

# Intermediate Management Accounting

## Week 1

### Quiz

## WEEK 1 — QUIZ

1. Light Ltd. produces lighting fixtures. For the upcoming period, the company has provided the following budget information for two of its product lines:

	Product A	Product B
Sales (units)	120,000	400,000
Sales	\$ 6,000,000	\$ 48,000,000
Less: variable costs	(2,400,000)	(38,000,000)
Contribution margin	\$ 3,600,000	\$ 10,000,000
Less: fixed costs	(2,398,000)	(6,200,000)
Operating profit (loss)	\$ 1,202,000	\$ 3,800,000

If Light wishes to achieve a total net (after-tax) income of \$7,000,000 and has a tax rate of 30%, how many units of Product B must it sell if the sales mix remains unchanged?

- a) 400,000  
 b) 547,000  
 c) 623,920  
 d) 743,920
2. Harper Valley Inc.'s financial statements were ruined when a water pipe burst in the controller's office. The office assistant was only able to gather the following data:

Beginning finished goods inventory	\$88,200
Ending finished goods inventory	70,800
Beginning work-in-process inventory	43,200
Ending work-in-process inventory	31,800
Beginning direct materials inventory	11,250
Ending direct materials inventory	16,800
Total manufacturing costs	366,100
Cost of goods sold	394,900
Manufacturing overhead	206,600
Direct materials purchases	108,750

Which of the following is **correct**?

- a) Direct labour is \$56,300.  
 b) Direct materials transferred to work-in-process is \$120,000.  
 c) Cost of goods manufactured is \$326,750.  
 d) Cost of goods sold is \$426,700.

3. Which of the following would **not** be used to describe **direct labour**?

- a) Conversion cost
- b) **Period cost**
- c) Prime cost
- d) Variable cost

4. Pavot Industries manufactures handcrafted furniture. The accountant is attempting to gain control of the overhead costs. Because the furniture is crafted by hand, direct labour hours are used to apply the overhead. The accountant has gathered the following data relating to direct labour hours and total overhead costs for a six-year period:

	<b>Direct labour hours</b>	<b>Total factory overhead costs</b>
20X2	46,800	\$297,000
20X3	36,000	\$276,000
20X4	40,800	\$262,500
20X5	48,000	\$288,000
20X6	45,000	\$254,250

Total factory overhead consists of supervisory salaries, which are fixed at \$195,000, and utilities costs, which are **mixed**. Using the **high-low method**, which of the following is the correct cost formula for utilities costs?

- a)  $Y = 45,000 + 1.00X$
- b)  $Y = -814,500 + 23.75X$
- c)  $Y = 118,000 + 3.54X$
- d)  **$Y = 240,000 + 1.00X$**

5. Calley Co.'s **margin of safety** for the last period was 20%. The company incurred \$900,000 in fixed costs for the period and its contribution margin ratio was 25%. The **break-even** was calculated at 12,000 units.

What were the actual total sales revenues for the period?

- a) \$225,000
- b) \$1,500,000
- c) \$4,320,000
- d) **\$4,500,000**