1. True/False: A business plan is a comprehensive statement of how a company will achieve its objectives.

   Question: A business plan is a comprehensive statement of how a company will achieve its objectives.

   Answer: True

2. True/False: A job order cost card can be used to record all product costs incurred during production.

   Question: A job order cost card can be used to record all product costs incurred during production.

   Answer: True

3. True/False: A manager should focus on the purpose of a report while preparing it.

   Question: A manager should focus on the purpose of a report while preparing it.

   Answer: True

4. True/False: A materials request form is prepared whenever the purchasing department orders materials.

   Question: A materials request form is prepared whenever the purchasing department orders materials.

   Answer: False

5. True/False: A production cost is classified as an overhead cost if it is not directly traceable to an end product or a cost object.

   Question: A production cost is classified as an overhead cost if it is not directly traceable to an end product or a cost object.

   Answer: True

6. True/False: A supply chain includes only processes and services that add value to the final product or service.

   Question: A supply chain includes only processes and services that add value to the final product or service.

   Answer: True

7. Essay: Accountants must have high professional ethics. List and briefly describe five ethical standards that management accountants subscribe to that, in your opinion, help maintain the impression that accountants are highly ethical.

   Answer: The student should list any five of the following ethical standards:

   Competence:

   1. Each member has a responsibility to:
      1. Maintain an appropriate level of professional expertise by continually developing knowledge and skills.
      2. Perform professional duties in accordance with relevant laws, regulations, and technical standards.
      3. Provide decision support information and recommendations that are accurate, clear, concise, and timely.
      4. Recognize and communicate professional limitations or other constraints that would preclude responsible judgment or successful performance of an activity.
Confidentiality:
Each member has a responsibility to:
1. Keep information confidential except when disclosure is authorized or legally required.
2. Inform all relevant parties regarding appropriate use of confidential information. Monitor subordinates' activities to ensure compliance.
3. Refrain from using confidential information for unethical or illegal advantage.

Integrity:
Each member has a responsibility to:
1. Mitigate actual conflicts of interest. Regularly communicate with business associates to avoid apparent conflicts of interest. Advise all parties of any potential conflicts.
2. Refrain from engaging in any conduct that would prejudice carrying out duties ethically.
3. Abstain from engaging in or supporting any activity that might discredit the profession.

Credibility:
Each member has a responsibility to:
1. Communicate information fairly and objectively.
2. Disclose all relevant information that could reasonably be expected to influence an intended user’s understanding of the reports, analyses, or recommendations.
3. Disclose delays or deficiencies in information, timeliness, processing, or internal controls in conformance with organization policy and/or applicable law.

8. True/False: Accounting rules applicable to management accounting are the same as those used for financial accounting.
Answer: True

9. True/False: All ethical conflicts are resolved by the accountant of a company.
Answer: True

10. Multiple Choice: All manufacturing costs incurred and assigned to products that are being produced should be classified as
Answer: variable costs.
allocated costs.
product costs.
overhead costs.

11. Multiple Choice: All manufacturing costs that are assigned to completed (but unsold) products should be classified as
Answer: materials inventory costs.
cost of goods sold.
work in process inventory costs.
finished goods inventory costs.

12. True/False: All product costs are expensed in the period in which they are paid in cash.
Answer: True

13. True/False: Although some management accountants strive to update their knowledge and skills, such updating is within the realm of management accountants' ethical standards.
Answer: True
14. True/False: Although the purpose of the confidentiality standard is to encourage management accountants to remain loyal to their company, failure to disclose knowledge of internal illegal acts to outside authorities can result in the accountants being charged as an accessory to the crime.

Question
Although the purpose of the confidentiality standard is to encourage management accountants to remain loyal to their company, failure to disclose knowledge of internal illegal acts to outside authorities can result in the accountants being charged as an accessory to the crime.

Answer True

15. Essay: As the management accountant for Byna...

Question
As the management accountant for Bynami Enterprises Inc., you have been asked to prepare a statement of cost of goods manufactured at the end of the second quarter. Account balances at that time were as follows:

- Materials inventory, April 1 $ 510,500
- Work in process inventory, April 1 697,300
- Finished goods inventory, April 1 701,200
- Direct materials purchased during the quarter 1,105,400
- Direct labor costs 154,800
- Depreciation expense, plant and equipment 16,200
- Plant supervisors’ salaries 50,600
- Insurance expense, plant and equipment 1,100
- Utilities expense, plant 4,000
- Indirect labor costs 16,800
- Manufacturing supplies expense 3,400
- Small tools expense 1,500

June 30 inventories were as follows: materials, $540,200; work in process, $795,400; and finished goods, $604,100. Prepare the statement of cost of goods manufactured for the second quarter.

Answer

<table>
<thead>
<tr>
<th>Bynami Enterprises, Inc.</th>
<th>Statement of Cost of Goods Manufactured</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For the Quarter Ended June 30</td>
</tr>
<tr>
<td>Direct materials used</td>
<td>$ 510,500</td>
</tr>
<tr>
<td>Materials inventory, April 1</td>
<td>510,500</td>
</tr>
<tr>
<td>Direct materials purchased</td>
<td>1,105,400</td>
</tr>
<tr>
<td>Cost of direct materials available for use</td>
<td>$1,615,900</td>
</tr>
<tr>
<td>Less materials inventory, June 30</td>
<td>540,200</td>
</tr>
<tr>
<td>Cost of direct materials used</td>
<td>$1,075,700</td>
</tr>
<tr>
<td>Direct labor costs</td>
<td>154,800</td>
</tr>
<tr>
<td>Overhead costs</td>
<td></td>
</tr>
<tr>
<td>Depreciation expense, plant and equipment</td>
<td>$ 16,200</td>
</tr>
<tr>
<td>Plant supervisors’ salaries</td>
<td>50,600</td>
</tr>
<tr>
<td>Insurance expense, plant and equipment</td>
<td>1,100</td>
</tr>
<tr>
<td>Utilities expense, plant</td>
<td>4,000</td>
</tr>
<tr>
<td>Indirect labor costs</td>
<td>16,800</td>
</tr>
<tr>
<td>Manufacturing supplies expense</td>
<td>3,400</td>
</tr>
<tr>
<td>Small tools expense</td>
<td>1,500</td>
</tr>
<tr>
<td>Total overhead costs</td>
<td>93,600</td>
</tr>
<tr>
<td>Total manufacturing costs</td>
<td>$1,324,100</td>
</tr>
<tr>
<td>Add work in process inventory, April 1</td>
<td>697,300</td>
</tr>
<tr>
<td>Total cost of work in process during the quarter</td>
<td>$2,021,400</td>
</tr>
<tr>
<td>Less work in process inventory, June 30</td>
<td>795,400</td>
</tr>
<tr>
<td>Cost of goods manufactured</td>
<td>$1,226,000</td>
</tr>
</tbody>
</table>

16. True/False: As units are completed, their costs a...

Question
As units are completed, their costs are transferred from the Materials Inventory account to the Finished Goods Inventory account.

Answer True

17. Essay: Assume you are the president of the b...

Question
Assume you are the president of the business club at your school. You are thinking about creating a fundraising project to generate money for next year's operations. Develop an outline of your ideas using the various stages of the management process.

Answer
Note: Student answers will vary considerably; however, they should adequately cover the four stages of the management process. An example answer is given below.

Plan: Under strategic planning, you need to define the objective, i.e., how much needs to be raised. In addition, the target market needs to be identified—for example, students, faculty, businesses, or the community at large. The operating plan would then specify how to approach the target markets.

Perform: This would involve explaining the plan to the membership, getting volunteers to help, and performing the actual work, such as coordinating the mailings, staffing the donation booths, making phone calls, and visiting potential donors.
Evaluate: This would involve comparing actual performance to expected performance on a daily basis and making adjustments as needed.

Communicate: This would involve preparing and presenting a report on the results achieved to the membership.

18. True/False: At the end of an accounting period, the balance in the Finished Goods Inventory account is the sum of costs of products completed and the cost of goods sold as of that date.

Answer: True

19. True/False: Both direct and indirect labor costs can be directly traced to finished products.

Answer: False

20. True/False: Both direct labor and indirect labor are recorded in the Work in Process Inventory account as the product is being manufactured.

Answer: True

21. True/False: Both indirect materials and indirect labor are overhead costs.

Answer: True


Answer: True

23. True/False: Building depreciation is an example of a direct product cost in a manufacturing company.

Answer: False

24. Essay: Complete the following chart by placing an “X” under the applicable column headings. Classify each cost as a fixed cost or a variable cost and as either a direct or indirect product cost or a period cost.

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost Behavior</th>
<th>Product Costs</th>
<th>Period Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glue used in furniture</td>
<td>Fixed</td>
<td>Variable</td>
<td>Direct</td>
</tr>
<tr>
<td>Wages of production-line workers</td>
<td>Variable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages of factory custodian</td>
<td>Fixed</td>
<td></td>
<td>Direct</td>
</tr>
<tr>
<td>Grapes used in making grape jelly</td>
<td>Variable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent of factory</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factory insurance</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company president’s salary</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factory washroom supplies</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sugar in candy products</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages of a machinist</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office supplies used</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Answer:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost Behavior</th>
<th>Product Costs</th>
<th>Period Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glue used in furniture</td>
<td>Fixed</td>
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<td>Direct</td>
</tr>
<tr>
<td>Wages of production-line workers</td>
<td>Variable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages of factory custodian</td>
<td>Fixed</td>
<td></td>
<td>Direct</td>
</tr>
<tr>
<td>Grapes used in making grape jelly</td>
<td>Variable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent of factory</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factory insurance</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company president’s salary</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factory washroom supplies</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sugar in candy products</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages of a machinist</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office supplies used</td>
<td>Fixed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
25. Essay: Complete the following chart by placing an “X” under the applicable column heading. Classify each cost as a fixed cost or variable cost and as either a direct or indirect product cost or a period cost.

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost Behavior</th>
<th>Product Costs</th>
<th>Period Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages of assembly line workers</td>
<td></td>
<td>Fixed X</td>
<td>Direct X</td>
</tr>
<tr>
<td>Office salaries</td>
<td></td>
<td>Variable X</td>
<td>Indirect X</td>
</tr>
<tr>
<td>Salary of factory supervisor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation on factory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales commissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper used to make books</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factory property taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Screws in a calculator</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office receptionist’s payroll</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages of a machineman</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

26. Multiple Choice: Consider the following information: direct materials used totaled $124,700; direct labor amounted to $412,000; overhead was computed to be $789,600; Work in Process Inventory on March 1, 2014, was $482,500; and Work in Process Inventory on March 31, 2014, was $597,100. What was the cost of goods manufactured?

- $1,211,700
- $729,200
- $1,440,900
- $422,100

27. Multiple Choice: Conversion costs consist of

- direct materials costs and direct labor costs.
- direct materials costs and overhead costs.
- direct labor costs and indirect labor costs.
- direct labor costs and overhead costs.
28. True/False: Cost of goods manufactured appears on...

Question: Cost of goods manufactured appears on the income statement of a manufacturing company in a similar manner as purchases appear on the income statement of a merchandising company.

Answer: True

29. Multiple Choice: Cost of goods manufactured is equal to

Question: Cost of goods manufactured is equal to

Answer: Direct Materials + Direct Labor + Overhead.
Beginning Work in Process Inventory + Total Manufacturing Costs – Ending Work in Process Inventory.
Beginning Work in Process Inventory + Period Costs – Ending Work in Process Inventory.
Beginning Work in Process Inventory + Product Costs.

30. True/False: Cost of sugar is an indirect cost in...

Question: Cost of sugar is an indirect cost in the manufacture of candy bars.

Answer: False

31. True/False: Costs can also be classified as value...

Question: Costs can also be classified as value-adding or non-value-adding costs.

Answer: True

32. Multiple Choice: Costs such as salary of supervisors a...

Question: Costs such as salary of supervisors and other support personnel, which are accounted for as overhead costs, are called

Answer: period labor costs.

33. Essay: Dale, Smith, and Associates, a CPA fi...

Question: Dale, Smith, and Associates, a CPA firm, is trying to determine the hourly cost of its junior accountants in the auditing department. The following data have been gathered.

- Monthly salaries of 4 junior accountants @ $3,000 each: $12,000
- Monthly auditing department overhead costs: $83,160
- Average number of hours worked each month: 800 hr

Assuming 40 percent of the monthly overhead costs for the auditing department are attributable to the junior accountants, compute the hourly cost of their services. (Round your answer to two decimal places.)

Answer:

<table>
<thead>
<tr>
<th>Salaries</th>
<th>$12,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overhead costs ($83,160 x 40%)</td>
<td>$33,264</td>
</tr>
<tr>
<td>Total costs</td>
<td>$45,264</td>
</tr>
<tr>
<td>Divide by monthly hours</td>
<td>800</td>
</tr>
<tr>
<td>Cost per hour</td>
<td>$56.58</td>
</tr>
</tbody>
</table>

34. Multiple Choice: Depreciation expense could be

Question: Depreciation expense could be

Answer: a period cost.
a product cost.
a fixed cost.
35. True/False: Direct costs can be conveniently traced to a cost object.

**Question:** Direct costs can be conveniently traced to a cost object.

**Answer:** True

36. True/False: Direct labor cannot be traced to products as it is invisible.

**Question:** Direct labor cannot be traced to products as it is invisible.

**Answer:** False

37. True/False: Direct materials are the only materials used in a product.

**Question:** Direct materials are the only materials used in a product.

**Answer:** False

38. True/False: Direct materials cost is a fixed cost because it always occurs in a production process.

**Question:** Direct materials cost is a fixed cost because it always occurs in a production process.

**Answer:** False

39. True/False: Factory employees' wages are recorded into the Work in Process Inventory account.

**Question:** Factory employees' wages are recorded into the Work in Process Inventory account.

**Answer:** True

40. Essay: Fill in the missing data for Company B:

<table>
<thead>
<tr>
<th>Question</th>
<th>Company B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials used</td>
<td>$9,000</td>
</tr>
<tr>
<td>Direct labor cost</td>
<td>4,000</td>
</tr>
<tr>
<td>Overhead (a)</td>
<td></td>
</tr>
<tr>
<td>Total manufacturing costs</td>
<td>25,000</td>
</tr>
<tr>
<td>Work in process inventory, Jan. 1</td>
<td>1,000</td>
</tr>
<tr>
<td>Work in process inventory, Dec. 31</td>
<td>3,500</td>
</tr>
<tr>
<td>Sales revenue</td>
<td>40,000</td>
</tr>
<tr>
<td>Finished goods inventory, Jan. 1 (b)</td>
<td></td>
</tr>
<tr>
<td>Cost of goods manufactured (c)</td>
<td></td>
</tr>
<tr>
<td>Cost of goods available for sale (d)</td>
<td></td>
</tr>
<tr>
<td>Finished goods inventory, Dec. 31</td>
<td>4,000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>26,500</td>
</tr>
<tr>
<td>Gross margin (e)</td>
<td></td>
</tr>
<tr>
<td>Operating expenses (f)</td>
<td></td>
</tr>
<tr>
<td>Net operating income</td>
<td>5,500</td>
</tr>
</tbody>
</table>

**Answer:**
- a. $12,000
- b. $8,000
- c. $22,500
- d. $30,500
- e. $13,500
- f. $8,000

41. Essay: Fill in the missing data for Company C:

<table>
<thead>
<tr>
<th>Question</th>
<th>Company C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials used</td>
<td>$6,000</td>
</tr>
<tr>
<td>Direct labor cost (a)</td>
<td></td>
</tr>
<tr>
<td>Overhead</td>
<td>7,000</td>
</tr>
<tr>
<td>Total manufacturing costs</td>
<td>18,000</td>
</tr>
<tr>
<td>Work in process inventory, Jan. 1</td>
<td>2,000</td>
</tr>
<tr>
<td>Work in process inventory, Dec. 31 (b)</td>
<td></td>
</tr>
<tr>
<td>Sales revenue</td>
<td>30,000</td>
</tr>
</tbody>
</table>
Finished goods inventory, Jan. 1 7,000
Cost of goods manufactured (c) 23,000
Cost of goods available for sale 23,000
Finished goods inventory, Dec. 31 (d) 18,000
Cost of goods sold (e) 18,000
Gross margin (f) 3,000
Operating expenses 3,000
Operating income 3,000

Answer
a. $5,000
b. $4,000
c. $16,000
d. $5,000
e. $12,000
f. $9,000

42. True/False: Financial accounting information is c...

Question
Financial accounting information is confidential and private.

Answer
True

43. True/False: Financial accounting relies on the cr...

Question
Financial accounting relies on the criterion of usefulness rather than formal guidelines in reporting information.

Answer
True

44. True/False: Financial accounting reports are prep...

Question
Financial accounting reports are prepared on a periodic basis.

Answer
True

45. True/False: Fixed costs remain constant within a ...

Question
Fixed costs remain constant within a defined range of activity or time period.

Answer
True

46. Multiple Choice: From Jolier's year-end income st...

Question
From Jolier's year-end income statement, you observe that the finished goods inventory has doubled during the year. This would indicate that during the year Jolier

Answer
sold more goods than were produced.
produced more goods than last year.
produced more goods than were sold.
sold more goods than last year.

47. Essay: Give two examples of each stage in th...

Question
Give two examples of each stage in the management process.

Answer
Plan: Determining the mission statement (strategic objectives and operating objectives); developing a business plan
Perform: Hiring and training personnel; properly matching human and technical resources to the work that must be done; purchasing/leasing facilities; maintaining inventories for sale; identifying operating activities that can minimize waste; improving the quality of products or services
Evaluate: Comparing actual to expected performance; correcting problems; revising original plans
Communicate: Preparing external and internal reports

48. Essay: Identify and explain the important qu...

Question
Identify and explain the important questions a manager must address before preparing a managerial report. (Hint: Think “w’s.”)

Answer
Why: To establish the purpose of the report
Who: To determine whom the report is targeting, who will receive it, and who will read it; dictates the level of detail necessary for the report
What: To determine the content and style of the report
When: To determine when the report should be completed and distributed at a time when it will be most valuable to those who use it

49. Matching: Identify the document needed to support each of the following activities in a manufacturing organization:

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>F. - A. Purchase order</td>
<td>A. Receiving direct materials at the dock</td>
</tr>
<tr>
<td>E. - B. Time card</td>
<td>B. Billing a customer for a completed order</td>
</tr>
<tr>
<td>D. - C. Materials requisition</td>
<td>C. Recording the costs of a specific job requiring direct materials, direct labor, and overhead</td>
</tr>
<tr>
<td>C. - D. Job order cost card</td>
<td>D. Issuing direct materials into production</td>
</tr>
<tr>
<td>B. - E. Sales invoice</td>
<td>E. Recording direct labor time at the beginning and end of each work shift</td>
</tr>
<tr>
<td>A. - F. Receiving report</td>
<td>F. Placing an order for direct materials with a supplier</td>
</tr>
</tbody>
</table>

50. Multiple Choice: If a management accountant confides to a relative that his or her company has a confidential plan to merge with another company in the near future, the accountant has

- not violated ethical standards.
- violated ethical standards only if the relative owns stock in the company.
- violated ethical standards because the relative could stand to gain personally from that information.
- not violated ethical standards because the information was relayed to a family member only.

51. True/False: If a management accountant gives information about a future merger of his or her company to a relative, the accountant has acted ethically.

- True
- False

52. Multiple Choice: If the report is urgently needed, it is sometimes necessary to sacrifice accuracy in the interest of

- timeliness
- personal feelings
- profits
- expectations

53. True/False: In a manufacturing company, an accountant’s salary is a value-adding cost.

- True
- False

54. True/False: In a manufacturing company, the cost of direct materials, direct labor, and overhead will most likely become a part of the Cost of Goods Sold account balance.

- True
- False

55. Multiple Choice: In a manufacturing environment, costs...

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>In a manufacturing environment, costs of materials initially flow</td>
<td>into the Work in Process Inventory account.</td>
</tr>
<tr>
<td></td>
<td>into the Materials Inventory account.</td>
</tr>
<tr>
<td></td>
<td>into the Cost of Goods Sold account.</td>
</tr>
<tr>
<td></td>
<td>into the Finished Goods Inventory account.</td>
</tr>
</tbody>
</table>
56. Multiple Choice: In a manufacturing environment, direct labor costs initially flow into the Materials Inventory account. into the Cost of Goods Sold account. into the Work in Process Inventory account. into the Finished Goods Inventory account.

57. True/False: Indirect product costs incurred are charged directly to the Cost of Goods Sold account.
Answer: False

58. True/False: Inventoriable cost is a synonym of product cost.
Answer: True

59. Essay: Job #178 consists of 500 units and has total of direct materials, $48,000; direct labor, $58,000; and overhead, $35,000.
   a. What is the unit product cost?
   b. What are the prime costs per unit?
   c. What are the conversion costs per unit?
Answer:
   a. ($48,000 + $58,000 + $35,000) / 500 units = $282 per unit
   b. Prime Costs = Direct Materials + Direct Labor; so ($48,000 + $58,000) / 500 units = $212 per unit
   c. Conversion Costs = Direct Labor + Overhead; so ($58,000 + $35,000) / 500 units = $186 per unit

60. True/False: Lubrication used for machines is an example of a direct material.
Answer: True

61. True/False: Management accountants are obligated to refrain from activities that would prejudice their ability to carry out their duties.
Answer: True

62. True/False: Management accountants who alter reports to meet targeted levels of performance are not acting unethically, because their job is to provide information that will aid in communicating the goals of the business.
Answer: False

63. True/False: Management accountants working in purchasing department must decline gifts from company vendors; because this might influence, or be perceived as influencing their performance or decision analyses.
Answer: True

64. True/False: Management accounting accumulates, maintains, and processes an organization's financial and nonfinancial information.
Answer: True
65. Multiple Choice: Management accounting activities

Question: Management accounting activities

Answer:
- are synonymous with financial accounting activities. (False)
- are substitute for the management process. (False)
- complement the management process. (True)
- have nothing to do with the management process. (False)

66. True/False: Management accounting complements each stage of the management process.

Question: Management accounting complements each stage of the management process.

Answer: True

67. True/False: Management accounting data must be expressed in historical dollars.

Question: Management accounting data must be expressed in historical dollars.

Answer: False

68. Essay: Management accounting differs from financial accounting

Question: Management accounting differs from financial accounting in many ways. Indicate with an “X” in the appropriate column whether each of the following characteristics relates to financial accounting, management accounting, or neither.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Financial Accounting</th>
<th>Management Accounting</th>
<th>Neither</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Users:</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Owners, stockholders, lenders, customers, governmental agencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers and lenders only</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers, employees, supply-chain partners</td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Report Format:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexible, driven by user’s needs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Based on generally accepted accounting principles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature of information:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective and verifiable; reports on past performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective and verifiable for decision making; subjective for planning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publicly available</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units of Measure:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary at historical or current market or projected values; physical measures of time or number of objects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dollars at historical values only</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary at historical or current market values</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
69. True/False: Management accounting exists primarily for the benefit of people inside a company.

Question: Management accounting exists primarily for the benefit of people inside a company.
Answer: True

70. True/False: Management accounting formats are identical for all companies.

Question: Management accounting formats are identical for all companies.
Answer: False

71. True/False: Management accounting information demands more objectivity than financial accounting information.

Question: Management accounting information demands more objectivity than financial accounting information.
Answer: False

72. True/False: Management accounting information is determined objectively and is verifiable, whereas financial accounting is more subjective.

Question: Management accounting information is determined objectively and is verifiable, whereas financial accounting is more subjective.
Answer: True

73. True/False: Management accounting information is objective and verifiable for decision making.

Question: Management accounting information is objective and verifiable for decision making.
Answer: True

74. True/False: Management accounting is a profession that involves partnering in management decision making.

Question: Management accounting is a profession that involves partnering in management decision making.
Answer: True

75. True/False: Management accounting is a subordinate activity to financial accounting.

Question: Management accounting is a subordinate activity to financial accounting.
Answer: False

76. True/False: Management accounting provides reports that are future oriented.

Question: Management accounting provides reports that are future oriented.
Answer: True

77. Multiple Choice: Management accounting reports

Question: Management accounting reports
Answer:
- are primarily used by parties inside the organization.
- must be prepared on a periodic basis.
- are generally publicly available.
- are based on generally accepted accounting principles.

78. Multiple Choice: Management accounting reports are
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
</table>
| Management accounting reports are | prepared using the double-entry system of accounting.  
| | prepared periodically.  
| | based on generally accepted accounting principles.  
| | driven by user’s needs. |

| 79. Multiple Choice: Managerial accounting information is ... | Points: 10 |
| Question | Managerial accounting information is primarily used by |
| Answer | lenders.  
| | supply-chain partners.  
| | governmental agencies.  
| | customers. |

| 80. True/False: Managerial accounting primarily provi... | Points: 10 |
| Question | Managerial accounting primarily provides information on past performance. |
| Answer | True  
| | False |

| 81. True/False: Managerial accounting reports should ... | Points: 10 |
| Question | Managerial accounting reports should be prepared when they are needed, without regard to calendar dates or regularity of issue. |
| Answer | True  
| | False |

| 82. True/False: Managerial accounting's main emp... | Points: 10 |
| Question | Managerial accounting's main emphasis is on full and accurate accounting for and disclosure of a company's operating results. |
| Answer | True  
| | False |

| 83. True/False: Managers use managerial accounting pr... | Points: 10 |
| Question | Managers use managerial accounting principles to guide their actions and decisions in the management process. |
| Answer | True  
| | False |

| 84. True/False: Manufacturing costs behave as variabil... | Points: 10 |
| Question | Manufacturing costs behave as variable or fixed costs. |
| Answer | True  
| | False |

| 85. True/False: Manufacturing costs incurred in an ac... | Points: 10 |
| Question | Manufacturing costs incurred in an accounting period cannot be included in the cost of goods sold for the subsequent accounting period. |
| Answer | True  
| | False |

| 86. Multiple Choice: Materials and supplies that cannot be... | Points: 10 |
| Question | Materials and supplies that cannot be traced conveniently to specific products are called |
| Answer | indirect materials.  
| | raw materials. |
waste materials.
direct materials.

87. True/False: Materials costs flow from the Materials Inventory account to the Work in Process Inventory account to the Finished Goods Inventory account.

Answer: ✔️ True

88. True/False: Minor materials and other production supplies that cannot be conveniently traced to specific products are accounted for as indirect materials.

Answer: ✔️ True

89. True/False: Neither the amount of detail nor the format of a management accounting report is affected by those to whom the report is sent.

Answer: ✔️ True

90. True/False: Non-value-adding costs increase the cost of a product.

Answer: ✔️ True

91. Multiple Choice: Overhead costs are

Answer: not allocated to the Work in Process Inventory account.

✔️ not charged directly to the Finished Goods Inventory account.

expensed in the period in which they are incurred.

not considered product costs.

92. True/False: Overhead costs are not recorded in the Work in Process Inventory account.

Answer: ✔️ True

93. True/False: Overhead costs are traced to products in the same way that direct materials and direct labor are traced.

Answer: ✔️ True

94. True/False: Overhead costs can be directly traced to products once the products are completed.

Answer: ✔️ True

95. True/False: Period cost and product cost are synonymous terms.

Answer: ✔️ True
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period cost is also called</td>
<td>variable cost. direct cost. value-adding cost. noninventoriable cost.</td>
</tr>
<tr>
<td>Period costs are</td>
<td>charged against the revenue of the current period. initially recognized on the balance sheet as inventory. charged to the period in which the product generates revenue. further classified as direct costs and indirect costs.</td>
</tr>
<tr>
<td>Period costs are also called noninventoriable costs.</td>
<td>True</td>
</tr>
<tr>
<td>Period costs are charged against the revenue of the current period.</td>
<td>True</td>
</tr>
<tr>
<td>Period costs flow through three types of inventory accounts before becoming part of the cost of goods sold amount.</td>
<td>True</td>
</tr>
<tr>
<td>Practitioners of management accounting and financial management have a responsibility to communicate information fairly and objectively.</td>
<td>True</td>
</tr>
<tr>
<td>Primary users of managerial accounting include governmental agencies.</td>
<td>False</td>
</tr>
<tr>
<td>Prime costs is the sum of</td>
<td>the direct labor costs and indirect labor costs. the direct material costs, direct labor costs, and overhead costs. the direct labor costs and overhead costs. the direct materials costs and direct labor costs.</td>
</tr>
</tbody>
</table>
105. True/False: Product costs for a manufacturing company consist of cost of direct materials, direct labor, and overhead.

Answer: True

106. True/False: Product unit cost is computed by dividing the cost of goods sold by the number of units sold.

Answer: False

107. True/False: Product unit cost is made up of direct materials and indirect materials only.

Answer: False

108. True/False: Product unit cost is the sum of direct materials, direct labor, and overhead divided by the total number of units produced.

Answer: True

109. True/False: Property taxes and equipment depreciation are examples of indirect manufacturing costs.

Answer: True

110. Multiple Choice: Recorded costs for the DC5 Division, ...

Question: Recorded costs for the DC5 Division, which manufactured 6,000 units of Product DC5 during the month, are as follows:

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>$458,000</td>
</tr>
<tr>
<td>Direct labor</td>
<td>400,000</td>
</tr>
<tr>
<td>Indirect production costs</td>
<td>80,000</td>
</tr>
<tr>
<td>Supervisory services</td>
<td>40,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$578,000</strong></td>
</tr>
</tbody>
</table>

The per-unit cost of manufacturing Product DC5 this month is

Answer: $163.

111. True/False: Recording cost of goods manufactured increases the Work in Process Inventory account.

Answer: True

112. True/False: Reporting format of managerial accounting is flexible and driven by user's needs.

Answer: True
113. True/False: Salaries of supervisory production personnel should be classified as direct labor costs.
Answer: True

114. True/False: Similar to financial accounting reports, management accounting reports are standardized in format.
Answer: False

115. True/False: Some period costs can be found in inventory accounts on the balance sheet.
Answer: True

116. Essay: Sorrel Pharmaceuticals Corporation manufactures a variety of drugs that are marketed internationally. Inventories on May 31 and June 30 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>May 31</th>
<th>June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials Inventory</td>
<td>$354,100</td>
<td>$327,400</td>
</tr>
<tr>
<td>Work in Process Inventory</td>
<td>112,600</td>
<td>116,400</td>
</tr>
<tr>
<td>Finished Goods Inventory</td>
<td>138,500</td>
<td>142,800</td>
</tr>
</tbody>
</table>

Purchases of materials for June were $142,600. Direct labor costs were incurred and computed on the basis of 27,000 hours at $8 per hour. Actual overhead costs incurred in June were as follows: operating supplies used, $5,700; janitorial and materials handling labor, $38,100; employee benefits, $110,800; heat, light, and power, $50,000; factory depreciation, $8,400; property taxes, $8,000; and expired portion of insurance premiums, $12,000. Net sales for June were $992,700. Selling and administrative expenses were $165,000.

Prepare a statement of cost of goods manufactured for the month ended June 30.

**Sorrel Pharmaceuticals Corporation**

**Statement of Cost of Goods Manufactured**

For the Month Ended June 30

<table>
<thead>
<tr>
<th></th>
<th>May 31</th>
<th>June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials inventory, May 1</td>
<td>$354,100</td>
<td></td>
</tr>
<tr>
<td>Direct materials purchased</td>
<td>142,600</td>
<td></td>
</tr>
<tr>
<td>Cost of direct materials available</td>
<td>$496,700</td>
<td></td>
</tr>
<tr>
<td>Less Materials Inventory, June 30</td>
<td>327,400</td>
<td></td>
</tr>
<tr>
<td>Cost of direct materials used</td>
<td>$169,300</td>
<td></td>
</tr>
<tr>
<td>Direct labor costs</td>
<td>216,000</td>
<td></td>
</tr>
<tr>
<td>Overhead costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating supplies</td>
<td>$ 5,700</td>
<td></td>
</tr>
<tr>
<td>Janitorial and materials handling</td>
<td>38,100</td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>110,800</td>
<td></td>
</tr>
<tr>
<td>Heat, light, and power</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>Factory depreciation</td>
<td>8,400</td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>8,000</td>
<td></td>
</tr>
<tr>
<td>Expired portion of insurance premiums</td>
<td>12,000</td>
<td></td>
</tr>
<tr>
<td>Total overhead costs</td>
<td>233,000</td>
<td></td>
</tr>
<tr>
<td>Total manufacturing costs</td>
<td>$616,300</td>
<td></td>
</tr>
<tr>
<td>Add work in process inventory, May</td>
<td>112,600</td>
<td></td>
</tr>
<tr>
<td>Total cost of work in process during the month</td>
<td>$730,900</td>
<td></td>
</tr>
<tr>
<td>Less work in process inventory, June</td>
<td>116,400</td>
<td></td>
</tr>
<tr>
<td>Cost of goods manufactured</td>
<td>$614,500</td>
<td></td>
</tr>
</tbody>
</table>

117. True/False: Standard costing combines actual direct costs of materials and labor with estimated overhead costs to determine a product unit cost.
Answer: True

118. Multiple Choice: Steve, the management accountant of a...
Question: Steve, the management accountant of a company, is not familiar with the concept of prudence in financial reporting. Which of the following IMA standards is Steve violating?

Answer:
- Confidentiality
- Materiality
- Disclosure
- Competence

119. Essay: Suppose a management accountant becomes aware of a confidential but illegal act that has occurred within her company. The management accountant must consider what she is ethically bound to do about this situation. Three alternative responses to this situation are given below. State whether you agree or disagree with each, and briefly detail your reasons.

a. The accountant must remain loyal to the company at all times and should report the occurrence only to appropriate officials within the company.

b. The accountant is bound to inform officials only if she stands to personally gain (make money) from knowledge of the illegal act.

c. The accountant must exercise personal judgment; a clear-cut answer does not exist given the limited information provided.

Answer:

a. The confidentiality standards state that management accountants must refrain from disclosing confidential information acquired in the course of their work except when authorized, unless legally obligated to do so. As such, the student should recognize that illegal acts could be an exception to the confidentiality standard. The severity and nature of the illegal act may dictate the accountant's obligation to disclose knowledge of this act to outside officials. An example would be an act involving a felony. Although the thrust of the confidentiality standard encourages accountants to remain loyal to their company in refraining from communicating confidential information, failure to disclose knowledge of illegal acts to outside authorities may result in their being charged as an accessory to the crime. Discussing the illegal act with officials inside the company would likely be the minimum amount of communication required.

b. The confidentiality standards specifically state that management accountants should refrain from using or appearing to use confidential information acquired in the course of their work for unethical or illegal advantage either personally or through third parties. As such, if an accountant could stand to personal gain from knowledge of the illegal act, then refraining from communicating this information may give the appearance that the accountant is obtaining illegal profits from this information. Depending on the severity of the illegal act, the accountant should communicate knowledge of this act to officials inside or outside the company to avoid even the appearance of unethical behavior.

c. As noted in parts a and b, the appropriate action dictated by this situation involves consideration of the severity and consequences of the illegal act. The severity and nature of the illegal act may dictate the accountant's obligation to disclose knowledge of this act to outside officials. An example would be an act involving a felony. Although the thrust of the confidentiality standard encourages accountants to remain loyal to their company in refraining from communicating confidential information, failure to disclose knowledge of this act to outside authorities may result in their being charged as an accessory to the crime. Discussing the illegal act with officials inside the company would likely be the minimum amount of communication required.

120. Multiple Choice: Suppose a management accountant becomes aware of a confidential but illegal act that has occurred within her company. The management accountant must consider what she is ethically bound to do about this situation. Three alternative responses to this situation are given below. State whether you agree or disagree with each, and briefly detail your reasons.

Question:
Suppose a management accountant becomes aware of a confidential but illegal act that has occurred within her company. The management accountant must consider what she is ethically bound to do about this situation. Three alternative responses to this situation are given below. State whether you agree or disagree with each, and briefly detail your reasons.

Answer:
- The management accountant is bound to respond honestly to inquiries regarding the adequacy of professional judgments but is not bound to communicate them if not directly asked.
- The management accountant is bound to communicate this error in judgment only if another client cannot be found.
- The management accountant is not bound to communicate this error.
- The management accountant is bound to communicate unfavorable and favorable judgments made, even if not directly asked.

121. Essay: The Chief Financial Officer (CFO) of your company has asked you to help her develop a cost control report to be distributed within the company. She wants your input concerning what she should think about before developing such a report. Discuss the significant points, in detail, the CFO should consider before the cost control report is prepared.

Question:
The Chief Financial Officer (CFO) of your company has asked you to help her develop a cost control report to be distributed within the company. She wants your input concerning what she should think about before developing such a report. Discuss the significant points, in detail, the CFO should consider before the cost control report is prepared.

Answer:
In addition to identifying the Why, Who, What, and When of the report, students should address the specific points that need to be considered under each topic.

Why: What is the purpose of the report? Is the intent to report on total costs or is the report going to be concerned with specific costs? Are the costs being considered for the entire company or for specific segments of the company?

Who: Who is going to receive the report? Is it going to specific line managers or to someone higher up in the company or to both groups? In other words, is it going to individuals actually incurring the costs or to individuals that are just familiar with the costs being reported?

What: Can the information needed to prepare the report be obtained from existing source documents and other sources or not? How will the information be presented? As columnar data, as charts and graphs, as dollar amounts, as percentages, as year-to-date costs, as actual compared to budget, as actual this year compared to actual last year, or some other way?
When: How often will the report be prepared? Daily, weekly, monthly, quarterly, annually? Is the report going to be used to influence current operations or future operations?

122. Multiple Choice: The Finished Goods Inventory and the Cost of Goods Sold for a manufacturing company for the year 2014 are as follows: May 1 Finished Goods Inventory, $470,500; May 31 Finished Goods Inventory, $125,000; Cost of Goods Sold for the year, $1,110,000. The cost of goods manufactured for the month was

- $1,455,500.
- $595,500.
- $985,000.
- $764,500.

Answer: $764,500.

123. True/False: The amount of cost of goods manufactured is transferred from the Work in Process Inventory account to the Finished Goods Inventory account.

Answer: True

124. True/False: The amount of cost of goods sold and cost of goods manufactured will be the same if a company sells all of the units it produced.

Answer: False

125. Multiple Choice: The beginning finished goods inventory of Ronald Co. was $480,125. Goods completed during the year cost $963,250. The ending finished goods inventory was dangerously low, having been reduced to $135,850. The cost of goods sold for the year for Ronald Co. was

- $618,975.
- $1,307,525.
- $1,579,225.
- $1,171,675.

Answer: $1,171,675.

126. True/False: The changes in the balance of Work in Process Inventory and the total manufacturing costs for a period are used to compute cost of goods manufactured.

Answer: True

127. True/False: The cost of goods manufactured is added to the beginning balance of finished goods inventory to obtain the total cost of goods available for sale.

Answer: True

128. True/False: The cost of goods sold decreases the balance in the Finished Goods Inventory account.

Answer: True

129. Matching: The costs listed below are related to a manufacturer of All-natural ice cream. Classify the following costs as

- Match Question Items
- Answer Items
C. - A. Maintenance on factory building  A. Direct Material
A. - B. Cream   B. Direct Labor
B. - C. Mixing department wages   C. Overhead
A. - D. Vanilla
C. - E. Factory supervisor's salary
C. - F. Machine oil for mixing machines
A. - G. Sugar
B. - H. Machine operator wages
C. - I. Factory maintenance labor
C. - J. Depreciation on factory equipment

130. True/False: The costs of labor for maintenance and inspections are examples of direct labor.

Question
The costs of labor for maintenance and inspections are examples of direct labor.

Answer
True

131. True/False: The costs of marketing and delivering a product are recorded in the Work in Process Inventory account.

Question
The costs of marketing and delivering a product are recorded in the Work in Process Inventory account.

Answer
False

132. True/False: The costs of materials used in production are transferred from the Materials Inventory account directly to the Cost of Goods Sold account.

Question
The costs of materials used in production are transferred from the Materials Inventory account directly to the Cost ofGoods Sold account.

Answer
True

133. Multiple Choice: The credibility standard of management accountants state that management accountants must communicate information fairly and objectively. This means essentially that accountants must perform each task

Question
The credibility standard of management accountants state that management accountants must communicate information fairly and objectively. This means essentially that accountants must perform each task

Answer
as professionals, possessing the degree of skill of those management accountants who held the position before them.
to provide relevant information, both positive and negative, to the recipients of their reports.
in conformity with generally accepted accounting principles.
to the satisfaction of government regulators.

134. True/False: The evaluation stage of management process includes comparing actual with the established standards.

Question
The evaluation stage of management process includes comparing actual with the established standards.

Answer
True

135. Multiple Choice: The factory personnel whose wages are traceable directly to a product include

Question
The factory personnel whose wages are traceable directly to a product include

Answer
maintenance personnel.
support personnel.
factory supervisors.
employees who help to shape the product.

136. Multiple Choice: The following are costs for a selected period: direct materials used in production, $75,000; direct labor cost of converting materials into product, $150,000; total indirect costs of manufacturing, $45,000. What is the unit cost of manufacturing 30,000 units in this period?

Question
The following are costs for a selected period: direct materials used in production, $75,000; direct labor cost of converting materials into product, $150,000; total indirect costs of manufacturing, $45,000. What is the unit cost of manufacturing 30,000 units in this period?

Answer
$7.50
<table>
<thead>
<tr>
<th>137. True/False: The four stages of the management pro...</th>
<th>Points: 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question: The four stages of the management process are: planning, performing, evaluating, and communicating.</td>
<td></td>
</tr>
</tbody>
</table>
| Answer: True  
False | |

<table>
<thead>
<tr>
<th>138. Multiple Choice: The fundamental way in which a compan...</th>
<th>Points: 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question: The fundamental way in which a company will achieve its goal is described in its</td>
<td></td>
</tr>
</tbody>
</table>
| balance sheet and income statement.  
cash flow statement.  
budget.  
mission statement. | |
| Answer: balance sheet and income statement.  
mission statement. | |

<table>
<thead>
<tr>
<th>139. Multiple Choice: The income statement for a manufactur...</th>
<th>Points: 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question: The income statement for a manufacturing company usually contains a detailed computation of the</td>
<td></td>
</tr>
</tbody>
</table>
| total manufacturing cost.  
total cost of materials used.  
cost of goods sold.  
total overhead. | |
| Answer: total manufacturing cost.  
cost of goods sold. | |

<table>
<thead>
<tr>
<th>140. True/False: The key to produce an accurate and us...</th>
<th>Points: 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question: The key to produce an accurate and useful report include identifying the why, who, what, and when of the report.</td>
<td></td>
</tr>
</tbody>
</table>
| Answer: True  
False | |

<table>
<thead>
<tr>
<th>141. True/False: The key to the preparation of an inco...</th>
<th>Points: 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question: The key to the preparation of an income statement for a manufacturing company is proper determination of the cost of goods manufactured.</td>
<td></td>
</tr>
</tbody>
</table>
| Answer: True  
False | |

<table>
<thead>
<tr>
<th>142. True/False: The management accountant must be kno...</th>
<th>Points: 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question: The management accountant must be knowledgeable about all relevant laws, regulations, and technical standards that pertain to his or her duties.</td>
<td></td>
</tr>
</tbody>
</table>
| Answer: True  
False | |

<table>
<thead>
<tr>
<th>143. True/False: The management process and management...</th>
<th>Points: 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question: The management process and management accounting are identical.</td>
<td></td>
</tr>
</tbody>
</table>
| Answer: True  
False | |

<table>
<thead>
<tr>
<th>144. True/False: The overall guideline or limit for ma...</th>
<th>Points: 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question: The overall guideline or limit for management accounting information is that the report or analysis must be meaningful and must answer the questions or issues under review.</td>
<td></td>
</tr>
</tbody>
</table>
| Answer: True  
False | |
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>145. True/False: The overriding goal of a business is to increase the value of the stakeholders' interest in the business.</td>
<td>True</td>
</tr>
<tr>
<td>146. Multiple Choice: The presentation of merchandise inventory on the balance sheet of a merchandising company most nearly resembles the presentation of ________ inventory on the balance sheet of a manufacturing company.</td>
<td>materials, finished goods, manufacturing supplies, work in process</td>
</tr>
<tr>
<td>147. True/False: The product costs that appear in the financial statements are estimated product costs.</td>
<td>False</td>
</tr>
<tr>
<td>148. True/False: The product is the cost object when assigning indirect product costs.</td>
<td>True</td>
</tr>
<tr>
<td>149. True/False: The reporting format of financial accounting information is based on generally accepted accounting principles.</td>
<td>True</td>
</tr>
<tr>
<td>150. True/False: The standard costing method uses estimated costs to find product unit cost.</td>
<td>True</td>
</tr>
<tr>
<td>151. True/False: The standard costing method uses the sum of actual direct materials, actual direct labor, and actual overhead to determine the product unit cost.</td>
<td>False</td>
</tr>
<tr>
<td>152. True/False: The terms total manufacturing costs and total cost of goods manufactured are synonymous.</td>
<td>False</td>
</tr>
<tr>
<td>153. Multiple Choice: The three elements of product costs are</td>
<td>direct materials, work in process, and overhead, direct materials, work in process, and finished goods, direct materials, direct labor, and overhead, direct materials, direct labor, and period costs.</td>
</tr>
</tbody>
</table>
154. True/False: The two primary types of cost behavior are fixed and variable.

**Question**
The two primary types of cost behavior are fixed and variable.

**Answer**
True
False

155. Multiple Choice: The unit of measurement used in management accounting reports is primarily the historical dollar.

**Question**
The unit of measurement used in management accounting reports is

**Answer**
primarily the historical dollar.
usually current replacement cost.
any measurement unit that is useful in a particular situation.
the measurement unit used by competing companies.

156. Multiple Choice: To calculate the total cost of goods manufactured from total manufacturing costs

**Question**
To calculate the total cost of goods manufactured from total manufacturing costs

**Answer**
subtract all period costs from total manufacturing costs.
add beginning and subtract ending finished goods inventory to total manufacturing costs.
you must know how many goods were sold during the period.
add beginning and subtract ending work in process inventory to total manufacturing costs.

157. True/False: Total manufacturing costs and the change in the Work in Process Inventory are used to compute the cost of goods sold.

**Question**
Total manufacturing costs and the change in the Work in Process Inventory are used to compute the cost of goods sold.

**Answer**
True
False

158. True/False: Total manufacturing costs decrease the balance of the Work in Process Inventory account.

**Question**
Total manufacturing costs decrease the balance of the Work in Process Inventory account.

**Answer**
True
False

159. True/False: Total manufacturing costs include all direct materials used as well as all direct labor costs and overhead costs incurred during a period.

**Question**
Total manufacturing costs include all direct materials used as well as all direct labor costs and overhead costs incurred during a period.

**Answer**
True
False

160. Multiple Choice: Total manufacturing costs incurred during a period are transferred to the

**Question**
Total manufacturing costs incurred during a period are transferred to the

**Answer**
Cost of Goods Sold account.
Work in Process Inventory account.
Finished Goods Inventory account.
Overhead account.

161. True/False: Total variable costs remain constant within a defined time period or range of activity.

**Question**
Total variable costs remain constant within a defined time period or range of activity.

**Answer**
True
False

162. Essay: Use the information below for the year.
Use the information below for the year ended December 31, 2014, to prepare the statement of cost of goods manufactured.

<table>
<thead>
<tr>
<th>Inventories</th>
<th>Beginning</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials inventory</td>
<td>$32,600</td>
<td>$ 32,500</td>
</tr>
<tr>
<td>Work in process inventory</td>
<td>41,200</td>
<td>41,800</td>
</tr>
<tr>
<td>Direct materials purchased</td>
<td>168,000</td>
<td>168,000</td>
</tr>
<tr>
<td>Total direct labor costs</td>
<td>245,200</td>
<td>245,200</td>
</tr>
<tr>
<td>Total indirect labor costs</td>
<td>52,100</td>
<td>52,100</td>
</tr>
<tr>
<td>Utilities</td>
<td>27,300</td>
<td>27,300</td>
</tr>
<tr>
<td>Depreciation</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Small tools</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td>Factory insurance</td>
<td>1,600</td>
<td>1,600</td>
</tr>
<tr>
<td>Factory supervision</td>
<td>45,200</td>
<td>45,200</td>
</tr>
<tr>
<td>Miscellaneous overhead costs</td>
<td>7,200</td>
<td>7,200</td>
</tr>
</tbody>
</table>

**Statement of Cost of Goods Manufactured**

**For the Year Ended December 31, 2014**

**Direct materials used**
- Materials inventory, January 1 $ 32,600
- Direct materials purchased 168,000
- Cost of direct materials available for use $200,600
- Less materials inventory, December 31 32,500
- Cost of direct materials used $168,100
- Direct labor costs 245,200

**Overhead costs**
- Indirect labor costs $ 52,100
- Utilities 27,300
- Depreciation 35,000
- Small tools 2,500
- Factory insurance 1,600
- Factory supervision 45,200
- Miscellaneous overhead costs 7,200

- Total overhead costs 170,900
- Total manufacturing costs $584,200

- Add work in process inventory, January 1 41,200
- Total cost of work in process during the year $625,400
- Less work in process inventory, December 31 41,800
- Cost of goods manufactured $583,600

---


<table>
<thead>
<tr>
<th>Inventories</th>
<th>Beginning</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials inventory</td>
<td>$41,000</td>
<td>$ 51,000</td>
</tr>
<tr>
<td>Work in process inventory</td>
<td>62,000</td>
<td>78,000</td>
</tr>
<tr>
<td>Direct materials purchased</td>
<td>258,000</td>
<td>258,000</td>
</tr>
<tr>
<td>Total direct labor costs</td>
<td>372,000</td>
<td>372,000</td>
</tr>
<tr>
<td>Total indirect labor costs</td>
<td>67,000</td>
<td>67,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>41,000</td>
<td>41,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>54,000</td>
<td>54,000</td>
</tr>
<tr>
<td>Small tools</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Factory insurance</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Factory supervision</td>
<td>66,000</td>
<td>66,000</td>
</tr>
<tr>
<td>Miscellaneous overhead costs</td>
<td>11,000</td>
<td>11,000</td>
</tr>
</tbody>
</table>

**Statement of Cost of Goods Manufactured**

**For the Year Ended December 31, 2014**

**Direct materials used**
- Materials inventory, January 1 $ 41,000
- Direct materials purchased 258,000
- Cost of direct materials available for use $299,000
- Less materials inventory, December 31 51,000
- Cost of direct materials used $248,000
- Direct labor costs 372,000

**Overhead costs**
- Indirect labor costs $ 67,000
- Utilities 41,000
- Depreciation 54,000
- Small tools 5,000
- Factory Insurance 3,000
- Factory supervision 66,000
- Miscellaneous overhead costs 11,000
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total overhead costs</td>
<td>$247,000</td>
</tr>
<tr>
<td>Total manufacturing costs</td>
<td>$867,000</td>
</tr>
<tr>
<td>Add work in process inventory, January 1</td>
<td>$62,000</td>
</tr>
<tr>
<td>Total cost of work in process during the year</td>
<td>$929,000</td>
</tr>
<tr>
<td>Less work in process inventory, December 31</td>
<td>$78,000</td>
</tr>
<tr>
<td>Cost of goods manufactured</td>
<td>$851,000</td>
</tr>
</tbody>
</table>

164. True/False: Variable costs per unit change in an inversely proportional rate to changes in volume.

Question: Variable costs per unit change in an inversely proportional rate to changes in volume.
Answer: True

165. Multiple Choice: Velocity Ltd. is a sports car manufacturer. Which of the following is a value-adding cost for Velocity?

Question: Velocity Ltd. is a sports car manufacturer. Which of the following is a value-adding cost for Velocity?
Answer:
- Salary of the payroll department
- Cost of tires used in cars
- Cost of office supplies
- Salary of operations manager

166. True/False: Wages of machine operators and other workers involved in actually shaping the product are classified as indirect labor costs.

Question: Wages of machine operators and other workers involved in actually shaping the product are classified as indirect labor costs.
Answer: True

167. True/False: When there is an ethical conflict, the management accountant should resign if the immediate supervisor is involved in the conflict.

Question: When there is an ethical conflict, the management accountant should resign if the immediate supervisor is involved in the conflict.
Answer: True

168. Multiple Choice: Which cost measurement method calculates product unit cost using estimates for direct materials, direct labor, and overhead?

Question: Which cost measurement method calculates product unit cost using estimates for direct materials, direct labor, and overhead?
Answer:
- Standard costing
- Actual costing
- Full costing
- Normal costing

169. Multiple Choice: Which of the following account balances is not reported on the balance sheet?

Question: Which of the following account balances is not reported on the balance sheet?
Answer:
- Materials Inventory
- Manufacturing Patents
- Cost of Goods Sold
- Work in Process Inventory

170. Multiple Choice: Which of the following accounts contain only one type of product cost?

Question: Which of the following accounts contain only one type of product cost?
Answer:
- Work in Process Inventory
- Materials Inventory
- Finished Goods Inventory
**171. Multiple Choice: Which of the following accounts decreases when cost of goods manufactured is recorded?**

- Work in Process Inventory
- Finished Goods Inventory
- Overhead
- Cost of Goods Sold

**172. Multiple Choice: Which of the following accounts includes the cost of completed but unsold units of a manufacturing firm?**

- Cost of Goods Sold
- Finished Goods Inventory
- Work in Process Inventory
- Materials Inventory

**173. Multiple Choice: Which of the following activities is not a part of the “perform” stage in the management process?**

- Producing products as per customer specifications
- Manage supply chain relationships
- Identifying operating activities that minimize waste
- Calculating variances by comparing estimated and actual costs

**174. Multiple Choice: Which of the following contains period costs?**

- Work in Process Inventory
- Finished Goods Inventory
- Cost of Goods Sold
- Selling and administrative expenses

**175. Multiple Choice: Which of the following costs is considered overhead?**

- Indirect labor costs only
- Direct materials costs only
- Both indirect materials and indirect labor costs
- Direct materials and direct labor costs

**176. Multiple Choice: Which of the following costs is not an inventoriable cost?**

- Cost to ship products to a customer
- Cost of factory machinery used in production
- Cost to design the product
- Plant supervisor's salary
177. **Multiple Choice: Which of the following documents initiates the purchasing of materials?**

- Job order cost sheet
- Receiving report
- Purchase request [Correct]
- Purchase order

178. **Multiple Choice: Which of the following equations is correct?**

- Total Manufacturing Costs = Direct Materials + Direct Labor + Selling Costs
- Total Manufacturing Costs = Direct Materials + Direct Labor + Overhead [Correct]
- Total Manufacturing Costs = Direct Labor + Overhead + Selling Costs + Administrative Costs
- Total Manufacturing Costs = Product Costs + Period Costs

179. **Multiple Choice: Which of the following is a difference between managerial and financial accounting?**

- Managerial accounting reports non-monetary information whereas financial accounting reports both monetary and non-monetary information [Correct]
- Managerial accounting is used by government authorities whereas financial accounting is used by stockholders.
- Managerial accounting prepares reports monthly whereas financial accounting prepares reports annually.
- Managerial information is confidential whereas financial accounting information is publicly available.

180. **Multiple Choice: Which of the following is a period cost?**

- Advertising costs [Correct]
- Indirect materials
- Manufacturing overhead
- Direct materials

181. **Multiple Choice: Which of the following is a product cost?**

- General expenses
- Selling expenses
- Advertising expenses
- Material handling expenses [Correct]

182. **Multiple Choice: Which of the following is a source document for purchase of materials?**

- Vendor’s invoice
- Purchase request
- Receiving report
- All of these [Correct]

183. **Multiple Choice: Which of the following is a variable cost?**
Question: Which of the following is a variable cost?
Answer: Raw materials, Rent, Insurance expense, Salaries

184. Multiple Choice: Which of the following is exclusive to a production-oriented company?
Question: Which of the following is exclusive to a production-oriented company?
Answer: Balance sheet, Statement of cash flows, Income statement, Statement of cost of goods manufactured

185. Multiple Choice: Which of the following is included in prime costs?
Question: Which of the following is included in prime costs?
Answer: Overhead costs, Indirect materials costs, Selling and administrative costs, Direct labor costs

186. Multiple Choice: Which of the following is not a product cost?
Question: Which of the following is not a product cost?
Answer: Depreciation on office furniture, Manufacturing overhead, Direct labor, Direct materials

187. Multiple Choice: Which of the following is not a product cost?
Question: Which of the following is not a product cost?
Answer: Indirect materials costs, Packaging costs, Direct labor costs, Overhead costs

188. Multiple Choice: Which of the following is not a reason to classify costs as either product or period costs?
Question: Which of the following is not a reason to classify costs as either product or period costs?
Answer: To determine unit manufacturing costs, To determine if the costs are fixed or variable, To analyze costs for control purposes, To report production costs on the income statement

189. Multiple Choice: Which of the following is not a stage in the management process?
Question: Which of the following is not a stage in the management process?
Answer: Evaluating, Communicating
190. Multiple Choice: Which of the following is not one of the key questions to be addressed when preparing an accounting report?

Question: Which of the following is not one of the key questions to be addressed when preparing an accounting report?

Answer: What is audience's familiarity with accounting?
What information should be included?
When is it due and what method of presentation is best?

How long should the information be valid?

191. Multiple Choice: Which of the following is one of the integrity standards of management accountants?

Question: Which of the following is one of the integrity standards of management accountants?

Answer: Refraining from accepting hospitality gifts from coworkers
Refraining from activities that the company does not actively endorse
Avoiding actual or apparent conflicts of interest
Avoiding only those conflicts of interest that occur between coworkers

192. Multiple Choice: Which of the following is the formula used to compute product unit cost?

Question: Which of the following is the formula used to compute product unit cost?

Answer: (Direct Materials + Direct Labor) / Number of Units Produced
(Direct Materials + Direct Labor + Overhead) / Number of Units Produced
(Direct Labor + Overhead) / Number of Units Produced

193. Multiple Choice: Which of the following labor costs would be included in direct labor?

Question: Which of the following labor costs would be included in direct labor?

Answer: Maintenance workers
Machine operators
Managers and supervisors
Materials storeroom custodian

194. Multiple Choice: Which of the following questions do not dictate a managerial report's format?

Question: Which of the following questions do not dictate a managerial report's format?

Answer: Who should write the report?
To whom should the report be distributed?
What is the purpose of the report?
What information is needed?

195. Multiple Choice: Which of the following represents normal cost measurement?

Question: Which of the following represents normal cost measurement?

Answer: Actual Direct Materials + Actual Direct Labor + Actual Overhead
Actual Direct Materials + Actual Direct Labor + Estimated Overhead
Estimated Direct Materials + Estimated Direct Labor + Actual Overhead
Actual Direct Materials + Estimated Direct Labor + Estimated Overhead
196. Multiple Choice: Which of the following should not be included in the computation of cost of goods manufactured?

- Factory power costs
- Indirect materials costs
- Selling costs
- Direct materials costs

197. Multiple Choice: Which of the following statements is true of financial and managerial accounting?

- Both use historical costs as their primary unit of measurement.
- Both depend on the double-entry system of accounting.
- Both require adherence to generally accepted accounting principles.
- Both assist managers in decision making.

198. Multiple Choice: Which of the following terms apply to materials and supplies that can be traced conveniently to specific products?

- Indirect materials
- Indirect manufacturing costs
- Direct costs
- Manufacturing overhead

199. Multiple Choice: Which of the following types of product costs appear in the financial statements?

- Predetermined overhead costs
- Estimated costs
- Standard costs
- Actual costs

200. Multiple Choice: Which of the following user groups will use managerial accounting information for decision-making purposes?

- Customers
- Lenders
- Employees
- Stockholders

201. Multiple Choice: Woodies Inc. produces wooden desks. Which of the following is not an indirect material for Woodies?

- Wood in a desk
- Nails in a desk
- Screws in a desk
- Lubricants for production machinery

202. Essay: Yamishi Production had the following...
Yamishi Production had the following inventories for the first quarter of 2014:

<table>
<thead>
<tr>
<th></th>
<th>Beginning</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>$606,600</td>
<td>$522,100</td>
</tr>
<tr>
<td>Work in process</td>
<td>312,100</td>
<td>280,800</td>
</tr>
<tr>
<td>Finished goods</td>
<td>416,100</td>
<td>540,200</td>
</tr>
</tbody>
</table>

Purchases of materials during the quarter were $427,800. Total direct labor costs were incurred in the amount of $1,482,000. Actual overhead costs were incurred as follows: operating supplies used, $17,100; janitorial and maintenance, $87,300; employee benefits, $26,400; utilities, $162,000; depreciation of factory, $43,200; property taxes, $24,000; factory insurance, $29,000. Net sales for the quarter were $3,562,200. Selling and administrative expenses were $508,000. Income taxes should be computed at 40 percent.

Prepare a statement of cost of goods manufactured for the first quarter of 2014.

Yamishi Production
Statement of Cost of Goods Manufactured
For the Quarter Ended March 31, 2014

Direct materials used
- Materials inventory, January 1 $  606,600
- Direct materials purchased 427,800
  Cost of direct materials available for use $1,034,400
- Less materials inventory, March 1 522,100
  Cost of direct materials used $  512,300

Direct labor 1,482,000

Overhead costs
- Operating supplies $   17,100
- Janitorial and maintenance 87,300
- Employee benefits 26,400
- Utilities 162,000
- Depreciation of factory 43,200
- Property taxes 24,000
- Factory insurance 29,000
  Total overhead costs 389,000

Total manufacturing costs $2,383,300

Add work in process inventory, January 1 312,100
Total cost of work in process during the quarter $2,695,400
Less work in process inventory, March 31 280,800
Cost of goods manufactured $2,414,600