

COMM 305 Tutorials - Matthew

Fall 2019 Midterm Mock Exam

Material Breakdown:

Chapter 1:	4 Questions
Chapter 2:	10 Questions
Chapter 3:	10 Questions
Chapter 4:	10 Questions
Chapter 5:	6 Questions
Chapter 6:	<u>10 Questions</u>
Total:	50 Questions

Select the best answer:

1. Which of the following is not one of the categories in Standards of Ethical Conduct for Practitioners of Management accounting and Financial Management?
  - a. Confidentiality
  - b. Competence
  - c. Integrity
  - d. Interdependence
  - e. None of the above
2. What term describes all activities associated with providing a product or service?
  - a. Product costs
  - b. Manufacturing costs
  - c. Manufacturing chain
  - d. Value chain
  - e. None of the above
3. What activities and responsibilities are not associated with management functions?
  - a. Planning
  - b. Accountability
  - c. Controlling
  - d. Directing
  - e. None of the above

4. Managerial accounting:
- Is concerned with costing products
  - Is governed by GAAP
  - Pertains to the entity as a whole and is highly aggregated
  - Places emphasis on special-purpose information
  - None of the above
5. What is the outcome if the cost of goods sold is greater than the cost of goods manufactured?
- Work-in-process inventory has decreased during the period
  - Finished goods inventory has increased during the period
  - Total manufacturing costs must be greater than cost of goods manufactured
  - Finished goods inventory has decreased during the period
  - None of the above
6. A manufacturing company prepays its insurance coverage for a three-year period. The premium for the three years is \$2,700 and is paid at the beginning of the first year. Eighty percent of the premium applies to manufacturing operations and 20% applies to selling and administrative activities. What amounts should be considered product costs and period costs respectively for the first year of coverage?
- |    | Product Costs     | Period Costs |
|----|-------------------|--------------|
| a. | \$2,700           | \$0          |
| b. | \$2,160           | \$540        |
| c. | \$1,440           | \$360        |
| d. | \$720             | \$180        |
| e. | None of the above |              |
7. What would be the classification of the transportation costs incurred by a manufacturing company to ship its product to its customers?
- Product Cost
  - Manufacturing Overhead
  - Period Cost
  - Administrative Cost
  - None of the above

8. Assume the following: Actual overhead costs equalled estimated overhead. Actual direct labour hours exceeded estimated direct labour hours used to calculate the predetermined overhead rate. If overhead is applied using the predetermined overhead rate, what will be the impact on the overhead?
- Need more information
  - Underapplied
  - Overapplied
  - None of the above
9. Last month, when 10,000 units of a product were manufactured, the cost per unit was \$60. At this level of activity, variable costs were 50% of total unit costs. If 10,500 units are manufactured next month and cost behaviour patterns remain unchanged, how will costs be affected?
- Total variable costs will remain unchanged
  - Fixed costs will increase in total
  - Variable cost per unit will increase
  - Total cost per unit will decrease

For question 10-13: The following data (in thousands of dollars) have been taken from the accounting records of Dalena Corporation for the year just ended.

Sales	\$910
Raw Materials, Beginning	80
Raw Materials, Ending	20
Raw Materials Purchased	100
Direct Labor	130
Manufacturing Overhead	200
Selling and Admin	300
Work-in-process, Beginning	40
Work-in-process, Ending	10
Finished Goods, Beginning	130
Finished Goods, Ending	150

10. What was the cost of the raw materials used in production (in thousands of dollars) during the year?
- \$180
  - \$40
  - \$120
  - \$160
  - \$225
11. What was the cost of goods manufactured (finished) for the year (in thousands of dollars)?
- \$530
  - \$520
  - \$500
  - \$460
  - 600
12. What was the operating income (in thousands of dollars) for the year?
- \$410
  - \$110
  - \$40
  - \$180
  - \$300

13. If a company sells goods that cost \$75,000 for \$100,000, the firm will:
- a. Reduce finished goods inventory by \$75,000
  - b. Generate sales revenue on the balance sheet of \$100,000
  - c. Reduce finished goods inventory by \$100,000
  - d. Reduce cost of goods sold by \$75,000
  - e. Generate profit of \$100,000

The following data was gathered by Phan Industries for the first 6 months of the fiscal year 2019:

Month	Hours spent doing Comm 305	Costs
January	125	\$380
February	80	\$329
March	95	\$340
April	115	\$380
May	130	\$394
June	100	\$349

14. Using the high-low method, determine the fixed cost of Phan Industries.
- a. \$30
  - b. \$75
  - c. \$195
  - d. \$205
  - e. \$225

Use the following data for the next two questions:

Trump Corp manufactures two products, Steaks and Casinos. Trump's overhead costs consist of setting up machines, \$800,000; machining, \$1,800,000; and inspecting, \$600,000. Information on the two products is:

	Steaks	Casinos
Direct Labor Hours	15,000	25,000
Machine Setups	600	400
Machine Hours	24,000	26,000
Inspections	800	700

15. Overhead applied to steaks using traditional costs using direct labour hours is:

- a. \$1,200,000
- b. \$1,536,000
- c. \$1,670,000
- d. \$1,920,000
- e. None of the above

16. Overhead applied to steaks using activity-based costing is:

- a. \$1,200,000
- b. \$1,536,000
- c. \$1,664,000
- d. \$1,920,000
- e. None of the above

17. What is one of the key distinguishing features that separate a job-order costing system from a process costing system?

- a. Job-order costing is best suited for small work or jobs.
- b. Process costing emphasizes larger business activities.
- c. Process costing is time-based whereas job-order costing is more item-specific.
- d. Process costing is more item-specific whereas job-order costing is more time-based.
- e. None of the above

18. During 2016, Brenda Manufacturing expected her job to cost \$300,000 of overhead, \$500,000 of material, and \$200,000 in labour. Brenda applied overhead based on direct labour cost. Actual production required an overhead cost of \$280,000, \$550,000 in materials used; and \$220,000 in labour. All of the goods were completed. How much is the amount of over/under applied overhead?
- \$50,000 under-applied
  - \$50,000 over-applied
  - \$20,000 under-applied
  - \$20,000 over-applied
  - None of the above
19. Kayne Corp over-applied manufacturing overhead on his Yeezy line in 2019. Which one of the following is part of the year-end entry to adjust the over-applied amount assuming the amount is material?
- debit to Work in Process Inventory
  - debit to Cost of Goods Sold
  - debit to Manufacturing Overhead
  - credit to Unearned Revenue
  - None of the above
20. Magna Company's factory overhead costs was under-applied by \$14,000 in a certain year. The budgeted overhead was \$303,000 and the applied overhead was \$310,000. Compute the actual overhead:
- \$310,000
  - \$324,000
  - \$296,000
  - \$289,000
  - None of the above
21. If prime costs = \$50,000, conversion cost = \$82,000, manufacturing overhead = \$57,000, the costs for direct materials and total manufacturing costs are:
- |    | Direct Materials  | Total Manufacturing Costs |
|----|-------------------|---------------------------|
| a. | \$25,000          | \$107,000                 |
| b. | \$23,000          | \$132,000                 |
| c. | \$25,000          | \$132,000                 |
| d. | \$25,000          | \$105,000                 |
| e. | None of the above |                           |

22. What transaction is recorded when direct labor is assigned to jobs?
- Debit to work in process inventory and a credit to factory labour
  - Debit to manufacturing overhead and a credit to factory labor
  - Debit to factory labor and a credit to manufacturing overhead
  - Debit to factory labour and a credit to work in process inventory
  - None of the above
23. What is NOT true about accounting in job-order costing?
- Used indirect materials are debited to the Work in Process Account.
  - Indirect materials used in production are variable manufacturing costs.
  - The raw materials requisitions slip informs on the direct and indirect materials used.
  - The costs of finished goods are debited to finished goods inventory.
  - Job-order costing entails accumulating costs and assigning costs.

The quarterly income statement for POM corp is as follows:

Sales	\$1,600
<u>Less variable expenses:</u>	
Direct materials	\$280
Direct labour	300
Manufacturing overhead	60
Administrative expenses	30
Selling expenses	<u>70</u>
Contribution margin	?
<u>Less fixed expenses:</u>	
Manufacturing overhead	\$180
Administrative expenses	440
Selling expenses	<u>100</u>
Income before taxes	?

24. What total amount represents the product costs?
- \$640
  - \$820
  - \$580
  - \$900
  - None of the above.

25. The following data was selected from Vivien Inc:

Cost of goods available for sale	\$79,000
Manufacturing Overhead	\$20,000
Cost of goods manufactured	\$69,000
Finished goods inventory – Jan1	\$10,000
Direct Materials used	\$16,000
Sales	\$130,000
Direct Labor	\$23,000
WIP – Jan1	\$15,000
Cost of goods Sold	\$71,000

What's was the WIP inventory at the end of January?

- a. \$5,000
- b. \$10,000
- c. \$15,000
- d. \$44,000
- e. None of the above

Use the following information to answer questions 26-28:

NeedmoMoney began the period with no units in process and 80,000 units in finished goods inventory. During the period they sold 280,000 units and also had the following at the end of the period:

Finished goods (units)	40,000
Work-in-process (50% conversion complete)	12,000

26. Equivalent units for the period totaled:

- a. 314,000.
- b. 280,000.
- c. 240,000.
- d. 246,000.
- e. None of the above.

27. JMSB accounting records reflect the following inventories:

	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2006</u>
Raw materials inventory	\$100,000	\$ 80,000
Work in process inventory	130,000	145,000
Finished goods inventory	125,000	115,000

During 2006, JMSB purchased \$950,000 of raw materials, incurred direct labour costs of \$125,000, and incurred manufacturing overhead totaling \$160,000.

How much is raw materials transferred to production during 2006 for JMSB Manufacturing?

- a. \$1,240,000
- b. \$970,000
- c. \$950,000
- d. \$930,000
- e. None of the above.

28. Cruz Company uses Fifo method to compute equivalent units. It has 2,000 units in beginning work in process 20% complete in terms of conversion costs, 25,000 units started and completed during the current period, and 3,000 units in ending work in process, 30% complete in terms of conversion costs. All units are 100% complete in terms of materials. Equivalent units for conversion costs are?

- a. 26,600
- b. 27,500
- c. 26,200
- d. 29,600
- e. None of the above

29. UpTooEarly Inc has 3000 units in beginning work in process, 20% complete as to conversion costs, 25,000 units transferred out to finish goods, and 1,000 units in ending work in process 80% complete to conversion costs. How much are equivalent units for conversion costs if the FIFO method is used?

- a. 27,300
- b. 23,000
- c. 25,200
- d. 24,300
- e. None of the above

30. TooMuchFIFO's department output during the period costs of 10,000 units completed and transferred out, and 600 units in ending work in process that were 75% complete as to materials and conversion costs. Beginning inventory was 800 units that were 30% complete as to materials and conversion costs. Under FIFO method what are the equivalent units of production for materials?

- a. 10,690
- b. 11,010
- c. 10,450
- d. 10,210
- e. None of the above

Use the following data for the next 3 questions.

M Corporation uses the Weighted Average method in its process costing system. Operating data for the Casting Department for the month of September appear below:

	Units	% Complete Conversion
Beginning work in process inventory	15,000	20%
Transferred in from prior department	89,000	
Ending work in process inventory	24,000	90%

Materials are 100% as the beginning of production. The beginning work-in-process materials cost were \$10,100. An additional cost of \$424,620 were added during the month. According to the company's records, the conversion cost in beginning work-in-process inventory was \$15,660 at the beginning of September. Additional conversion costs of \$526,884 were incurred in the department during the month.

31. What would be the cost per equivalent unit for material and conversion costs?

- a. Material: \$4.18 Conversion: \$5.34
- b. Material: \$5.18 Conversion: \$6.34
- c. Material: \$6.18 Conversion: \$7.34
- d. Material: \$7.18 Conversion: \$8.34
- e. None of the above

32. What is the amount of cost assigned to completed and transferred out?

- a. \$115,344
- b. \$100,320
- c. \$761,600
- d. \$215,664
- e. None of the above

33. What is the cost assigned to ending inventory?

- a. \$115,344
- b. \$100,320
- c. \$761,600
- d. \$215,664
- e. None of the above

34. Which of the following companies would be most likely to use process costing?

- a. Car manufacturer
- b. Spa
- c. Cement plant
- d. Airplane manufacturer
- e. None of the above

35. Manufacturing costs always follow the physical flow of goods. The costs of completed units from the mixing department are treated as input material costs in the baking department. Such a sequential process requires the use of an additional cost component called?

- a. Prime costs
- b. Transferred in costs
- c. Cost of goods sold
- d. Factory costs
- e. None of the above

36. Gofish Inc. has an overhead rate for machine setups of \$200 per machine setup, for a total of \$56,000 of overhead. The company produces two products, product Poker and product Blackjack, which require 120 and 160 setups each, respectively. The overhead assigned to each product is?

- |    |                   |           |
|----|-------------------|-----------|
|    | Poker             | Blackjack |
| a. | \$28,000          | \$28,000  |
| b. | \$32,000          | \$24,000  |
| c. | \$26,000          | \$32,000  |
| d. | \$24,000          | \$32,000  |
| e. | None of the above |           |

37. Joel LOVES accounting. Since he loves it so much, he decided to do both Acco310 and Comm305 in the same semester. The amount of overhead he uses in Acco310 is \$240,000 and Comm305 \$120,000. Information on the two classes are:

	Acco310	Comm305
Direct Labor cost:	\$50,000	\$100,000
CPU minutes:	40,000	10,000
Legal hours used:	200	800

What is the overhead applied to Acco310?

- \$120,000
- \$144,000
- \$216,000
- \$240,000
- None of the above

38. Nikki Corp provides security guards to shopping malls. Data related to Nikki's overhead costs for the current year are as follows:

Head Office Activity	Total Overhead Cost	Cost Driver	Estimated Activity
Supervision	\$128,000	# of Employees	80
Technology Fees	\$58,000	# of Computer Hours	2,000
Rent/Utilities/Taxes	\$42,000	# of DL hours	160,000

During the year, Nikki provided security to Gabriella including 5 employees, 150 computer hours and 10,800 labor hours. Overhead applied to the Gabriella job for the year using ABC costing is:

- \$1,629.26
- \$15,185.00
- \$15,390.00
- \$17,100.00
- None of the above

Use the following information for the next 3 questions:

In September Smith company had the following financial statement amounts related to producing 500 units:

Direct materials:	\$27,000
Depreciation expense:	\$11,000
Sales revenue:	\$95,000
Direct labor:	\$23,000
Rent expense:	\$25,000

39. How much was the total contribution margin for September?

- a. \$45,000
- b. \$9,000
- c. \$68,000
- d. \$20,000
- e. None of the above

40. How much was the net profit, (loss), for September?

- a. \$45,000
- b. \$9,000
- c. \$68,000
- d. \$20,000
- e. None of the above

41. How much is the contribution margin per unit?

- a. \$9,000
- b. \$77
- c. \$22
- d. \$18
- e. None of the above \$90

42. Amanda Corp has a contribution margin ratio of 40% and a breakeven point of \$200,000 in sales. If the firm reports a net income of \$100,000 before taxes of 50%, what were total sales for the year?
- \$450,000
  - \$156,000
  - \$200,000
  - \$975,000
  - None of the above

Use the following information to solve the next 2 questions:

Blossom Inc is starting to manufacture metal desks. It has been determined that the market demand can be 7,000, 8,000 or 9,000 units. To start up, Blossom Inc obtained a \$3 million term loan at 6%. Other information is as follows:

Selling price per desk	\$200
Variable cost per desk	\$50
Total fixed costs	\$1,000,000 (Loan amount included)

43. What is Blossom's break-even point in units and dollars?

- |    | Units             | Dollars     |
|----|-------------------|-------------|
| a. | 2000              | \$6000      |
| b. | 6000              | \$2000      |
| c. | 6667              | \$1,333,333 |
| d. | 6700              | \$1,500,000 |
| e. | None of the above |             |

44. There is a risk that Blossom may have to take out an additional loan for \$1,500,000 at the same rate as its current loan. If so, what is the minimum level of demand (7,000, 8,000 or 9,000 units) at which Blossom must operate?

- 7000
- 8000
- 9000
- 10,000
- None of the above

45. Which of the following would produce the largest contribution margin per unit?
- 5% decrease in the selling price
  - 12% increase in the variable cost
  - 26% decrease in the fixed cost
  - 28% increase in the number of units sold
  - 9% increase in the selling price

Use the following information for the next 3 questions:

Catherine Corp sells two types of fake merchandise. Fake Gucci and fake Supreme. Catherine incurs \$300, \$125 in fixed costs respectively.

Unit data	Fake Gucci	Fake Supreme
Selling Price	\$1,500	\$1,750
Variable Cost	\$1,100	\$1,200
Contribution Margin	\$400	\$550
Sales Mix	75%	25%

47. The weighted average contribution margin is:
- \$437.50
  - \$475
  - \$1,125.00
  - \$375.00
  - None of the above
48. The breakeven point in units is:
- 267
  - 632
  - 686
  - 800
  - None of the above
49. How much Fake Gucci will be sold at the breakeven point?
- 477
  - 172
  - 515
  - 158
  - None of the above

50. Lobasso is the CEO of two entities; TD and RBC. The sales mix is 60% for TD and 40% for RBC. Lobasso incurs \$2,420,000 in fixed costs. The contribution margin ratio for TD is 40% and RBC is 50%.

What will the sales for TD be at the breakeven point?

- a. \$2,200,000
- b. \$2,750,000
- c. \$2,921,739
- d. \$3,300,000

BONUS QUESTION – worth 50 points.

Critical inputs using the high-low method include all of the following except:

- a. Actual activity levels for an operating period
- b. Actual total costs corresponding to the various activity levels
- c. Costs are linear within the relevant range
- d. A calculator
- e. None of the above

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