

D) To motivate others to work towards a plan's success.

20) Of the following groups, which is the primary user of managerial accounting information?

A) Investors

B) Creditors

C) Regulators

D) Managers

21) Managerial accounting, as compared to financial accounting, is primarily intended to facilitate:

A) an understanding of GAAP.

B) making decisions with timely, relevant information.

C) conducting ethics investigations under SOX.

D) reporting results to shareholders.

22) Managerial accounting information includes all of the following except:

A) budgets.

B) performance evaluations, for example budget-to-actual reports.

C) cost reports.

D) financial statements prepared in accordance with generally accepted accounting principles.

23) Which of the following is **not** a characteristic of financial accounting?

A) Financial reports are prepared according to GAAP.

B) Information is used by external parties.

C) Information is subjective, relevant, and future-oriented.

D) Reports are prepared periodically.

24) Which of the following is **not** a characteristic of financial accounting?

A) Information is reported at the decision making level.

B) Information is used by external parties.

C) Information is objective, reliable and historical.

D) Reports are prepared periodically.

25) Which of the following is **not** a characteristic of financial accounting?

A) Financial reports are prepared according to GAAP.

B) Information is used primarily by internal parties.

C) Information is objective, reliable, and historical.

D) Reports are prepared periodically.

26) Which of the following is **not** a characteristic of managerial accounting?

A) Information is used by internal parties.

B) Information is subjective, relevant, and future-oriented.

C) Reports are prepared as needed.

D) Reports are prepared according to GAAP.

27) Which of the following is **not** a characteristic of managerial accounting?

A) Information is used by external parties.

B) Information is subjective, relevant, and future-oriented.

C) Reports are prepared as needed.

D) Information is reported at the decision making level.

28) Which of the following is **not** a characteristic of managerial accounting?

A) Information is used by internal parties.

B) Information is subjective, relevant, and future-oriented.

C) Reports are prepared as needed.

D) Information is reported for the company as a whole.

29) Which of the following types of reports is more characteristic of managerial accounting than financial accounting?

A) An internal report used by management

B) An external report used by investors

C) A report prepared according to GAAP

D) A report prepared periodically (monthly, quarterly, annually)

30) The control function is:

A) comparing actual with budgeted results and taking corrective action when needed.

B) arranging of the necessary resources to carry out the plan.

C) the directing, leading, and motivating of those necessary to carry out the plan.

D) drafting the goals and strategies to achieve long-term results.

31) During the last fiscal year, XYZ organization implemented managerial accounting to allocate program costs to its soup kitchen. The kitchen's manager is reviewing actual results from the prior month to compare the outcomes with the organization's objectives. Which function of the Plan-Implement-Control cycle is she conducting?

A) Plan

B) Implement

C) Control

D) Strategize

32) Which of the following types of organizations purchases raw materials from suppliers and uses them to create a finished product?

A) Manufacturing firms

B) Merchandising companies

C) Service companies

D) Retailers

33) Hair salons and law firms are examples of which of the following type of organization?

A) Retailers

B) Service companies

C) Manufacturing firms

D) Merchandising companies

34) Which of the following types of organizations sells goods to the general public?

A) Service companies

B) Manufacturing firms

C) Merchandising companies

D) Retailers

35) Which of the following statements is true about the use of managerial accounting information in nonprofit organizations?

A) Universities do not exist strictly to earn profit for shareholders, so managerial accounting information is not vital to their operations.

B) Unlike other nonprofits, hospitals (which exist with a focus on financial results in addition to health metrics) make use of managerial accounting.

C) Because managers of nonprofit organizations need timely and relevant information to make decisions, managerial accounting is vital to these organizations.

D) Because nonprofit organizations—hospitals, educational institutions, charities—do not exist with a profit motive, they do not use managerial accounting principles.

36) Which of the following functions of management involves comparing actual results with budgeted results?

A) Planning

B) Implementing

C) Reviewing

D) Control

37) Which of the following functions of management involves setting short and long-term objectives and the tactics to achieve them?

A) Planning

B) Implementing

C) Reviewing

D) Control

38) Which of the following functions of management involves arranging for the necessary resources to carry out the plan?

A) Planning

B) Implementing

C) Reviewing

D) Control

39) Which of the following functions of management involves providing motivation to achieve results?

A) Planning

B) Implementing

C) Reviewing

D) Control

40) Which of the following functions of management involves taking corrective action if needed?

A) Planning

B) Implementing

C) Reviewing

D) Control

41) Which of the following functions of management involves providing feedback for future plans?

A) Planning

B) Implementing

C) Reviewing

D) Control

42) Which of the following is the correct sequencing of the functions within the managerial cycle?

A) Plan - Control - Implement

B) Review - Plan - Implement

C) Plan - Implement - Control

D) Review - Control - Plan

43) Which of the following describes the Planning function within the management cycle?

A) Setting short and long-term objectives

B) Comparing actual to budgeted results and taking corrective action

C) Taking actions to implement the plan

D) Arranging the necessary resources to carry out the plan

44) Which of the following describes the Control function within the management cycle?

A) Setting short and long-term objectives

B) Comparing actual to budgeted results and taking corrective action

C) Taking actions to implement the plan

D) Arranging the necessary resources to carry out the plan

45) Which of the following does **not** describe the Implementing function within the management cycle?

A) Leading, directing, and motivating others to achieve the plan's goals

B) Arranging the necessary resources to carry out the plan

C) Taking actions to implement the plan

D) Setting short- and long-term objectives

46) "Ethics" refers to all of the following **except**:

A) the standards of conduct for judging fair from unfair.

B) the standards of conduct for judging right from wrong.

C) the standards of conduct for judging opportunity from incentives.

D) the standards of conduct for judging honest from dishonest.

47) Which of the following is **not** one of the factors affecting the accounting reporting environment focused on by the Sarbanes-Oxley Act?

A) Industry

B) Opportunity

C) Character

D) Incentives

48) Which of the following is a requirement under the Sarbanes-Oxley Act?

A) Financial statements must be audited by a Big Four accounting firm.

B) Management must issue a report that indicates whether the financial statements are free of error.

C) Management must conduct a review of the company's internal control system.

D) Background checks must be performed on all employees.

49) Which of the following is **not** a provision of the Sarbanes-Oxley Act?

A) Executives can avoid penalties for fraud by declaring personal bankruptcy.

B) Stiffer penalties for fraud in terms of monetary fines and jail time decrease the incentive to commit fraud.

C) Public companies must adopt a code of ethics for senior financial officers.

D) Management must issue a report that indicates whether internal controls are effective at preventing errors and fraud.

50) Which of the following is **not** true about how the Sarbanes-Oxley Act counteracts incentives for committing fraud?

A) It provides for stiffer monetary penalties.

B) It increases the maximum jail sentence for fraudulent reporting.

C) It removes legal protection from whistleblowers.

D) It provides that violators must repay any money obtained via fraud and pay fines.

51) The requirement of the Sarbanes-Oxley Act that requires management to issue a report on internal controls places responsibility for the accuracy of the reporting system on:

A) accounting managers.

B) marketing managers.

C) production managers.

D) all managers.

52) Which of the following changes introduced by the Sarbanes-Oxley Act is **not** one intended to reduce opportunities for error and fraud?

A) Internal control report from management

B) Code of ethics

C) Stronger oversight by directors

D) Internal control audit by external auditors

53) Which of the following changes introduced by the Sarbanes-Oxley Act is **not** one intended to encourage good character?

A) Anonymous tip lines

B) Whistle-blower protection

C) Code of ethics

D) Stiffer fines and prison terms

54) Which of the following changes introduced by the Sarbanes-Oxley Act is intended to counteract incentives for fraud?

A) Stronger oversight by directors

B) Code of ethics

C) Stiffer fines and prison terms

D) Anonymous tip lines

55) Which of the following is **not** true about how the Sarbanes-Oxley Act emphasizes the importance of the character of managers and employees?

A) It requires that ethics be embedded in the organizational culture.

B) It requires that audit committees establish anonymous tip lines.

C) It provides protection for whistle-blowers.

D) It requires that public companies adopt a code of ethics for senior financial officers.

56) Which of the following statements is correct about sustainability accounting?

A) Sustainability accounting has been in existence since 1592.

B) Sustainability accounting tracks a company's "green" score.

C) Sustainability accounting aims to provide managers a broad set of information to meet the needs of multiple stakeholders.

D) Sustainability accounting is a subset of GAAP applied only to socially responsible companies.

57) Which of the following statements is correct about the triple bottom line?

A) The triple bottom line measures a company's social impact, without regard for profit.

B) The triple bottom line captures three factors: People, Profit, and Planet.

C) The triple bottom line has replaced net income as the most crucial measure of a company's success.

D) The triple bottom line reports profit at the expense of social factors.

58) Many organizations are building sustainable business practices into their strategies by issuing:

A) corporate social responsibility reports.

B) reports on internal controls.

C) profit and loss statements that reflect people and planet costs.

D) reports from the board of directors on sustainability.

59) All of the following terms are often used interchangeably to refer to the extraction of insights from large amounts of data **except:**

A) big data.

B) business intelligence.

C) business analytics.

D) business acumen.

60) The term "Big data" refers to the:

A) accuracy, completeness, and source of the data.

B) accuracy, volume, and source of the data.

C) variety, volume, and velocity of the data.

D) velocity, veracity, and volume of the data.

61) Recommending a course of action based upon patterns and insights from data is referred to as:

A) predictive analytics.

B) prescriptive analytics.

C) descriptive analytics.

D) diagnostic analytics.

62) Using data to estimate what is likely to occur in the future is an example of:

A) predictive analytics.

B) prescriptive analytics.

C) descriptive analytics.

D) diagnostic analytics.

63) Data that is received as events are occurring is an example of:

A) volume

B) velocity

C) variety

D) veracity

64) Data received from social media is an example of:

A) volume.

B) velocity.

C) variety.

D) veracity.

65) Analytics provides meaningful patterns and insights from data useful for all of the following **except:**

A) managing resources.

B) enhancing customer service.

C) pursuing other business opportunities.

D) preparing financial statements in accordance with GAAP.

66) Which of the following is an example of the variety of big data?

A) Data collected from YouTube videos

B) The collection of petabytes of data per hour

C) Data that is created in real time

D) Delivering data as quickly as possible

67) An out-of-pocket costs is:

A) an actual outlay of cash.

B) the cost of not doing something.

C) a deferred cost.

D) a budgeted estimate.

68) Which of the following is **not** one of the categories used to sort costs in managerial accounting?

A) Relevant or irrelevant

B) Variable or fixed

C) Out-of-pocket or opportunity

D) Direct or indirect

69) Which of the following statements concerning costs is **incorrect**?

A) Costs are treated differently depending on how the information will be used.

B) Out-of-pocket costs include the costs associated with not taking a particular course of action.

C) Any single cost can be classified in more than one way.

D) Costs can be categorized on the basis of relevant or irrelevant costs.

70) The cost of **not** doing something is a(n):

A) out-of-pocket cost.

B) opportunity cost.

C) direct cost.

D) cost object.

71) An actual outlay of cash is a(n):

A) out-of-pocket cost.

B) opportunity cost.

C) direct cost.

D) cost object.

72) An opportunity cost is:

A) the foregone benefit of the path not taken.

B) an actual outlay of cash.

C) the initial investment required to pursue an opportunity.

D) a cost that cannot be traced to a specific cost object.

73) An out-of-pocket cost involves which of the following?

A) Choosing to do one thing instead of another.

B) Tracing the cost directly to a cost object.

C) An actual outlay of cash.

D) Determining how the cost changes with a change in activity level.

74) To earn summer money, Joe could mow lawns in his neighborhood, or he could work at a local grocery store. Which of the following is an opportunity cost of mowing lawns?

A) Cash paid for gas to run the lawnmower.

B) The time spent mowing the lawns.

C) The wages he could have earned working at the grocery store.

D) Depreciation on the lawnmower.

75) To earn summer money, Joe could mow lawns in his neighborhood, or he could work at a local grocery store. Which of the following is an out-of-pocket cost of mowing lawns?

A) The use of his father's truck to get to job sites.

B) The wages he could have earned working at the grocery store.

C) The time spent mowing the lawns.

D) Cash paid for gas to run the lawnmower.

76) Which of the following cannot be an out-of-pocket cost?

A) A direct cost

B) An opportunity cost

C) A variable cost

D) A period cost

77) Costs that can be traced to a specific cost object are:

A) opportunity costs.

B) direct costs.

C) indirect costs.

D) irrelevant costs.

78) Costs that are **not** worth the effort to trace to a specific cost object are:

A) opportunity costs.

B) direct costs.

C) indirect costs.

D) irrelevant costs.

79) Which of the following statements is correct?

A) A direct cost can be readily traced to a cost object while an indirect cost is traced only to manufacturing costs.

B) An indirect cost can be readily traced to a cost object while a direct cost is traced only to manufacturing costs.

C) A direct cost can be traced to a specific cost object, while an indirect cost cannot.

D) An indirect cost can be traced to a specific cost object, while a direct cost cannot.

80) A direct cost is one that:

A) involves an actual outlay of cash for a specific cost object.

B) can be traced to a specific cost object.

C) cannot be traced to a specific cost object.

D) is not worth the effort of tracing to a specific cost object.

81) What determines the difference between a direct and an indirect cost?

A) Whether it changes when activity levels change.

B) Whether it is relevant to a particular decision.

C) Whether it can be traced to a specific cost object.

D) Whether it is related to manufacturing or nonmanufacturing activities.

82) Which of the following is an indirect cost of manufacturing a table made of wood and glass for a firm that manufactures furniture?

A) The cost of the wood in the table.

B) The cost of the labor used to assemble the table.

C) The cost of the glass in the table.

D) The cost of rent on the factory where the table is manufactured.

83) Which of the following is a direct cost of manufacturing a table made of wood and glass, for a firm that manufactures furniture?

A) The cost of the wood in the table.

B) The cost of rent on the factory where the table is manufactured.

C) The salary of the supervisor who oversees all production for the firm.

D) Depreciation on the tools used to manufacture the table.

84) A cost object is:

A) an item for which managers are trying to determine the cost.

B) an item to which managers must directly trace costs.

C) an item to which it is not worth the effort of tracing costs.

D) an item for sale by a business.

85) Indirect costs are:

A) costs that are not worth the effort to trace to a specific cost object.

B) costs that change, in total, in direct proportion to changes in activity levels.

C) always irrelevant.

D) costs that remain constant no matter the activity level.

86) Variable costs are:

A) costs that are not worth the effort to trace to a specific cost object.

B) costs that change, in total, in direct proportion to changes in activity levels.

C) always irrelevant.

D) costs that remain constant no matter the activity level.

87) A cost is $50,000 when 25,000 units are produced, and $100,000 when 50,000 units are produced. This is an example of a(n):

A) fixed cost.

B) direct cost.

C) variable cost.

D) indirect cost.

88) A cost is $50,000 when 25,000 units are produced, and $50,000 when 50,000 units are produced. This is an example of a(n):

A) fixed cost.

B) direct cost.

C) variable cost.

D) indirect cost.

89) What determines the difference between a variable and a fixed cost?

A) Whether the total cost changes when activity levels change.

B) Whether the total cost is relevant to a particular decision.

C) Whether the total cost can be traced to a specific cost object.

D) Whether the total cost is related to manufacturing or nonmanufacturing activities.

90) Which of the following is an example of a variable cost for a manufacturing firm?

A) The cost of rent on the factory.

B) The cost of factory supervision.

C) The cost of raw materials.

D) The cost of depreciation on equipment.

91) Fixed costs are:

A) costs that are not worth the effort to trace to a specific cost object.

B) costs that change, in total, in direct proportion to changes in activity levels.

C) always irrelevant.

D) costs that remain constant, in total, no matter the activity level.

92) A fixed cost:

A) goes up in total when activity increases.

B) goes up per unit when activity increases.

C) goes down in total when activity increases.

D) goes down per unit when activity increases.

93) A relevant cost is a cost that:

A) has the potential to influence a decision.

B) changes in direct proportion to changes in activity level.

C) can be traced to a specific cost object.

D) is used for control purposes.

94) An irrelevant cost:

A) is also called a differential cost.

B) must differ between decision alternatives.

C) must be incurred in the future rather than in the past.

D) will not influence a decision.

95) For a cost to be relevant, it must:

A) differ between decision alternatives.

B) have already been incurred.

C) not influence a decision.

D) not be a differential cost.

96) A cost that has already been incurred is called a(n) \_\_\_\_\_\_\_\_ cost.

A) indirect

B) sunk

C) relevant

D) opportunity

97) You are to receive five gold coins from your great uncle as an incentive to study hard. The coins were originally purchased in 1982. Your great uncle will deliver the coins the week after finals (assuming your grades are "acceptable"). The amount your great uncle paid for the coins is a(n):

A) opportunity cost.

B) indirect cost.

C) sunk cost.

D) overhead cost.

98) For a cost to be relevant, it must meet which of the following criteria?

A) It must not differ between the decision alternatives and it must be incurred in the future rather than in the past.

B) It must differ between the decision alternatives and it must be incurred in the future rather than in the past.

C) It must not differ between the decision alternatives and it must have occurred in the past rather than in the future.

D) It must differ between the decision alternatives and it must have occurred in the past rather than in the future.

99) For a cost to be relevant, it must be:

A) a differential cost and a sunk cost.

B) a differential cost, but not a sunk cost.

C) a sunk cost, but not a differential cost.

D) neither a differential cost nor a sunk cost.

100) Which of the following costs is **not** relevant to the decision whether to replace an old computer with a new one?

A) The cost of the new computer.

B) The cost of the old computer.

C) The cost of a service plan on the new computer.

D) The cost to repair the old computer if a new computer is not purchased.

101) Manufacturing costs are generally classified into which of the following categories?

A) Relevant costs and irrelevant costs

B) Direct materials, direct labor, and manufacturing overhead

C) Prime costs and conversion costs

D) Conversion costs, marketing costs, and administrative costs

102) Prime costs are defined as:

A) manufacturing costs plus non-manufacturing costs.

B) direct labor plus direct materials.

C) variable costs equal fixed costs.

D) manufacturing overhead plus direct labor.

103) Which of the following is **not** a manufacturing cost?

A) Raw materials cost

B) Marketing cost

C) Direct labor cost

D) Manufacturing overhead cost

104) Nonmanufacturing costs are generally classified into what two groups?

A) Conversion costs and prime costs

B) Direct materials and direct labor

C) Marketing costs and administrative costs

D) Direct labor and manufacturing overhead

105) Robin Company has the following balances for the current month:

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Direct materials used | $ | 24,000 |
| Direct labor | $ | 36,800 |
| Sales salaries | $ | 19,200 |
| Indirect labor | $ | 4,800 |
| Production manager's salary | $ | 9,600 |
| Marketing costs | $ | 14,400 |
| Factory lease | $ | 6,400 |

What are Robin's prime costs?

A) $60,800

B) $56,000

C) $75,200

D) $65,600

106) Conversion costs can be defined as:

A) manufacturing costs plus non-manufacturing costs.

B) direct labor plus direct materials.

C) variable costs plus fixed costs.

D) manufacturing costs minus direct materials.

107) Manufacturing costs are:

A) always relevant.

B) always fixed.

C) the costs incurred to produce a final product.

D) split into prime costs and conversion costs.

108) Prime costs are the same as:

A) manufacturing costs minus non-manufacturing costs.

B) manufacturing costs minus manufacturing overhead.

C) manufacturing costs minus fixed costs.

D) manufacturing costs minus direct materials.

109) Robin Company has the following balances for the current month:

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Direct materials used | $ | 24,000 |
| Direct labor | $ | 36,800 |
| Sales salaries | $ | 19,200 |
| Indirect labor | $ | 4,800 |
| Production manager's salary | $ | 9,600 |
| Marketing costs | $ | 14,400 |
| Factory lease | $ | 6,400 |

What is Robin's total manufacturing cost?

A) $115,200

B) $81,600

C) $33,600

D) $60,800

110) Robin Company has the following balances for the current month:

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Direct materials used | $ | 24,000 |
| Direct labor | $ | 36,800 |
| Sales salaries | $ | 19,200 |
| Indirect labor | $ | 4,800 |
| Production manager's salary | $ | 9,600 |
| Marketing costs | $ | 14,400 |
| Factory lease | $ | 6,400 |

What is Robin's total manufacturing overhead?

A) $14,400

B) $28,800

C) $20,800

D) $33,600

111) Robin Company has the following balances for the current month:

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Direct materials used | $ | 24,000 |
| Direct labor | $ | 36,800 |
| Sales salaries | $ | 19,200 |
| Indirect labor | $ | 4,800 |
| Production manager's salary | $ | 9,600 |
| Marketing costs | $ | 14,400 |
| Factory lease | $ | 6,400 |

What are Robin's conversion costs?

A) $70,400

B) $60,800

C) $91,200

D) $57,600

112) GAAP reporting rules require that all manufacturing costs be treated as:

A) period costs.

B) product costs.

C) value-added costs.

D) relevant costs.

113) Product costs are sometimes called:

A) relevant costs.

B) sunk costs.

C) differential costs.

D) inventoriable costs.

114) Which of the following is true about product and period costs?

A) Product costs are usually manufacturing costs, and period costs are usually nonmanufacturing costs.

B) Product costs are usually nonmanufacturing costs, and period costs are usually manufacturing costs.

C) Both product and period costs are usually manufacturing costs.

D) Both product and period costs are usually nonmanufacturing costs.

115) Product costs are:

A) expensed on the income statement when incurred.

B) treated as an asset and depreciated.

C) inventoried until the units are sold.

D) considered current liabilities until paid.

116) When are period costs counted as inventory?

A) Before products are sold.

B) After products are sold.

C) After products are completed, but before they are sold.

D) Never.

117) What determines the difference between a product cost and a period cost?

A) Whether the cost changes when activity levels change.

B) Whether the cost is relevant to a particular decision.

C) Whether the cost can be traced to a specific cost object.

D) When the cost will be matched against revenue on the income statement.

118) Product costs are reported:

A) only on the balance sheet.

B) only on the income statement.

C) on the balance sheet before goods are sold, and on the income statement after goods are sold.

D) on the income statement before goods are sold, and on the balance sheet after goods are sold.

119) Which of the following might you find in a job description for a managerial accountant in a manufacturing company?

A) The Managerial Accountant will conduct internal analysis on the health of the company, suggest variances to emphasize in evaluations, and review unusual results.

B) The Managerial Accountant will be the primary contact in dealing with the external audit team.

C) The Managerial Accountant will be responsible for preparing and presenting quarterly financial statements to management.

D) The ideal candidate for this position will have a strong knowledge of financial accounting to provide advice on generally accepted accounting principles to the CFO.

120) Pretend you are the president of the Managerial Accounting Club and you are responsible for executing the club's most important event: A recruiting event for members and local firms. How might you use the Plan-Implement-Control cycle?

A) To plan, I would prepare a preliminary list of goals and plans and then hold a kick-off meeting with the club's membership to present and revise the plan.

B) To control, I would identify two additional individuals within the club to help lead the event.

C) To control, I would create a timeline and schedule of key tasks leading up to the event and assign responsibility for each task to key members of the club.

D) To implement, I would hold regular check-in meetings to monitor progress.

121) Pretend you are a junior managerial accountant. Your supervisor has no knowledge of sustainability accounting. All of the following statements would be convincing arguments to advocate for the importance of sustainability accounting, **except** one. Which one?

A) Sustainability accounting reflects the changing nature of accountability.

B) Companies are only accountable to shareholders and shareholders care about sustainability.

C) Companies are accountable to the world at large, not simply to shareholders.

D) Sustainability accounting does not replace the emphasis on financial results; rather it complements financial strength in building a strong company for the future.

122) Imagine purchasing a cup of coffee. Which of the following statements correctly classifies the direct, indirect, variable, and fixed costs associated with that purchase, assuming the cost object is the cup of coffee?

A) The cost of the cup and the lid is an indirect cost because it can be readily traced to the cost object.

B) The shop supervisor's salary is a direct cost because it cannot be readily and feasibly traced to the cost object.

C) The volume of coffee beans purchased is a variable cost because it changes along with the changing volume of cups of coffee sold.

D) The shop's monthly water bill is a fixed cost because it changes along with the changing volume of sales.

123) Stetson Manufacturing builds custom wooden cabinets. Classify the following items as a) what category of product costs **and** b) whether the item is a prime or conversion cost.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Product Costs** |  |  |
|  | **Direct Materials** | **Direct Labor** | **Mfg Overhead** | **Prime Cost** | **Conversion Cost** |
| Cost of hardware (slides, handles, etc.) |  |  |  |  |  |
| Cost of wood |  |  |  |  |  |
| Depreciation on production equipment |  |  |  |  |  |
| Factory property taxes |  |  |  |  |  |
| Factory rent |  |  |  |  |  |
| Glue |  |  |  |  |  |
| Production supervisor salary |  |  |  |  |  |
| Utilities for factory |  |  |  |  |  |
| Wages for maintenance workers |  |  |  |  |  |
| Wages of assembly workers |  |  |  |  |  |
| Wages of finishing workers |  |  |  |  |  |

124) For each of the following independent cases, compute the missing values:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Case** | **Prime Cost** | **Conversion Cost** | **Direct Materials Used** | **Direct Labor** | **Manufacturing Overhead** | **Total Manufacturing Cost** |
| A | $13,600 | $23,000 | $4,600 | ?? | $14,000 | ?? |
| B | ?? | ?? | $6,000 | $3,000 | $10,500 | ?? |
| C | $23,000 | $41,000 | $7,000 | ?? | ?? | ?? |
| D | ?? | $23,550 | $4,200 | $9,750 | ?? | $27,750 |
| E | ?? | ?? | ?? | $6,300 | $9,300 | $17,400 |

125) Quail Company builds snowboards. Quail Company has reported the following costs for the previous year. Assume no production inventories.

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Cost of fiberglass (raw material) | $ | 119,000 |
| Factory rent | $ | 67,200 |
| Advertising | $ | 175,000 |
| Utilities for factory | $ | 25,200 |
| Wages of assembly workers | $ | 126,000 |
| Production supervisor salary | $ | 63,000 |
| Sales manager salary | $ | 58,800 |
| Factory property taxes | $ | 16,800 |
| Depreciation on production equipment | $ | 35,000 |
| Cost of bindings (raw material) | $ | 35,000 |
| Screws | $ | 1,680 |
| Wages of snowboard painters | $ | 105,000 |
| Wages for maintenance workers | $ | 53,200 |

Compute the following:

a. Direct material costs

b. Direct labor cost

c. Manufacturing overhead

d. Total manufacturing cost

e. Prime cost

f. Conversion cost

g. Total period cost

126) For each of the following independent cases, compute the missing values:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Case** | **Prime Cost** | **Conversion Cost** | **Direct Materials Used** | **Direct Labor** | **Manufacturing Overhead** | **Total Manufacturing Cost** |
| A | $27,200 | $46,000 | $9,200 | ?? | $28,000 | ?? |
| B | ?? | ?? | $12,000 | $6,000 | $21,000 | ?? |
| C | $46,000 | $82,000 | $14,000 | ?? | ?? | ?? |
| D | ?? | $47,100 | $8,400 | $19,500 | ?? | $55,500 |
| E | ?? | ?? | ?? | $12,600 | $18,600 | $34,800 |

127) Mariposa Manufacturing builds custom wooden cabinets. Mariposa Manufacturing has reported the following costs for the previous year. Assume no production inventories.

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Advertising | $ | 70,000 |
| Cost of hardware (slides, handles, etc.) | $ | 34,000 |
| Cost of wood | $ | 117,000 |
| Depreciation on production equipment | $ | 63,000 |
| Factory property taxes | $ | 17,300 |
| Factory rent | $ | 76,000 |
| Glue | $ | 3,800 |
| Production supervisor salary | $ | 40,700 |
| Sales manager salary | $ | 41,600 |
| Utilities for factory | $ | 23,900 |
| Wages for maintenance workers | $ | 31,800 |
| Wages of assembly workers | $ | 91,400 |
| Wages of finishing workers | $ | 77,300 |

Compute the following:

a. Direct material costs

b. Direct labor cost

c. Manufacturing overhead

d. Total manufacturing cost

e. Prime cost

f. Conversion cost

g. Total period cost

128) For each of the following independent cases, compute the missing values:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Case** | **Prime Cost** | **Conversion Cost** | **Direct Materials Used** | **Direct Labor** | **Manufacturing Overhead** | **Total Manufacturing Cost** |
| A | $40,800 | $69,000 | $13,800 | ?? | $42,000 | ?? |
| B | $27,000 | ?? | ?? | $9,000 | $31,500 | ?? |
| C | $69,000 | $123,000 | $21,000 | ?? | ?? | ?? |
| D | ?? | $70,650 | $12,600 | $29,250 | ?? | $83,250 |

129) Alameda Manufacturing manufactures a variety of wooden picture frames using recycled wood from old barns. Alameda Manufacturing has reported the following costs for the previous year. Assume no production inventories.

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Advertising | $ | 50,000 |
| Cost of hardware (hangers, decorations, etc.) | $ | 86,000 |
| Cost of wood | $ | 122,000 |
| Depreciation on production equipment | $ | 33,000 |
| Factory property taxes | $ | 16,000 |
| Factory rent | $ | 48,000 |
| Glue | $ | 3,100 |
| Production supervisor salary | $ | 41,000 |
| Sales manager salary | $ | 84,000 |
| Utilities for factory | $ | 26,600 |
| Wages for maintenance workers | $ | 34,000 |
| Wages of assembly workers | $ | 88,000 |
| Wages of finishing workers | $ | 74,000 |

Compute the following:

a. Direct material costs

b. Direct labor cost

c. Manufacturing overhead

d. Total manufacturing cost

e. Prime cost

f. Conversion cost

g. Total period cost

130) For each of the following independent cases, compute the missing values:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Case** | **Prime Cost** | **Conversion Cost** | **Direct Materials Used** | **Direct Labor** | **Manufacturing Overhead** | **Total Manufacturing Cost** |
| A | $23,800 | $40,250 | $8,050 | ?? | $24,500 | ?? |
| B | ?? | ?? | $10,500 | $5,250 | $18,375 | ?? |
| C | ?? | $82,425 | $14,700 | $34,125 | ?? | $97,125 |
| D | ?? | ?? | ?? | $11,025 | $16,275 | $30,450 |

131) Willow Manufacturing manufactures custom tabletops. For each cost listed below, place an "X" in all of the appropriate categories.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Product Costs** |  |  |  |
|  | **Direct Materials** | **Direct Labor** | **Mfg Overhead** | **Prime Cost** | **Conversion Cost** | **Period Cost** |
| Advertising |  |  |  |  |  |  |
| Depreciation on production equipment |  |  |  |  |  |  |
| Direct material purchases |  |  |  |  |  |  |
| Factory insurance |  |  |  |  |  |  |
| Factory rent |  |  |  |  |  |  |
| Indirect production labor |  |  |  |  |  |  |
| Production supervisor salary |  |  |  |  |  |  |
| Production wages: Assembly |  |  |  |  |  |  |
| Production wages: Finishing |  |  |  |  |  |  |
| Sales commissions |  |  |  |  |  |  |
| Sales manager salary |  |  |  |  |  |  |
| Utilities for factory |  |  |  |  |  |  |

132) Pinnacle Manufacturing manufactures custom wheel covers. For each cost listed below, place an "X" in all of the appropriate categories.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Product Costs** |  |  |  |
|  | **Direct Materials** | **Direct Labor** | **Mfg Overhead** | **Prime Cost** | **Conversion Cost** | **Period Cost** |
| Administrative Salaries |  |  |  |  |  |  |
| Advertising |  |  |  |  |  |  |
| Depreciation on production equipment |  |  |  |  |  |  |
| Direct material purchases |  |  |  |  |  |  |
| Factory insurance |  |  |  |  |  |  |
| Factory rent |  |  |  |  |  |  |
| Indirect materials |  |  |  |  |  |  |
| Indirect production labor |  |  |  |  |  |  |
| Lease on President's vehicle |  |  |  |  |  |  |
| President's salary |  |  |  |  |  |  |
| Production supervisor salary |  |  |  |  |  |  |
| Production wages: Assembly |  |  |  |  |  |  |
| Production wages: Finishing |  |  |  |  |  |  |
| Sales commissions |  |  |  |  |  |  |
| Sales manager salary |  |  |  |  |  |  |
| Utilities for factory |  |  |  |  |  |  |

133) Elektra Enterprises manufactures custom boat covers. For each cost listed below, place an "X" in all of the appropriate categories.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Product Costs** |  |  |  |
|  | **Direct Materials** | **Direct Labor** | **Mfg Overhead** | **Prime Cost** | **Conversion Cost** | **Period Cost** |
| Utilities for factory |  |  |  |  |  |  |
| Utilities for corporate office |  |  |  |  |  |  |
| Sales manager salary |  |  |  |  |  |  |
| Production wages: Finishing |  |  |  |  |  |  |
| Production wages: Assembly |  |  |  |  |  |  |
| Production supervisor salary |  |  |  |  |  |  |
| President's salary |  |  |  |  |  |  |
| Lease on President's vehicle |  |  |  |  |  |  |
| Indirect production labor |  |  |  |  |  |  |
| Indirect materials |  |  |  |  |  |  |
| Factory rent |  |  |  |  |  |  |
| Factory insurance |  |  |  |  |  |  |
| Direct material purchases |  |  |  |  |  |  |
| Depreciation on production equipment |  |  |  |  |  |  |
| Depreciation on office equipment |  |  |  |  |  |  |
| Commissions on sales |  |  |  |  |  |  |
| Advertising |  |  |  |  |  |  |
| Administrative Salaries |  |  |  |  |  |  |

134) Parkside Rentals, a firm that rents tuxedos for special events, incurred costs for the following items.

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Cost to purchase tuxedos (replaced when they show wear, after approximately 80 - 100 rentals) | $ | 7,000 |
| Salespersons' salaries | $ | 52,000 |
| Advertising | $ | 29,000 |
| Dry cleaning | $ | 24,000 |
| Sales commissions on tuxedo rentals | $ | 15,000 |
| Store rent | $ | 24,000 |
| Store utilities (paid at a monthly rate) | $ | 6,800 |
| Store window displays | $ | 5,900 |
| Depreciation on office equipment | $ | 16,000 |
| Insurance | $ | 8,500 |
| President's salary | $ | 62,000 |

Calculate each of the following, where the cost object is tuxedo rentals:

a. Total variable costs

b. Total fixed costs

c. Total direct costs

d. Total indirect costs

135) Salon de Beauty, a local hair salon, incurred the following costs last month. (Hint: Treat Salon utilities as Variable cost)

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Salon rent | $ | 3,600 |
| Salon utilities (electric and water) | $ | 890 |
| Hairstylists' salaries | $ | 10,000 |
| Hairstylists' commissions (a percentage of sales) | $ | 2,400 |
| Depreciation on fixtures and equipment | $ | 780 |
| Shampoo and conditioner (only a small amount is used on each customer) | $ | 500 |
| Insurance | $ | 1,650 |
| Advertising | $ | 1,200 |
| Store manager's salary | $ | 2,800 |
| Hair dye and perm kits (each dye job or perm uses one kit) | $ | 390 |

Calculate each of the following, where the cost object is customers served:

 a. Total variable costs

 b. Total fixed costs

 c. Total direct costs

 d. Total indirect costs

136) Adobe Music Company, which manufactures wooden and metal xylophones, incurred costs for the following items.

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Assembly labor wages | $ | 21,000 |
| Wood | $ | 17,600 |
| Production supervisor's salary | $ | 41,000 |
| Advertising | $ | 9,000 |
| Factory rent | $ | 19,000 |
| Depreciation on factory equipment | $ | 8,500 |
| Metal | $ | 26,000 |
| Wood polish used to finish the wood xylophones | $ | 900 |
| Factory utilities (dependent on hours) | $ | 2,800 |
| Paint | $ | 1,900 |
| Salary of product designer | $ | 18,500 |
| Depreciation on office equipment | $ | 2,000 |
| Insurance premiums | $ | 1,800 |
| President's salary | $ | 60,000 |
| Glue | $ | 100 |

Calculate each of the following, where the cost object is the xylophones manufactured by the company:

 a. Total variable costs

 b. Total fixed costs

 c. Total direct costs

 d. Total indirect costs

137) Melinda's Custom Homes, a construction company that builds custom-designed houses, incurred costs for the following items. Place an "X" in the appropriate column to indicate whether they are direct or indirect, and whether they are variable or fixed. The cost object is the houses built by the company.

|  |  |  |
| --- | --- | --- |
|  | **Direct or Indirect** | **Variable or Fixed** |
|  | **Direct** | **Indirect** | **Variable** | **Fixed** |
| Wages paid to construction crew |  |  |  |  |
| Wood |  |  |  |  |
| Production supervisor's salary |  |  |  |  |
| Billboard advertising for the company |  |  |  |  |
| Rent on office space |  |  |  |  |
| Depreciation on tools used at construction sites |  |  |  |  |
| Sheet rock |  |  |  |  |
| Machine purchased to cut a special kind of tile requested by one customer — cannot be re-used |  |  |  |  |
| Gas for the company truck, used to haul supplies to construction sites |  |  |  |  |
| Paint |  |  |  |  |
| Fees paid to electrical contractor (a fixed amount per house) |  |  |  |  |
| Depreciation on the company truck, used to haul supplies to construction sites (straight-line) |  |  |  |  |
| Insurance premiums |  |  |  |  |
| President's salary |  |  |  |  |
| Bricks |  |  |  |  |

138) Parkside Rentals, a firm that rents tuxedos for special events, incurred costs for the following items. Place an "X" in the appropriate column to indicate whether they are direct or indirect, and whether they are variable or fixed. The cost object is tuxedo rentals.

|  |  |  |
| --- | --- | --- |
|  | **Direct or Indirect** | **Variable or Fixed** |
|  | **Direct** | **Indirect** | **Variable** | **Fixed** |
| Cost to purchase tuxedos (replaced when they show wear, after approximately 80 - 100 rentals) |  |  |  |  |
| Salespersons' salaries |  |  |  |  |
| Advertising |  |  |  |  |
| Dry cleaning |  |  |  |  |
| Sales commissions on tuxedo rentals |  |  |  |  |
| Store rent |  |  |  |  |
| Store utilities (paid at a monthly rate) |  |  |  |  |
| Store window displays |  |  |  |  |
| Depreciation on office equipment |  |  |  |  |
| Insurance |  |  |  |  |
| President's salary |  |  |  |  |

139) Salon de Beauty, a local hair salon, incurred the following costs last month. Place an "X" in the appropriate column to indicate whether they are direct or indirect, and whether they are variable or fixed. The cost object is customers served.

|  |  |  |
| --- | --- | --- |
|  | **Direct or Indirect** | **Variable or Fixed** |
|  | **Direct** | **Indirect** | **Variable** | **Fixed** |
| Salon rent |  |  |  |  |
| Salon utilities (electric and water) |  |  |  |  |
| Hairstylists' salaries |  |  |  |  |
| Hairstylists' commissions (a percentage of sales) |  |  |  |  |
| Depreciation on fixtures and equipment |  |  |  |  |
| Shampoo and conditioner (only a small amount is used on each customer) |  |  |  |  |
| Insurance |  |  |  |  |
| Advertising |  |  |  |  |
| Store manager's salary |  |  |  |  |
| Hair dye and perm kits (each dye job or perm uses one kit) |  |  |  |  |

140) Adobe Music Company, which manufactures wooden and metal xylophones, incurred costs for the following items. Place an "X" in the appropriate column to indicate whether they are direct or indirect, and whether they are variable or fixed. The cost object is the xylophones manufactured by the company.

|  |  |  |
| --- | --- | --- |
|  | **Direct or Indirect** | **Variable or Fixed** |
|  | **Direct** | **Indirect** | **Variable** | **Fixed** |
| Assembly labor wages |  |  |  |  |
| Wood |  |  |  |  |
| Production supervisor's salary |  |  |  |  |
| Advertising |  |  |  |  |
| Factory rent |  |  |  |  |
| Depreciation on factory equipment |  |  |  |  |
| Metal |  |  |  |  |
| Wood polish used to finish the wood xylophones |  |  |  |  |
| Factory utilities (dependent on hours) |  |  |  |  |
| Paint |  |  |  |  |
| Salary of product designer |  |  |  |  |
| Depreciation on office equipment |  |  |  |  |
| Insurance premiums |  |  |  |  |
| President's salary |  |  |  |  |
| Glue |  |  |  |  |

141) Melinda's Custom Homes, a construction company that builds custom-designed houses, incurred costs for the following items.

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Wages paid to construction crew | $ | 105,000 |
| Wood | $ | 176,000 |
| Production supervisor's salary | $ | 52,000 |
| Billboard advertising the company | $ | 9,000 |
| Rent on office space | $ | 12,000 |
| Depreciation on tools used at construction sites | $ | 32,500 |
| Sheet rock | $ | 84,000 |
| Machine purchased to cut a special kind of tile requested by one customer—cannot be re-used | $ | 8,300 |
| Gas for the company truck, used to haul supplies to construction sites | $ | 2,800 |
| Paint | $ | 9,600 |
| Fees paid to electrical contractor, who charges a set amount per house | $ | 12,500 |
| Depreciation on the company truck, used to haul supplies to construction sites (straight-line) | $ | 10,000 |
| Insurance premiums | $ | 13,800 |
| President's salary | $ | 101,000 |
| Bricks | $ | 89,000 |

Calculate each of the following, where the cost object is the houses built by the company:

 a. Total variable costs

 b. Total fixed costs

 c. Total direct costs

 d. Total indirect costs

142) Cactus Cookies incurred the following costs this month to manufacture 1,000 jumbo chocolate chip cookies.

|  |  |  |
| --- | --- | --- |
|   |   |   |
| Chocolate chips | $ | 75.00 |
| Flour | $ | 22.00 |
| Butter | $ | 48.50 |
| Sugar | $ | 30.00 |
| Other ingredients | $ | 27.00 |
| Labor wages | $ | 300.00 |
| Rent on manufacturing space | $ | 250.00 |
| Utilities (paid at a monthly rate) | $ | 52.00 |
| Depreciation on kitchen equipment | $ | 88.00 |

Calculate each of the following:

 a. The total variable cost this month

 b. The total fixed cost this month

 c. The variable cost per cookie this month

 d. The fixed cost per cookie this month

 e. The total variable cost if Cactus Cookies had manufactured 2,000 cookies this month

 f. The total fixed cost if Cactus Cookies had manufactured 2,000 cookies this month

 g. The variable cost per cookie if Cactus Cookies had manufactured 2,000 cookies this month

 h. The fixed cost per cookie if Cactus Cookies had manufactured 2,000 cookies this month