The following questions were extracted from past exams. They are intended for you to become familiar with the types and formats of questions that you will be asked on the upcoming exam. Studying ONLY these sample questions will NOT adequately prepare you for the exam. To be successful on the exam, you must also review your class notes, homework problems, end-of-chapter review questions, and other materials that your instructor provided you.

1. UNCC football corporation has provided the following production and average cost data for two levels of monthly production volume. The company produces a single product.

<table>
<thead>
<tr>
<th>Production volume</th>
<th>800</th>
<th>900</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>$10.25 per unit</td>
<td>$10.25 per unit</td>
</tr>
<tr>
<td>Direct labor</td>
<td>$3.50 per unit</td>
<td>$3.50 per unit</td>
</tr>
<tr>
<td>Manufacturing overhead</td>
<td>$4.25 per unit</td>
<td>$4.10 per unit</td>
</tr>
</tbody>
</table>

The best estimate of the total cost to manufacture 860 units is closest to:

a. $14,985
b. $13,320
c. $14,319
d. $15,399

Questions 2-3. The following costs were incurred in December:

- Direct Materials: $45,000
- Direct Labor: $27,000
- Manufacturing Overhead: $20,000
- Selling Expenses: $14,000
- Administrative Expenses: $25,000

2. Prime costs incurred in December were:
   a. $47,000
   b. $72,000
   c. $45,000
   d. $131,000

3. Conversion costs in December totaled:
   a. $47,000
   b. $72,000
   c. $45,000
   d. $131,000

4. Our company will require 20,000 labor hours to meet the coming period's estimated production level. We estimate our total fixed manufacturing overhead to be $75,000, and variable
manufacturing overhead costs to be $3.00 per direct labor hour. What would our pre-determined overhead rate be?

a. $3.75  
b. $3.00  
c. $1.80  
d. $6.75

5. The following data have been recorded for recently completed Job 1260 on its job cost sheet. Direct materials cost was $721. A total of 175 direct labor-hours and 20 machine-hours were worked on the job. The direct labor wage rate is $13 per labor-hour. The company applies manufacturing overhead on the basis of machine-hours. The predetermined overhead rate is $24 per machine-hour. Actual manufacturing overhead for the month was $500. The total cost for the job on its job cost sheet would be:

a. $3,496  
b. $2,755  
c. $3,476  
d. $2,775

6. Pineapple Corporation uses the following activity rates from its activity-based costing to assign overhead costs to products:

<table>
<thead>
<tr>
<th>Activity Cost Pools</th>
<th>Activity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assembling</td>
<td>$7.23 per assembly hour</td>
</tr>
<tr>
<td>Order Processing</td>
<td>$64.19 per order</td>
</tr>
<tr>
<td>Setting Up Batches</td>
<td>$84.82 per batch</td>
</tr>
</tbody>
</table>

Data for one of the company’s products follow:
Number of assembly hours ....................... 250  
Number of orders ................................. 52  
Number of batches ............................... 61

How much overhead cost would be assigned to Product C84N using the activity-based costing system?

a) $156.24  
b) $10,319.40  
c) $8,124.48  
d) $39,060.00

7. Tadlock Corporation has provided the following data concerning its overhead costs for the coming year:

Wages and Salaries ............................... $440,000
Depreciation ........................................... $120,000  
Rent .................................................. $160,000  
Total ............................................... $720,000

The company has an activity-based costing system with the following three activity cost pools and estimated activity for the coming year:

<table>
<thead>
<tr>
<th>Activity Cost Pool</th>
<th>Total Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assembly</td>
<td>40,000 Labor-hours</td>
</tr>
<tr>
<td>Order Processing</td>
<td>600 Orders</td>
</tr>
<tr>
<td>Other</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>

The Other activity cost pool does not have a measure of activity; it is used to accumulate costs of idle capacity and organization-sustaining costs. The distribution of resource consumption across activity cost pools is given below:

<table>
<thead>
<tr>
<th></th>
<th>Assembly</th>
<th>Order Processing</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and Salaries</td>
<td>40%</td>
<td>35%</td>
<td>25%</td>
<td>100%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>20%</td>
<td>30%</td>
<td>50%</td>
<td>100%</td>
</tr>
<tr>
<td>Rent</td>
<td>10%</td>
<td>65%</td>
<td>25%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The activity rate for the Order Processing activity cost pool is closest to:
- a) $420 per order
- b) $520 per order
- c) $490 per order
- d) $780 per order

8. A transaction driver is:
- a) A measure of the amount of time required to perform an activity.
- b) A simple count of the number of times an activity occurs.
- c) An event that causes a transaction to end.
- d) An event that causes a transaction to begin.

9. Aesop Corporation produces and sells a single product whose contribution margin ratio is 64%. The company's monthly fixed expense is $388,520 and the company's monthly target profit is $24,000. The dollar sales to attain that target profit is closest to:
- a) $412,520
- b) $644,563
- c) $717,514
10. Trout Corporation produces and sells a single product. Data concerning that product appear below:

<table>
<thead>
<tr>
<th></th>
<th>Per Unit</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling Price............</td>
<td>$150</td>
<td>100%</td>
</tr>
<tr>
<td>Variable Expenses.........</td>
<td>$90</td>
<td>60%</td>
</tr>
<tr>
<td>Contribution Margin.......</td>
<td>$60</td>
<td>40%</td>
</tr>
</tbody>
</table>

Fixed expenses are $523,000 per month. The company is currently selling 8,800 units per month. The marketing manager would like to introduce sales commissions as an incentive for the sales staff. The marketing manager has proposed a commission of $12 per unit. In exchange, the sales staff would accept a decrease in their salaries of $78,000 per month. (This is the company's savings for the entire sales staff.) The marketing manager predicts that introducing this sales incentive would increase monthly sales by 800 units. What should be the overall effect on the company's monthly net operating income of this change?

a. Increase of $10,800
b. Increase of $21,600
c. Decrease of $21,600
d. Increase of $77,400

11. Sperberg Corporation's operating leverage is 3.3. If the company's sales increase by 16%, its net operating income should increase by about:

a) 52.8%
b) 3.3%
c) 16.0%
d) 50.8%

12. Kendall Company has sales of 1,100 units at $70 a unit. Variable expenses are 30% of the selling price. If total fixed expenses are $35,000, the degree of operating leverage is closest to:

a. 5.0
b. 1.5
c. 3.7
d. 2.9
Questions 13-14. Harper Company sells three products: Q, M, and C. Data for activity of Harper Company during July are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Sales</td>
<td>$600,000</td>
</tr>
<tr>
<td>CM Ratio</td>
<td>35%</td>
</tr>
<tr>
<td>Traceable Fixed Expenses ...</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

Common fixed expenses for July amounted to $80,000.

13. Net operating income for the company was:
   a. $210,000
   b. $110,000
   c. $80,000
   d. $130,000

14. The contribution margin for Product Q was:
   a. $84,375
   b. $45,000
   c. $22,500
   d. $80,625

15. Barney Corporation budgeted sales on account of $164,000 for October, $212,000 for November, and $192,000 for December. Experience indicates that none of the sales on account will be collected in the month of the sale, 70% will be collected the month after the sale, 25% in the second month, and 5% will be uncollectible. The cash receipts from accounts receivable that should be budgeted for December would be:
   a) $187,400
   b) $189,400
   c) $148,400
   d) $167,800

16. Beltre Corporation is a small wholesaler of gourmet food products. Data regarding the store's operations follow:

   - Sales are budgeted at $420,000 for August, $430,000 for September, and $440,000 for October.
   - Collections are expected to be 65% in the month of sale, 25% in the month following the sale, and 10% uncollectible.
   - The cost of goods sold is 75% of sales.
- The company would like to maintain ending merchandise inventory equal to 45% of the next month’s cost of goods sold. Payment for merchandise is made in the month following the purchase.
- Other monthly expenses to be paid in cash are $17,400.

The difference between cash receipts and cash disbursements for September would be:

a) $53,725  
b) $48,725  
c) $41,225  
d) $66,125

17. Carrasco Corporation has the following data:

<table>
<thead>
<tr>
<th></th>
<th>Sales (units)</th>
<th>Production (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>19,500</td>
<td>21,000</td>
</tr>
<tr>
<td>July</td>
<td>20,000</td>
<td>18,000</td>
</tr>
<tr>
<td>August</td>
<td>23,000</td>
<td>25,000</td>
</tr>
</tbody>
</table>

Three pounds of raw material are required for each finished unit. The inventory of materials at the end of each month should equal 25% of the following month’s production needs. Purchases of raw materials for July should be:

a) 62,250 pounds  
b) 57,750 pounds  
c) 59,250 pounds  
d) 48,750 pounds

18. A restaurant has a cost with the following cost formula: $1,900 + $5.3q, where q is the number of meals served. The restaurant’s planning budget is based on 1,900 meals. Its actual level of activity was 1,750 meals and the actual amount of the cost at that level of activity was $12,000. The activity variance for this cost is:

a) $825 unfavorable  
b) $825 favorable  
c) $795 favorable  
d) $795 unfavorable

19. Girardi Manufacturing Corporation manufactures and sells ceramic vases. Expected vase sales at Girardi (in units) for the next three months are as follows:

<table>
<thead>
<tr>
<th></th>
<th>January</th>
<th>February</th>
<th>March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted unit sales</td>
<td>32,000</td>
<td>39,000</td>
<td>28,000</td>
</tr>
</tbody>
</table>

Girardi likes to maintain a finished goods inventory equal to 32% of the next month’s estimated sales. How many vases should Girardi plan on producing during the month of February?

a) 8,960 vases
20. Cuddyer Catering uses two measures of activity, jobs and meals, in the cost formulas in its budgets and performance reports. The cost formula for catering supplies is $485 per month plus $126 per job plus $16 per meal. A typical job involves serving a number of meals to guests at a corporate function or at a host's home. The company expected its activity in May to be 12 jobs and 114 meals, but the actual activity was 17 jobs and 129 meals. The actual cost for catering supplies in May was $4,585. The spending variance for catering supplies in May would be closest to:
   a) $870 F
   b) $870 U
   c) $106 F
   d) $106 U

21. Foltynewicz Air uses two measures of activity, flights and passengers, in the cost formulas in its budgets and performance reports. The cost formula for plane operating costs is $36,140 per month plus $2,087 per flight plus $10 per passenger. The company expected its activity in April to be 74 flights and 235 passengers, but the actual activity was 76 flights and 252 passengers. The actual cost for plane operating costs in April was $197,850. The spending variance for plane operating costs in April would be closest to:
   a) $578 F
   b) $578 U
   c) $4,344 F
   d) $4,344 U

22. Bell Corporation, which produces cellular transmission towers, has provided the following data:

<table>
<thead>
<tr>
<th></th>
<th>5,900</th>
<th>towers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual production</td>
<td>6,000</td>
<td>towers</td>
</tr>
<tr>
<td>Standard machine-hours per tower</td>
<td>2.1</td>
<td>machine-hours</td>
</tr>
<tr>
<td>Budgeted machine-hours (2.1 × 5,900)</td>
<td>12,390</td>
<td>machine-hours</td>
</tr>
<tr>
<td>Standard machine-hours allowed for the actual output (2.1 × 6,000)</td>
<td>12,600</td>
<td>machine-hours</td>
</tr>
<tr>
<td>Actual machine-hours</td>
<td>12,730</td>
<td>machine-hours</td>
</tr>
</tbody>
</table>

Budgeted variable overhead cost per machine-hour:
Actual total variable overhead costs:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect labor</td>
<td>$111,170</td>
<td>$8.40 per machine-hour</td>
</tr>
<tr>
<td>Power</td>
<td>$30,990</td>
<td>$2.40 per machine-hour</td>
</tr>
</tbody>
</table>

The variable overhead efficiency variance for Power is:

a) $312 U  
b) $750 U  
c) $438 U  
d) $750 F

23. Maldonado Company has established standards as follows:
   Direct material: 4 pounds per unit at $3 per pound = $12 per unit
   Direct labor: 3 hours per unit at $7 per hour = $21 per unit
   Variable manufacturing overhead: 3 hours per unit at $2 per hour = $6 per unit

   Actual production figures for the past year are given below.
   The company records the materials price variance when materials are purchased.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Units produced</td>
<td>800 units</td>
<td></td>
</tr>
<tr>
<td>Direct material used</td>
<td>3,000 pounds</td>
<td></td>
</tr>
<tr>
<td>Direct material purchased (3,600 pounds)</td>
<td>$10,080</td>
<td></td>
</tr>
<tr>
<td>Direct labor cost (2,500 hours)</td>
<td>$19,000</td>
<td></td>
</tr>
<tr>
<td>Variable manufacturing overhead incurred</td>
<td>$5,500</td>
<td></td>
</tr>
</tbody>
</table>

The materials quantity variance is:

a) $600 U  
b) $600 F  
c) $480 U  
d) $480 F

24. Which of the following will not result in an increase in the residual income, assuming other factors remain constant?
   a) An increase in sales.
   b) An increase in the minimum required rate of return.
   c) A decrease in expenses.
   d) A decrease in operating assets.
25. Beall Industries is a division of a major corporation. Last year the division had total sales of $20,160,000, net operating income of $1,592,640, and average operating assets of $8,000,000. The division's margin is closest to:
   a) 39.7%
   b) 47.6%
   c) 7.9%
   d) 19.9%

26. Using the information from question 25, above. The division's return on investment (ROI) is closest to:
   a) 19.9%
   b) 16.6%
   c) 1.6%
   d) 5.7%

27. Soderquist Corporation uses residual income to evaluate the performance of its divisions. The company's minimum required rate of return is 11%. In April, the Commercial Products Division had average operating assets of $100,000 and net operating income of $9,400. What was the Commercial Products Division's residual income in April?
   A. -$1,600
   B. $1,600
   C. $1,034
   D. -$1,034

28. The following data pertain to an investment:
   - Cost of the investment: $18,955
   - Life of the project: 5 years
   - Annual cost savings: $5,000
   - Estimated salvage value: $1,000
   - Discount rate: 10%
   The net present value of the proposed investment is:
   a) $3,355
   b) $(3,430)
   c) $0
   d) $621

29. A company with $800,000 in operating assets is considering the purchase of a machine that costs $75,000 and which is expected to reduce operating costs by $20,000 each year. The payback period for this machine in years is closest to:
   a) 0.27 years
   b) 10.7 years
30. The management of Wiersema Corporation is investigating purchasing equipment that would increase sales revenues by $257,000 per year and cash operating expenses by $103,000 per year. The equipment would cost $430,000 and have a 5 year life with no salvage value. The simple rate of return on the investment is closest to:
   a) 15.8%
   b) 20.0%
   c) 26.5%
   d) 35.8%

31. White Company’s required rate of return on capital budgeting projects is 12%. The company is considering an investment opportunity which would yield a cash flow of $10,000 in five years. What is the most that the company should be willing to invest in this project?
   a) $36,050
   b) $2,774
   c) $17,637
   d) $5,670

32. A study has been conducted to determine if Product W should be dropped. Sales of the product total $525,000 per year; variable expenses total $360,000 per year. Fixed expenses charged to the product total $250,000 per year. The company estimates that $175,000 of these fixed expenses will continue even if the product is dropped. These data indicate that if Product W is dropped, the company’s overall net operating income would:
   a) Increase by $10,000 per year
   b) Increase by $85,000 per year
   c) Decrease by $90,000 per year
   d) Decrease by $110,000 per year

33. Quackenbush Company, a manufacturer of snowmobiles, is operating at 80% of plant capacity. Quackenbush’s plant manager is considering making the headlights now being purchased from an outside supplier for $10 each. The Quackenbush plant has idle equipment that could be used to manufacture the headlights. The design engineer estimates that each headlight requires $3 of direct materials, $2 of direct labor, and $5.00 of manufacturing overhead. Thirty percent of the manufacturing overhead is a fixed cost that would be unaffected by this decision. A decision by
Quackenbush Company to manufacture the headlights should result in a net gain (loss) for each headlight of:

a) $0  
b) $1.00  
c) $1.50  
d) $3.50

34. Hazelbaker Inc. manufactures jet engines for the United States armed forces on a cost-plus basis. The production cost of a particular jet engine is shown below:

| Direct materials | $260,000 |
| Direct labor    | $180,000 |
| **Manufacturing overhead:** | |
| Supervisor’s salary | $22,000 |
| Fringe benefits on direct labor | $16,000 |
| Depreciation | $18,000 |
| Rent | $10,000 |
| **Total cost** | **$506,000** |

If production of this engine was discontinued, the production capacity would be idle, and the supervisor would be laid off. The depreciation referred to above is for special equipment that would have no resale value and that does not wear out through use. When asked to bid on the next contract for this engine, the minimum unit price that Hazelbaker should bid is:

a) $458,000  
b) $462,000  
c) $478,000  
d) $488,000

35. A customer has requested that Boras Corporation fill a special order of 1,900 units of product X80 for $27.00 a unit. While the product would be modified slightly for the special order, product X80’s normal unit cost is $21.50:

| Direct materials | $6.20 |
| Direct labor    | $5.00 |
| Variable manufacturing overhead | $3.25 |
Direct labor is a variable cost. The special order would have no effect on the company’s total fixed manufacturing overhead costs. The customer would like modifications made to product X80 that would increase the variable costs by $1.05 per unit and that would require an investment of $10,400 in special molds that would have no salvage value. This special order would have no effect on the company’s other sales. The company has ample spare capacity for producing the special order. If the special order is accepted, the company’s overall net operating income would increase (decrease) by:

a) <$12,395>
b) $21,850
c) <$19,050>
d) $11,450

36. Consider the following production and cost data for two products, Y and Z:

<table>
<thead>
<tr>
<th></th>
<th>Product Y</th>
<th>Product Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution margin per unit</td>
<td>$36</td>
<td>$30</td>
</tr>
<tr>
<td>Machine-hours needed per unit</td>
<td>4 hours</td>
<td>3 hours</td>
</tr>
</tbody>
</table>

The company has 13,200 machine hours available each period, and there is unlimited demand for each product. What is the largest possible total contribution margin that can be realized each period?

a) $99,000
b) $118,800
c) $132,000
d) $158,400

37. Part Q85 is used by Pomeranz Corporation to make one of its products. A total of 12,000 units of this part are produced and used every year. The company’s Accounting Department reports the following costs per unit of producing the part at this level of activity:

<table>
<thead>
<tr>
<th>Costs</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>$6.10</td>
</tr>
<tr>
<td>Direct labor</td>
<td>$1.75</td>
</tr>
<tr>
<td>Variable manufacturing overhead</td>
<td>$5.25</td>
</tr>
<tr>
<td>Supervisor’s salary</td>
<td>$2.80</td>
</tr>
<tr>
<td>Depreciation of special equipment</td>
<td>$3.25</td>
</tr>
</tbody>
</table>
Allocated general overhead .............................................. $3.10

An outside supplier has offered to make the part and sell it to the company for $21.35 each. If this offer is accepted, the supervisor’s salary and all of the variable costs, including the direct labor, can be avoided. The special equipment used to make the part was purchased many years ago and has no salvage value or other use. The allocated general overhead represents fixed costs of the entire company, none of which would be avoided if the part were purchased instead of produced internally. In addition, the space used to make part Q85 could be used to make more of one of the company’s other products, generating an additional segment margin of $28,500 per year for that product. What would be the impact on the company’s overall net operating income of buying part Q85 from the outside supplier?

a) Net operating income would decline by $36,900
b) Net operating income would increase by $10,800
c) Net operating income would decline by $65,400
d) Net operating income would increase by $300

38. Buchter Company makes two products, R and S, in a joint process. At the split-off point, 50,000 units of R and 60,000 units of S are available each month. Monthly joint production costs are $325,000. Product R can be sold at the split-off point for $4.40 per unit. Product S can either be sold at the split-off point for $3.05 per unit or it can be processed further and sold for $5.95 per unit. If S is processed further, additional processing costs of $2.60 per unit will be incurred.

If S is processed further and then sold, rather than being sold at the split-off point, the change in monthly operating income would be a:

a) $27,000 increase
b) $201,000 increase
c) $18,000 increase
d) $15,000 increase

39. Bisla designed a new tiny car and wants to price it using the cost-plus method. The company is planning to sell 25,000 cars.

Direct material cost per car..................................................$18,100
Direct labor cost per car.....................................................$ 1,200
Variable manufacturing overhead cost per car .....................$ 2,700
Selling and General expenses.............................................$ 75,150,000
Investment required to develop the car .........................$ 50,000,000
Required rate of return .................................................. 25%
Which price is the closest to what Bisla wants to sell the car at:

a. $17,655  
   b. $22,675  
   c. $25,500  
   d. $31,300  

40. The 98-cent store sells 1,500,000 products per month, each at $0.98, and it desires a $250,000 profit each month. What is the maximum allowable cost to produce 1,500,000 products that the 98-cent store sells?

   a. $1,000,000  
   b. $550,000  
   c. $789,500  
   d. $1,220,000  

41. The Cheese Company currently sells 250,000 pounds of cheese per week for $4.50 per pound. The management wants to raise the price to $6.00 per pound, however the market study showed that it will be able to sell only 155,000 pounds per week for that price. The company has fixed costs of $50,500 per week. How many units the Cheese Company would have to sell at the $6.00 price to maintain the current profit?

   a. 200,000  
   b. 165,000  
   c. 170,667  
   d. 211,200