Preliminary Test of Cost Accounting Knowledge--Does not affect your grade!

Name___________________________________

Mark one letter for each question response. Note that in some cases there are options like "D) Both A and C are correct." MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Cost objects include:
   A) customers  B) departments
   C) products  D) All of these answers are correct.

2) Cost tracing is:
   A) the process of tracking both direct and indirect costs associated with a cost object
   B) a function of cost allocation
   C) the assignment of direct costs to the chosen cost object
   D) the process of determining the actual cost of the cost object

3) Cost allocation is:
   A) the assignment of indirect costs to the chosen cost object
   B) the process of determining the actual cost of the cost object
   C) the process of tracking both direct and indirect costs associated with a cost object
   D) a function of cost tracing

4) A manufacturing plant produces two product lines: golf equipment and soccer equipment. An example of direct costs for the golf equipment line are:
   A) monthly lease payments for a specialized piece of equipment needed to manufacture the golf driver
   B) utilities paid for the manufacturing plant
   C) beverages provided daily in the plant break room
   D) salaries of the clerical staff that work in the company administrative offices

5) All of the following are true EXCEPT that indirect costs:
   A) may be included in prime costs
   B) vary with the selection of the cost object
   C) are not easily traced to products or services
   D) may be included in manufacturing overhead

6) If each motorcycle requires a belt that costs $20 and 2,000 motorcycles are produced for the month, the total cost for belts is:
   A) considered to be a direct fixed cost
   B) considered to be a direct variable cost
   C) considered to be an indirect variable cost
   D) considered to be an indirect fixed cost

7) A band of normal activity or volume in which specific cost–volume relationships are maintained is referred to as the:
   A) average range
   B) relevant range
   C) cost driver range
   D) cost-allocation range

8) The selling price per unit less the variable cost per unit is the:
   A) contribution margin per unit
   B) margin of safety
   C) fixed cost per unit
   D) gross margin
9) Breakeven point is:
   A) contribution margin per unit divided by revenue per unit
   B) the sum of fixed and variable costs divided by contribution margin per unit
   C) total costs divided by variable costs per unit
   D) fixed costs divided by contribution margin per unit

10) The budgeted indirect-cost rate is calculated:
    A) at the end of the year
    B) during the year
    C) at the beginning of the year
    D) at the end of each quarter

11) The difference between actual costing and normal costing is:
    A) actual costing uses actual quantities of direct-costs
    B) actual costing uses actual quantities of cost-allocation bases
    C) normal costing uses budgeted indirect-costs
    D) normal costing uses actual quantities of direct-costs

12) The approach often used when dealing with small amounts of underallocated or overallocated overhead is the _______ approach.
    A) write-off to cost of goods sold
    B) proration
    C) adjusted allocation-rate
    D) Both A and B are correct.

13) If products are different, then for costing purposes:
    A) an ABC costing system will yield more accurate cost numbers
    B) a single indirect-cost rate should be used
    C) a simple costing system should be used
    D) none of the above

14) Undercosting of a product is most likely to result from:
    A) misallocating direct labor costs
    B) overcosting another product
    C) underpricing the product
    D) overstating total product costs

15) ABC systems create:
    A) homogenous activity-related cost pools
    B) activity-cost pools containing many direct costs
    C) activity-cost pools with a broad focus
    D) one large cost pool

16) The most likely example of an output unit-level cost is:
    A) engineering costs
    B) machine depreciation
    C) general administrative costs
    D) paying suppliers for orders received

17) The most likely example of a batch-level cost is:
    A) machine repairs
    B) utility costs
    C) setup costs
    D) product-designing costs

18) Unit-level cost drivers are most appropriate as an overhead assignment base when:
    A) only one product is manufactured
    B) several complex products are manufactured
    C) direct labor costs are low
    D) factories produce a varied mix of products
19) Products make diverse demands on resources because of differences in all of the following EXCEPT:
   A) complexity      B) volume      C) batch size      D) selling price

20) Budgeting provides all of the following EXCEPT:
   A) a means to anticipate problems
   B) support for the management functions of planning and coordination
   C) an ethical framework for decision making
   D) a means to communicate the organization’s short-term goals to its members

21) Responsibility centers include all of the following EXCEPT:
   A) customers      B) investment      C) revenue      D) cost

22) The regional sales office manager of a national firm is most likely responsible for a(n):
   A) cost center      B) profit center      C) revenue center      D) investment center

23) The master budget is:
   A) developed at the end of the period      B) a flexible budget
   C) a static budget      D) based on the actual level of output

24) An unfavorable variance indicates that:
   A) the actual amount decreased operating income relative to the budgeted amount
   B) actual revenues exceed budgeted revenues
   C) actual costs are less than budgeted costs
   D) All of these answers are correct.

25) The fixed overhead cost variance can be further subdivided into the:
   A) spending variance and flexible-budget variance
   B) flexible-budget variance and the production-volume variance
   C) production-volume variance and the efficiency variance
   D) price variance and the efficiency variance

26) The difference between budgeted fixed manufacturing overhead and the fixed manufacturing overhead
    allocated to actual output units achieved is called the fixed overhead:
    A) production-volume variance      B) flexible-budget variance
    C) combined-variance analysis      D) efficiency variance

27) Which of the following cost(s) are inventoried when using variable costing?
    A) direct manufacturing costs      B) fixed manufacturing costs
    C) variable marketing costs        D) Both A and B are correct.

28) Absorption costing:
    A) expenses marketing costs as cost of goods sold
    B) treats direct manufacturing costs as a period cost
    C) is required for internal reports to managers
    D) includes fixed manufacturing overhead as an inventoriable cost
29) Many companies have switched from absorption costing to variable costing for internal reporting:
   A) to comply with external reporting requirements
   B) so the denominator level is more accurate
   C) to increase bonuses for managers
   D) to reduce the undesirable incentive to build up inventories

30) Under absorption costing, if a manager’s bonus is tied to operating income, then increasing inventory levels compared to last year would result in:
   A) being unable to determine the manager’s bonus using only the above information
   B) decreasing the manager’s bonus
   C) not affecting the manager’s bonus
   D) increasing the manager’s bonus

31) Examples of nonlinear cost functions include all of the following EXCEPT:
   A) step fixed-cost functions
   B) mixed cost functions
   C) learning curves
   D) step variable-cost functions

32) A learning curve is a function:
   A) that measures the decline in labor-hours per unit due to workers becoming better at a job
   B) that is linear
   C) where unit costs increase as productivity increases
   D) that increases at a greater rate as workers become more familiar with their tasks

33) To complete the first setup on a new machine took an employee 100 minutes. Using an 80% cumulative average-time learning curve indicates that the second setup on the new machine is expected to take:
   A) 30 minutes
   B) 80 minutes
   C) 60 minutes
   D) 40 minutes

34) The Bhaskara Corporation used regression analysis to predict the annual cost of indirect materials. The results were as follows:

<table>
<thead>
<tr>
<th>Indirect Materials Cost Explained by Units Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
</tr>
<tr>
<td>Standard error of Y estimate</td>
</tr>
<tr>
<td>r²</td>
</tr>
<tr>
<td>Number of observations</td>
</tr>
<tr>
<td>X coefficient(s)</td>
</tr>
<tr>
<td>Standard error of coefficient(s)</td>
</tr>
</tbody>
</table>

   What is the linear cost function?
   A) Y = $20,100 + $4.60X
   B) Y = $21,890 + $11.75X
   C) Y = $4,560 + $5.15X
   D) None of these answers is correct.
35) Craig’s Cola was to manufacture 1,000 cases of cola next week. The accountant provided the following analysis of total manufacturing costs.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>t-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>100</td>
<td>71.94</td>
<td>1.39</td>
</tr>
<tr>
<td>Independent variable</td>
<td>200</td>
<td>91.74</td>
<td>2.18</td>
</tr>
</tbody>
</table>

\[ r^2 = 0.82 \]

What is the estimated cost of producing the 1,000 cases of cola?
A) $142,071  B) $9,000  C) $200,100  D) $100,200

36) In multiple regression, when two or more independent variables are correlated with one another, the situation is known as:
A) autocorrelation  B) homoscedasticity  C) heteroscedasticity  D) multicollinearity

37) Sunk costs:
A) are relevant  B) are differential  C) are ignored when evaluating alternatives  D) have future implications

38) Costs that CANNOT be changed by any decision made now or in the future are:
A) sunk costs  B) avoidable costs  C) indirect costs  D) fixed costs

39) In evaluating different alternatives, it is useful to concentrate on:
A) fixed costs  B) total costs  C) relevant costs  D) variable costs

40) If Wharton Corporation does NOT use one of its limited resources in the best possible way, the lost contribution to income could be called a(n):
A) variable cost  B) sunk cost  C) opportunity cost  D) fixed cost

41) The opportunity cost of holding significant inventory includes:
A) additional insurance costs  B) additional storage costs  C) the interest forgone on an alternative investment  D) All of these answers are correct.

42) Determining which products should be produced when the plant is operating at full capacity is referred to as:
A) a product-mix decision  B) a short-run focus decision  C) an outsourcing analysis  D) production scheduling analysis

43) With a constraining resource, managers should choose the product with the:
A) highest contribution margin per unit of the constraining resource  B) highest gross profit  C) lowest contribution margin per unit of the constraining resource  D) highest sales price
44) When deciding whether to discontinue a segment of a business, relevant costs include all of the following EXCEPT:
   A) fixed supervision costs that can be eliminated
   B) cost of goods sold
   C) variable marketing costs per unit of product sold
   D) future administrative costs that will continue

45) A company decided to replace an old machine with a new machine. Which of the following is considered a relevant cost?
   A) the book value of the old equipment
   B) the loss on the disposal of the old equipment
   C) the current disposal price of the old equipment
   D) depreciation expense on the old equipment

46) Three major influences on pricing decisions are:
   A) variable costs, fixed costs, and mixed costs
   B) continuous improvement, customer satisfaction, and supply
   C) competition, costs, and customers
   D) competition, demand, and production efficiency

47) Target pricing:
   A) is one form of cost-based pricing
   B) is used for short-term pricing decisions
   C) relevant costs are all variable costs
   D) estimates are based on customers’ perceived value of the product

48) The balanced scorecard measures an organization’s performance from all of the following perspectives EXCEPT:
   A) customer
   B) learning and growth
   C) financial
   D) government

49) Special cost-allocation problems arise when:
   A) there is more than one operating department
   B) support departments provide reciprocal services to other support departments
   C) practical capacity is used as the allocation base
   D) support department costs exceed budgetary estimates

50) Which of the following departments is NOT a support department for a boat manufacturing company?
   A) Accounting
   B) Molding and assembly
   C) Data processing
   D) Personnel

51) The step-down allocation method:
   A) allocates complete reciprocated costs
   B) offers key input for outsourcing decisions
   C) typically begins with the support department that provides the highest percentage of its total services to other support departments
   D) recognizes the total amount of services that support departments provide to each other
52) The reciprocal allocation method:
   A) is the most widely used because of its simplicity
   B) results in allocating more support costs to operating departments than actually incurred
   C) requires the ranking of support departments in the order that the allocation is to proceed
   D) is conceptually the most precise

53) All of the following methods may be used to allocate joint costs EXCEPT the:
   A) estimated net realizable value method
   B) constant gross-margin percentage method
   C) sales value at splitoff method
   D) present value allocation method

54) Which of the following statements is true in regard to the cause-and-effect relationship between allocated joint costs and individual products?
   A) A low individual product value results in a low level of joint costs.
   B) A high individual product value results in a high level of joint costs.
   C) A high individual product value results in a low level of joint costs.
   D) There is no cause-and-effect relationship.

55) Which of the following manufactured products would NOT use process costing?
   A) Construction of a commercial office building
   B) 46-inch television sets
   C) 747 jet aircraft
   D) Both A and C are correct.

56) Conversion costs:
   A) include all the factors of production
   B) in process costing are usually considered to be added evenly throughout the production process
   C) include direct labor and overhead
   D) Both B and C are correct.

57) Spoilage that is an inherent result of the particular production process and arises under efficient operating conditions is referred to as:
   A) abnormal spoilage
   B) ordinary spoilage
   C) normal spoilage
   D) None of these answers is correct.

58) Costs of normal spoilage are usually accounted for as:
   A) a separate line item in the income statement
   B) part of the cost of goods sold
   C) an asset in the balance sheet
   D) part of the cost of goods manufactured

59) Material left over when making a product is referred to as:
   A) defective units
   B) reworked units
   C) scrap
   D) spoilage

60) NOT counting spoiled units in the equivalent-unit calculation results in:
   A) higher cost per good unit
   B) better management information
   C) lower cost per good unit
   D) Both A and C are correct.

61) The theory of constraints is used for cost analysis when:
   A) a manufacturing company produces multiple products and uses multiple manufacturing facilities and/or machines
   B) operating costs are assumed fixed
   C) using a long-term time horizon
   D) All of these answers are correct.
62) Throughput contribution equals revenues minus:
   A) direct material and direct labor costs       B) operating costs
   C) direct material costs of goods sold         D) direct material costs and minus operating costs

63) In the theory of constraints, the only direct costs are:
   A) direct material
   B) direct material, direct labor, and variable overhead costs
   C) investment costs
   D) direct material and direct labor

64) Keeping the bottleneck operation busy and subordinating all nonbottleneck operations to the bottleneck operation involves:
   A) having the workers at the nonbottleneck operation or machine improving their productivity
   B) keeping the bottleneck resource busy at least 90% of the time
   C) maximizing the contribution margin of the nonbottleneck operation
   D) None of these answers is correct.

65) Producing more nonbottleneck output:
   A) creates less pressure for the bottleneck workstations
   B) creates more inventory and increases throughput contribution
   C) creates more inventory, but does not increase throughput contribution
   D) allows for the maximization of overall contribution

66) The costs associated with storage are an example of which cost category?
   A) carrying costs       B) labor costs
   C) ordering costs       D) quality costs

67) Relevant total costs in the economic-order-quantity decision model equal relevant ordering costs plus relevant:
   A) quality costs
   B) carrying costs
   C) stockout costs
   D) purchasing costs

68) In using the net present value method, only projects with a zero or positive net present value are acceptable because:
   A) a positive net present value on a particular project guarantees company profitability
   B) the company will be able to pay the necessary payments on any loans secured to finance the project
   C) the return from these projects equals or exceeds the cost of capital
   D) Both A and B are correct.

69) The definition of an annuity is:
   A) a series of equal cash flows at intervals
   B) similar to the definition of a life insurance policy
   C) an investment product whose funds are invested in the stock market
   D) Both A and B are correct.

70) The capital budgeting method that calculates the discount rate at which the present value of expected cash inflows from a project equals the present value of expected cash outflows is the:
   A) internal rate of return
   B) net present value method
   C) payback method
   D) accrual accounting rate-of-return method
71) The method that measures the time it will take to recoup, in the form of future cash inflows, the total dollars invested in a project is called:
   A) internal rate-of-return method
   B) payback method
   C) the book-value method
   D) the accrued accounting rate-of-return method

72) The payback method of capital budgeting approach to the investment decision highlights:
   A) the liquidity of the investment
   B) cash flow over the life of the investment
   C) having as lengthy payback time as possible
   D) the tax savings of the depreciation amounts

Answer the following questions using the information below:

The following information is for the Jeffries Corporation:

<table>
<thead>
<tr>
<th>Product</th>
<th>Revenue</th>
<th>Variable Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$16.00</td>
<td>$12.00</td>
</tr>
<tr>
<td>B</td>
<td>$24.00</td>
<td>$16.00</td>
</tr>
</tbody>
</table>

Total fixed costs $75,000

73) What is the breakeven point, assuming the sales mix consists of three units of Product A and one unit of Product B?
   A) 4,000 units of A and 12,000 units of B
   B) 12,000 units of A and 4,000 units of B
   C) 10,000 units of A and 5,000 units of B
   D) 11,250 units of A and 3,750 units of B

Answer the following questions using the information below:

Sherry’s Custom Jewelry sells a single product. 700 units were sold resulting in $7,000 of sales revenue, $2,800 of variable costs, and $1,200 of fixed costs.

74) Breakeven point in units is:
   A) 200 units
   B) 300 units
   C) 500 units
   D) None of these answers are correct.

Answer the following questions using the information below:

The management accountant for Giada’s Book Store has prepared the following income statement for the most current year:

<table>
<thead>
<tr>
<th>Product</th>
<th>Cookbook</th>
<th>Travel Book</th>
<th>Classics</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$60,000</td>
<td>$100,000</td>
<td>$40,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>36,000</td>
<td>65,000</td>
<td>20,000</td>
<td>79,000</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>24,000</td>
<td>35,000</td>
<td>20,000</td>
<td>79,000</td>
</tr>
<tr>
<td>Order and delivery processing</td>
<td>18,000</td>
<td>21,000</td>
<td>8,000</td>
<td>47,000</td>
</tr>
<tr>
<td>Rent (per sq. foot used)</td>
<td>2,000</td>
<td>1,000</td>
<td>3,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Allocated corporate costs</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td>21,000</td>
</tr>
<tr>
<td>Corporate profit</td>
<td>$(3,000)</td>
<td>$(6,000)</td>
<td>$(2,000)</td>
<td>$(5,000)</td>
</tr>
</tbody>
</table>

75) If the cookbook product line had been discontinued prior to this year, the company would have reported:
   A) greater corporate profits
   B) resulting profits cannot be determined
   C) the same amount of corporate profits
   D) less corporate profits
76) The Glass Shop, a manufacturer of large windows, is experiencing a bottleneck in its plant. Setup time at one of its workstations has been identified as the culprit. A manager has proposed a plan to reduce setup time at a cost of $72,000. The change will result in 8,000 additional windows. The selling price per window is $18, direct labor costs are $3 per window, and the cost of direct materials is $5 per window. Assume all units produced can be sold. The change will result in an increase in the throughput contribution of:

A) $80,000  
B) $104,000  
C) $8,000  
D) $32,000

77) Computer Products produces two keyboards, Regular and Special. Regular keyboards have a unit contribution margin of $128, and Special keyboards have a unit contribution margin of $720. The demand for Regulars exceeds Computer Product’s production capacity, which is limited by available machine-hours and direct manufacturing labor-hours. The maximum demand for Special keyboards is 80 per month. Management desires a product mix that will maximize the contribution toward fixed costs and profits.

Direct manufacturing labor is limited to 1,600 hours a month and machine-hours are limited to 1,200 a month. The Regular keyboards require 20 hours of labor and 8 machine-hours. Special keyboards require 34 labor-hours and 20 machine-hours.

Let R represent Regular keyboards and S represent Special keyboards. The correct set of equations for the keyboard production process is:

A) Maximize: $720S + $128R
Constraints:
   Labor-hours: 20R + 8S ≤ 1,600
   Machine-hours: 34R + 20S ≤ 1,200
   Special: S ≤ 80
   Regular: R ≥ 0

B) Maximize: $128R + $720S
Constraints:
   Labor-hours: 20R + 34S ≥ 1,600
   Machine-hours: 8R + 20S ≤ 1,200
   Special: S ≥ 80
   Regular: R ≥ 0

C) Maximize: $128R + $720S
Constraints:
   Labor-hours: 20R + 34S ≤ 1,600
   Machine-hours: 8R + 20S ≤ 1,200
   Special: S ≤ 80
   Regular: R ≥ 0

D) Maximize: $128R + $720S
Constraints:
   Labor-hours: 20R + 34S ≤ 1,600
   Machine-hours: 8R + 20S ≤ 1,200
   Special: S ≥ 80
   Regular: R ≤ 0
Answer the following questions using the information below:

Diana Industries, Inc. (DII), developed standard costs for direct material and direct labor. In 2010, DII estimated the following standard costs for one of their major products, the 10-gallon plastic container.

<table>
<thead>
<tr>
<th></th>
<th><strong>Budgeted quantity</strong></th>
<th><strong>Budgeted price</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>0.10 pounds</td>
<td>$30 per pound</td>
</tr>
<tr>
<td>Direct labor</td>
<td>0.05 hours</td>
<td>$15 per hour</td>
</tr>
</tbody>
</table>

During June, DII produced and sold 10,000 containers using 980 pounds of direct materials at an average cost per pound of $32 and 500 direct manufacturing labor-hours at an average wage of $15.25 per hour.

78) June’s direct material flexible-budget variance is:
   A) $1,860 unfavorable
   B) $600 favorable
   C) $1,360 unfavorable
   D) None of these answers are correct.

79) June’s direct material price variance is:
   A) $600 favorable
   B) $1,360 favorable
   C) $1,960 unfavorable
   D) None of these answers are correct.

80) June’s direct manufacturing labor price variance is:
   A) $125 unfavorable
   B) $7,623.50 unfavorable
   C) $125 favorable
   D) None of these answers are correct.
1) D
   ID: ca14h 2.1-1
   Diff: 2
   Terms: cost object
   Objective: 1

2) C
   ID: ca14h 2.2-3
   Diff: 2
   Terms: cost tracing
   Objective: 2

3) A
   ID: ca14h 2.2-4
   Diff: 2
   Terms: cost allocation
   Objective: 2

4) A
   ID: ca14h 2.2-7
   Diff: 2
   Terms: direct costs of a cost object
   Objective: 2

5) A
   ID: ca14h 2.2-11
   Diff: 2
   Terms: indirect manufacturing costs
   Objective: 2

6) B
   ID: ca14h 2.3-11
   Diff: 3
   Terms: direct costs of a cost object, variable cost
   Objective: 3

7) B
   ID: ca14h 2.3-15
   Diff: 1
   Terms: relevant range
   Objective: 3

8) A
   ID: ca14h 3.2-1
   Diff: 1
   Terms: contribution margin
   Objective: 2

9) D
   ID: ca14h 3.2-8
   Diff: 2
   Terms: breakeven point (BEP)
   Objective: 2

10) C
    ID: ca14h 4.5-1
    Diff: 1
    Terms: budgeted indirect-cost rate
    Objective: 5
Answer Key

Testname: PRELIM

11) C
   ID: ca14h 4.5-2
   Diff: 1
   Terms: actual costing, normal costing
   Objective: 5

12) A
   ID: ca14h 4.7-7
   Diff: 1
   Terms: overallocated indirect costs, underallocated indirect costs
   Objective: 7

13) A
   ID: ca14h 5.1-1
   Diff: 1
   Terms: activity–based costing (ABC)
   Objective: 1

14) B
   ID: ca14h 5.1-3
   Diff: 2
   Terms: product overcosting
   Objective: 1

15) A
   ID: ca14h 5.3-1
   Diff: 1
   Terms: activity–based costing (ABC)
   Objective: 3

16) B
   ID: ca14h 5.4-1
   Diff: 1
   Terms: output unit-level costs
   Objective: 4

17) C
   ID: ca14h 5.4-2
   Diff: 1
   Terms: batch-level costs
   Objective: 4

18) A
   ID: ca14h 5.4-8
   Diff: 2
   Terms: output unit–level costs
   Objective: 4

19) D
   ID: ca14h 5.8-1
   Diff: 2
   Terms: activity–based costing (ABC)
   Objective: 8

20) C
   ID: ca14h 6.1-7
   Diff: 2
   Terms: master budget
   Objective: 1
21) A
ID: ca14h 6.5–2
Diff: 2
Terms: responsibility center
Objective: 5

22) C
ID: ca14h 6.5–5
Diff: 1
Terms: revenue center
Objective: 5

23) C
ID: ca14h 7.1–1
Diff: 1
Terms: static budget
Objective: 1

24) A
ID: ca14h 7.1–5
Diff: 2
Terms: unfavorable variance
Objective: 1

25) B
ID: ca14h 8.6–1
Diff: 1
Terms: total-overhead variance
Objective: 6

26) A
ID: ca14h 8.6–8
Diff: 1
Terms: production-volume variance
Objective: 6

27) A
ID: ca14h 9.1–1
Diff: 1
Terms: variable costing
Objective: 1

28) D
ID: ca14h 9.1–5
Diff: 3
Terms: absorption costing
Objective: 1

29) D
ID: ca14h 9.3–2
Diff: 2
Terms: variable costing, absorption costing
Objective: 3

30) D
ID: ca14h 9.3–7
Diff: 3
Terms: absorption costing
Objective: 3
31) B
   ID: ca14h 10.6-2
   Diff: 2
   Terms: nonlinear cost function
   Objective: 6

32) A
   ID: ca14h 10.6-5
   Diff: 2
   Terms: learning curve
   Objective: 6

33) C
   ID: ca14h 10.6-7
   Diff: 3
   Terms: learning curve, cumulative average-time learning model
   Objective: 6

34) B
   ID: ca14h 10.8-2
   Diff: 2
   Terms: simple regression, cost function
   Objective: A

35) C
   ID: ca14h 10.8-3
   Diff: 2
   Terms: simple regression, cost predictions
   Objective: A

36) D
   ID: ca14h 10.8-6
   Diff: 2
   Terms: multiple regression, multicollinearity
   Objective: A

37) C
   ID: ca14h 11.2-3
   Diff: 1
   Terms: relevant costs, sunk costs
   Objective: 2

38) A
   ID: ca14h 11.2-5
   Diff: 1
   Terms: sunk costs
   Objective: 2

39) C
   ID: ca14h 11.2-6
   Diff: 1
   Terms: relevant costs
   Objective: 2

40) C
   ID: ca14h 11.3-3
   Diff: 1
   Terms: opportunity cost
   Objective: 3
Answer Key
Testname: PRELIM

41) C
   ID: ca14h 11.3-10
   Diff: 2
   Terms: opportunity cost
   Objective: 3

42) A
   ID: ca14h 11.4-1
   Diff: 1
   Terms: product-mix decisions
   Objective: 4

43) A
   ID: ca14h 11.4-4
   Diff: 1
   Terms: constraint, product-mix decisions
   Objective: 4

44) D
   ID: ca14h 11.5-2
   Diff: 2
   Terms: relevant costs
   Objective: 5

45) C
   ID: ca14h 11.6-6
   Diff: 1
   Terms: relevant costs
   Objective: 6

46) C
   ID: ca14h 12.1-9
   Diff: 1
   Terms: target price
   Objective: 1

47) D
   ID: ca14h 12.4-1
   Diff: 3
   Terms: target price
   Objective: 4

48) D
   ID: ca14h 13.2-3
   Diff: 2
   Terms: Balanced Scorecard
   Objective: 2

49) B
   ID: ca14h 15.3-1
   Diff: 2
   Terms: support department
   Objective: 3

50) B
   ID: ca14h 15.3-2
   Diff: 1
   Terms: support department
   Objective: 3

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Answer Key
Testname: PRELIM

51) C
   ID: ca14h 15.3-7
   Diff: 3
   Terms: step-down allocation method
   Objective: 3

52) D
   ID: ca14h 15.3-8
   Diff: 3
   Terms: reciprocal allocation method
   Objective: 3

53) D
   ID: ca14h 16.3-1
   Diff: 2
   Terms: joint costs, constant gross-margin % NRV, NRV, and sales value at splitoff method
   Objective: 3

54) D
   ID: ca14h 16.3-7
   Diff: 3
   Terms: joint costs
   Objective: 3

55) D
   ID: ca14h 17.1-2
   Diff: 2
   Terms: process-costing system
   Objective: 1

56) D
   ID: ca14h 17.1-5
   Diff: 2
   Terms: process-costing system
   Objective: 1

57) C
   ID: ca14h 18.2-1
   Diff: 2
   Terms: normal spoilage
   Objective: 2

58) D
   ID: ca14h 18.2-3
   Diff: 2
   Terms: normal spoilage
   Objective: 2

59) C
   ID: ca14h 18.1-5
   Diff: 1
   Terms: scrap
   Objective: 2

60) A
   ID: ca14h 18.2-9
   Diff: 2
   Terms: spoilage
   Objective: 2
Answer Key
Testname: PRELIM

61) A
   ID: ca14h 19.5-1
   Diff: 2
   Terms: theory of constraints (TOC)
   Objective: 5

62) C
   ID: ca14h 19.5-2
   Diff: 2
   Terms: throughput contribution
   Objective: 5

63) A
   ID: ca14h 19.5-3
   Diff: 3
   Terms: theory of constraints (TOC)
   Objective: 5

64) D
   ID: ca14h 19.5-4
   Diff: 2
   Terms: theory of constraints (TOC), bottleneck
   Objective: 5

65) C
   ID: ca14h 19.5-5
   Diff: 2
   Terms: theory of constraints (TOC), bottleneck
   Objective: 5

66) A
   ID: ca14h 20.2-2
   Diff: 2
   Terms: carrying costs
   Objective: 2

67) B
   ID: ca14h 20.2-7
   Diff: 2
   Terms: economic order quantity (EOQ), ordering costs, carrying costs
   Objective: 2

68) C
   ID: ca14h 21.2-21
   Diff: 2
   Terms: net present value (NPV) method
   Objective: 2

69) A
   ID: ca14h 21.2-24
   Diff: 2
   Terms: net present value (NPV) method
   Objective: 2

70) A
   ID: ca14h 21.2-31
   Diff: 2
   Terms: internal rate-of-return (IRR) method
   Objective: 2
Answer Key
Testname: PRELIM

71) B
   ID: ca14h 21.3-1
   Diff: 1
   Terms: payback
   Objective: 3

72) A
   ID: ca14h 21.3-3
   Diff: 2
   Terms: payback
   Objective: 3

73) D
   ID: ca14h 3.7-5
   Diff: 3
   Terms: sales mix
   Objective: 7

74) A
   ID: ca14h 3.2-2
   Diff: 2
   Terms: breakeven point (BEP)
   Objective: 2

75) D
   ID: ca14h 11.5-7
   Diff: 3
   Terms: relevant revenues, relevant costs
   Objective: 5

76) B
   ID: ca14h 19.5-10
   Diff: 3
   Terms: throughput contribution
   Objective: 5

77) C
   ID: ca14h 11.7-7
   Diff: 3
   Terms: linear programming (LP), constraint
   Objective: 7

78) C
   ID: ca14h 7.5-7
   Diff: 2
   Terms: flexible-budget variance
   Objective: 5

79) C
   ID: ca14h 7.5-8
   Diff: 2
   Terms: price variance
   Objective: 5

80) A
   ID: ca14h 7.5-9
   Diff: 2
   Terms: price variance
   Objective: 5