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| 1. The business entity that converts purchased raw materials into finished goods by using labor, technology, and facilities is a:

|  |  |  |
| --- | --- | --- |
|   | a.  | Manufacturer. |
|   | b.  | Merchandiser. |
|   | c.  | Service business. |
|   | d.  | Not-for-profit service agency. |

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| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | The business entity that converts purchased raw materials into finished goods by using labor, technology, and facilities is a manufacturer. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.1 - Introduction |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Business Applications |
| *OTHER:* | Bloom's: Remembering |

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| 2. The business entity that purchases finished goods for resale is a:

|  |  |  |
| --- | --- | --- |
|   | a.  | Manufacturer. |
|   | b.  | Merchandiser. |
|   | c.  | Service business. |
|   | d.  | Wholesaler. |

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| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | The business entity that purchases finished goods for resale is a merchandiser. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.1 - Introduction |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Business Applications |
| *OTHER:* | Bloom's: Remembering |

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| 3. The type of merchandiser who purchases goods from the producer and sells them to retailers that sell them to the consumer is a:

|  |  |  |
| --- | --- | --- |
|   | a.  | Manufacturer. |
|   | b.  | Retailer. |
|   | c.  | Wholesaler. |
|   | d.  | Service business. |

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| *ANSWER:* | c |
| *RATIONALE:* | A wholesaler purchases goods from the producer and sells them to the retailer. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.1 - Introduction |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Business Applications |
| *OTHER:* | Bloom's: Remembering |

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| 4. Examples of service businesses include:

|  |  |  |
| --- | --- | --- |
|   | a.  | Airlines, accountants, and hair stylists. |
|   | b.  | Department stores, poster shops, and wholesalers. |
|   | c.  | Aircraft producers, home builders, and machine tool makers. |
|   | d.  | None of these are correct. |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | Examples of service businesses include airlines, architects, and hair stylists. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.1 - Introduction |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Business Applications |
| *OTHER:* | Bloom's: Understanding |

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| 5. ISO 9000 is a set of international standards for:

|  |  |  |
| --- | --- | --- |
|   | a.  | determining the selling price of a product. |
|   | b.  | cost control. |
|   | c.  | quality management. |
|   | d.  | delivering product, |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | ISO 9000 is a set of international standards for quality management. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.1 - Introduction |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Strategic Planning |
| *OTHER:* | Bloom's: Remembering |

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| 6. Unit cost information is important for making all of the following marketing decisions **except**:

|  |  |  |
| --- | --- | --- |
|   | a.  | Determining the selling price of a product. |
|   | b.  | Bidding on contracts. |
|   | c.  | Determining the amount to spend on social media to promote the product. |
|   | d.  | Determining the amount of profit that each product earns. |

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| *ANSWER:* | c |
| *RATIONALE:* | Unit cost information is used in determining selling price, bidding on contracts and determining product profitability, but would not have a bearing on determining how much the product would need to be advertised. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Strategic Marketing |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Remembering |

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| 7. The process of establishing objectives or goals for the firm and determining the means by which they will be met is:

|  |  |  |
| --- | --- | --- |
|   | a.  | controlling. |
|   | b.  | analyzing profitability. |
|   | c.  | planning. |
|   | d.  | assigning responsibility. |

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| *ANSWER:* | c |
| *RATIONALE:* | The process of establishing goals and objectives for a firm is planning. Controlling, analyzing profitability and assigning responsibility are functions that take place after the planning process to determine whether or how successfully goals have been obtained. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Budget Preparation |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Remembering |

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| 8. Effective control of a company's operations is achieved through all of the following **except**:

|  |  |  |
| --- | --- | --- |
|   | a.  | periodically measuring and comparing company results. |
|   | b.  | assigning responsibility for costs to employees responsible for those costs. |
|   | c.  | constantly monitoring employees to ensure they do exactly as they are told. |
|   | d.  | taking necessary corrective action when variances suggest it is needed. |

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| *ANSWER:* | c |
| *RATIONALE:* | While periodically measuring and comparing company results, assigning responsibility for those results to employees and taking necessary corrective action are all part of control; it does not include constantly monitoring employees to make sure they are following directions. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Performance Measurement |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Remembering |

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| 9. Dan Louis is the supervisor of the Assembly Department of Wiggerman Corporation.  He has control over and is responsible for manufacturing costs traced to the department.  The Assembly Department is an example of a(n):

|  |  |  |
| --- | --- | --- |
|   | a.  | cost center. |
|   | b.  | inventory center. |
|   | c.  | supervised work center. |
|   | d.  | worker’s center. |

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| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | The criteria for a cost center are 1) a reasonable basis on which manufacturing costs may be traced and 2) a person who has control over and is accountable for many of the costs charged to that center. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Performance Measurement |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Understanding |

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| 10. Which of the following costs would be **least** likely to appear on a responsibility accounting report for the supervisor of an assembly line in a large manufacturing situation?

|  |  |  |
| --- | --- | --- |
|   | a.  | Direct labor |
|   | b.  | Indirect materials |
|   | c.  | Selling expenses |
|   | d.  | Repairs and maintenance |

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| *ANSWER:* | c |
| *RATIONALE:* | Selling expenses would be least likely to appear on a performance report, because the supervisor would not have responsibility for the sales function. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Performance Measurement |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Understanding |

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| 11. Which of the following costs would be **least** likely to appear on a responsibility accounting report for the supervisor of an assembly line in a large manufacturing situation?

|  |  |  |
| --- | --- | --- |
|   | a.  | Direct labor |
|   | b.  | Supervisor's salary |
|   | c.  | Materials |
|   | d.  | Repairs and maintenance |

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| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | A supervisor's salary would be least likely to appear on a performance report, because that person's salary is determined by the company and is not controllable by the supervisor. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Performance Measurement |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Understanding |

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| 12. Responsibility accounting would most likely hold a manager of a manufacturing unit responsible for:

|  |  |  |
| --- | --- | --- |
|   | a.  | cost of raw materials. |
|   | b.  | quantity of raw materials used. |
|   | c.  | the number of units ordered. |
|   | d.  | amount of taxes incurred. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | In responsibility accounting the manager of a cost center is only responsible for those costs and activities that manager controls. A manufacturing manager would not likely be responsible for the cost of the materials (the purchasing manager would have that responsibility), the number of units ordered (that would be driven by demand) or the taxes incurred. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Performance Measurement |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Understanding |

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| 13. Which of the following statements characterizes a performance report prepared for use by a production line department head?

|  |  |  |
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|   | a.  | The costs in the report should include only those controllable by the department head. |
|   | b.  | The report should be stated in dollars rather than in physical units so the department head knows the financial magnitude of any variances. |
|   | c.  | The report should include information on all costs chargeable to the department, regardless of their origin or control. |
|   | d.  | It is more important that the report be precise than timely. |

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| *ANSWER:* | a |
| *RATIONALE:* | The performance report should include only those costs controllable by the department head. It should also be timely and should include production data as well as dollar amounts. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Performance Measurement |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Understanding |

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| 14. A budget:

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| --- | --- | --- |
|   | a.  | is a monthly financial statement issued to a company’s shareholders. |
|   | b.  | is management’s operating plan expressed in units and dollars. |
|   | c.  | documents the production department’s schedule. |
|   | d.  | is the basis for the annual sales forecast. |

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| *ANSWER:* | b |
| *RATIONALE:* | A budget is management’s operating plan expressed in quantitative terms. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Budget Preparation |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Remembering |

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| 15. Joshua Company prepares monthly performance reports for each department.  The budgeted amounts of wages for the Finishing Department for the month of August and for the eight-month period ended August 31 were $12,000 and $100,000, respectively.  Actual wages paid through July were $91,500, and wages for the month of August were $11,800.  The month and year-to-date variances, respectively, for wages on the August performance report would be:

|  |  |  |
| --- | --- | --- |
|   | a.  | $200 F; $8,500 F |
|   | b.  | $200 F; $3,300 U |
|   | c.  | $200 U; $3,300 U |
|   | d.  | $200 U; $8,500 F |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | Calculation of monthly variance:

|  |  |
| --- | --- |
| Budgeted wages for August | $12,000 |
| Actual wages for August |  11,800 |
| Variance for August | $   200 F |

Calculation of year-to-date variance:

|  |  |
| --- | --- |
| Budgeted wages for the eight-month period ended August 31 | $100,000 |
| Actual wages for the eight-month period ended August 31 (91,500 + 11,800) |  103,300 |
| Variance for eight-month period ended August 31 | $   3,300 U |

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| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Performance Measurement |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Applying |

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| 16. The January performance report for cab no. 52 of Teri’s Taxi Service was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Expense | Budgeted | Actual | Variance |
| Driver’s wages | $2,000 | $1,800 | $200 F |
| Gasoline | 300 | 270 | 30 F |
| Maintenance | 200 | 400 | 200 U |
| Insurance |   100 |   110 |   10 U |
|   Total | $2,600 | $2,580 | $  20  F |

Possible reason(s) for the variance in the driver’s wages could be:

|  |  |  |
| --- | --- | --- |
|   | a.  | A new driver was assigned to cab no. 52 on January 5, replacing one who retired after 30 years of service. |
|   | b.  | The cab was in the shop for repairs for a few days. |
|   | c.  | Business was slow so cab no. 52 was idled for two days. |
|   | d.  | All of the above are possible reasons. |

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| *ANSWER:* | d |
| *RATIONALE:* | The decrease in driver’s wages could be due to the driver working less time (as in options b or c) or for less wages as in option a where a less experienced driver would likely be working for a lower rate. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Performance Measurement |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Analyzing |

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| 17. As a result of recent accounting scandals involving companies such as Enron and World Com, the Sarbanes-Oxley Act of 2002 was written to protect shareholders of public companies by improving

|  |  |  |
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|   | a.  | management accounting. |
|   | b.  | corporate governance. |
|   | c.  | professional competence. |
|   | d.  | the corporate legal process. |

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| *ANSWER:* | b |
| *RATIONALE:* | The Sarbanes-Oxley act was written primarily to improve the corporate governance of publicly held companies. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.3 - LO2: Describe the ethical responsibilities and certification requirements for management accountants, as well as corporate governance. |
| *ACCREDITING STANDARDS:* | AACSB EthicsACCT.AICPA.FN.03 - MeasurementBUSPROG.02 - EthicsIMA-Business Applications |
| *TOPICS:* | Professional Ethics, CMA Certification and Corporate Governance |
| *OTHER:* | Bloom's: Remembering |

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| 18. Which of the following is **not** a key element of the Sarbanes Oxley Act?

|  |  |  |
| --- | --- | --- |
|   | a.  | The establishment of the Public Company Accounting Oversight Board |
|   | b.  | Requiring a company’s annual report to contain an internal control report that includes management’s opinion on the effectiveness of internal control |
|   | c.  | Severe criminal penalties for retaliation against “whistleblowers” |
|   | d.  | Requiring that the company’s performance reports are prepared in accordance with generally accepted accounting principles |

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| --- | --- |
| *ANSWER:* | d |
| *RATIONALE:* | The Sarbanes-Oxley Act does not require that companies prepare performance reports in accordance with generally accepted accounting principles. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.3 - LO2: Describe the ethical responsibilities and certification requirements for management accountants, as well as corporate governance. |
| *ACCREDITING STANDARDS:* | AACSB EthicsACCT.AICPA.FN.03 - MeasurementBUSPROG.02 - EthicsIMA-Business Applications |
| *TOPICS:* | Professional Ethics, CMA Certification and Corporate Governance |
| *OTHER:* | Bloom's: Remembering |

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| 19. Cost accounting differs from financial accounting in that financial accounting:

|  |  |  |
| --- | --- | --- |
|   | a.  | Is mostly concerned with external financial reporting. |
|   | b.  | Is mostly concerned with individual departments of the company. |
|   | c.  | Provides the additional information required for special reports to management. |
|   | d.  | Puts more emphasis on future operations. |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | Items (b) through (d) are characteristics of cost accounting, whereas Item (a) is a feature of financial accounting. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Reporting |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Understanding |

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| 20. Taylor Logan is an accountant with the Tanner Corporation.  Taylor’s duties include preparing reports that focus on both historical and estimated data needed to conduct ongoing operations and do long-range planning.  Taylor is a(n)

|  |  |  |
| --- | --- | --- |
|   | a.  | certified financial planner. |
|   | b.  | management accountant. |
|   | c.  | financial accountant. |
|   | d.  | auditor. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | A management accountant prepares reports that focus on both historical and estimated data that are used to conduct ongoing operations and do long-range planning. Financial accountants prepare financial statements needed by external users to evaluate a business, while auditors conduct examinations on those financial statements. A certified financial planner is a consultant that helps individuals with financial planning, including investment advice. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Business Applications |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Understanding |

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| 21. The following data were taken from Mansfield Merchandisers on January 31:

|  |  |
| --- | --- |
| Merchandise inventory, January 1 | $ 100,000 |
| Sales salaries |    35,000 |
| Merchandise inventory, January 31 |    65,000 |
| Purchases |   560,000 |

What was the Cost of goods sold in January?

|  |  |  |
| --- | --- | --- |
|   | a.  | $595,000 |
|   | b.  | $660,000 |
|   | c.  | $630,000 |
|   | d.  | $545,000 |

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| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* |

|  |  |
| --- | --- |
| Merchandise Inventory, January 1 | $100,000 |
| Plus Purchases |  560,000 |
| Merchandise Available for Sale | $660,000 |
| Less Merchandise Inventory, January 31 |   65,000 |
| Cost of Goods Sold | $595,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Applying |

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| 22. Umberg Merchandise Company’s cost of goods sold last month was $1,450,000. Merchandise Inventory at the beginning of the month was $250,000 and  $325,000 at the end of the month.  Umberg’s merchandise purchases were:

|  |  |  |
| --- | --- | --- |
|   | a.  | $1,450,000 |
|   | b.  | $1,375,000 |
|   | c.  | $1,525,000 |
|   | d.  | $1,775,000 |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | Merchandise purchases added to Merchandise Inventory at the beginning of the month results in the merchandise available for sale. At the end of the month, these goods either remain in Merchandise Inventory or are sold, which results in Cost of Goods Sold, so the total of ending Merchandise Inventory and Cost of Goods Sold is also the merchandise available for sale. Therefore, the equation can be rearranged to compute the merchandise purchases as follows:

|  |  |
| --- | --- |
| Cost of Goods Sold | $1,450,000 |
| Plus Ending Merchandise Inventory | 325,000 |
| Merchandise Available for Sale | 1,775,000 |
| Less Beginning Merchandise Inventory | 250,000 |
| Merchandise Purchases | $1,525,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Applying |

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| 23. Chen Corp. had finished goods inventory of $60,000 and $70,000 at May 1 and May 31, respectively, and cost of goods manufactured of $175,000.  Cost of goods sold in May was:

|  |  |  |
| --- | --- | --- |
|   | a.  | $165,000 |
|   | b.  | $175,000 |
|   | c.  | $185,000 |
|   | d.  | $225,000 |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* |

|  |  |
| --- | --- |
| Finished Goods Inventory, May 1 | $ 60,000 |
| Plus Cost of Goods Manufactured | 175,000 |
| Finished Goods Available for Sale | 225,000 |
| Finished Goods Inventory, May 31 | 70,000 |
| Cost of Goods Sold | $165,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Applying |

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| 24. The balance in Electric Industries’ Finished Goods account at December 31 was $325,000.  Its December cost of goods manufactured was $1,350,000, its total manufacturing costs were $1,500,000 and its cost of goods sold in December was $1,455,000.  What was the balance in Electric’s Finished Goods at December 1?

|  |  |  |
| --- | --- | --- |
|   | a.  | $280,000 |
|   | b.  | $220,000 |
|   | c.  | $370,000 |
|   | d.  | $430,000 |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *RATIONALE:* | Cost of goods manufactured added to Finished Goods at the beginning of the month results in the finished goods available for sale. At the end of the month, these goods either remain in Finished Goods or are sold, which results in Cost of Goods Sold, so the total of ending Finished Goods and Cost of Goods Sold is also the finished goods available for sale. Therefore, the equation can be rearranged to compute the beginning balance in Finished Goods as follows:

|  |  |
| --- | --- |
| Cost of Goods Sold | $1,455,000 |
| Plus Finished Goods Inventory, December 30 | 325,000 |
| Finished Goods Available for Sale | 1,780,000 |
| Less Cost of Goods Manufactured | 1,350,000 |
| Finished Goods Inventory, December 1 | $ 430,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Applying |

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| 25. Inventory accounts for a manufacturer include all of the following **except**:

|  |  |  |
| --- | --- | --- |
|   | a.  | Merchandise Inventory. |
|   | b.  | Finished Goods. |
|   | c.  | Work in Process. |
|   | d.  | Raw Materials. |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | Inventory accounts for a manufacturer include Raw Materials, Work in Process, and Finished Goods. Merchandise Inventory is the inventory account for a merchandiser. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Remembering |

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| 26. For a manufacturer, the total cost of manufactured goods completed but still on hand is:

|  |  |  |
| --- | --- | --- |
|   | a.  | Merchandise Inventory. |
|   | b.  | Finished Goods. |
|   | c.  | Work in Process. |
|   | d.  | Raw Materials. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | Merchandise Inventory refers to inventory held by a merchandising operation. Finished goods are goods completed, but still on hand, while Work in Process are goods which have been started and are in various stages of production, but are not yet completed. Raw materials are items which have been purchased and on hand to be used in the manufacturing process, but have not yet been issued into production. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Remembering |

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| 27. For a manufacturer, manufacturing costs incurred to date for goods in various stages of production, but **not** yet completed is:

|  |  |  |
| --- | --- | --- |
|   | a.  | Merchandise Inventory. |
|   | b.  | Finished Goods. |
|   | c.  | Work in Process. |
|   | d.  | Raw Materials. |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | Merchandise Inventory refers to inventory held by a merchandising operation. Finished goods are goods completed, but still on hand, while Work in Process are goods which have been started and are in various stages of production, but are not yet completed. Materials are items which have been purchased and on hand to be used in the manufacturing process, but have not yet been issued into production. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Remembering |

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| 28. For a manufacturer, the cost of all materials purchases and on hand to be used in the manufacturing process is:

|  |  |  |
| --- | --- | --- |
|   | a.  | Merchandise Inventory. |
|   | b.  | Finished Goods. |
|   | c.  | Work in Process. |
|   | d.  | Raw Materials. |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *RATIONALE:* | Merchandise Inventory refers to inventory held by a merchandising operation. Finished goods are goods completed, but still on hand, while Work in Process are goods which have been started and are in various stages of production, but are not yet completed. Raw materials are items which have been purchased and on hand to be used in the manufacturing process, but have not yet been issued into production. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Remembering |

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| 29. In the financial statements, Materials should be categorized as:

|  |  |  |
| --- | --- | --- |
|   | a.  | Revenue. |
|   | b.  | Expenses. |
|   | c.  | Assets. |
|   | d.  | Liabilities. |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | Materials are included in inventory, which is an asset on the balance sheet because it has a future benefit. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Reporting |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Understanding |

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| 30. A(n) \_\_\_\_\_\_\_\_\_\_ requires estimating inventory balances during the year for interim financial statements and a formal count of all inventory items at the end of the year.

|  |  |  |
| --- | --- | --- |
|   | a.  | periodic inventory system |
|   | b.  | inventory control account |
|   | c.  | perpetual inventory system |
|   | d.  | inventory cost method |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | A periodic inventory system requires a company to make estimates of inventory balances throughout the year, and a complete physical count of inventory at the end of the year. A perpetual inventory system provides a continuous record of purchases, issues and inventory balances. The inventory balances are verified with periodic counts of selected inventory items throughout the year. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Remembering |

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| 31. Witt Company maintains a continuous record of purchases, materials issued into production and balances of all goods in stock, so that inventory valuation data is available at any  time.  This is an example of a(n)

|  |  |  |
| --- | --- | --- |
|   | a.  | perpetual inventory system. |
|   | b.  | inventory control account. |
|   | c.  | periodic inventory system. |
|   | d.  | inventory cost method. |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | A perpetual inventory system maintains a continuous record of purchases, issues and inventory balances. A periodic inventory system requires a physical count of all inventory at the end of the year and estimates of inventory balances throughout the year when preparing interim financial statements. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Remembering |

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| 32. Which of the following is most likely to be considered an indirect material in the manufacture of a sofa?

|  |  |  |
| --- | --- | --- |
|   | a.  | Lumber |
|   | b.  | Glue |
|   | c.  | Fabric |
|   | d.  | Foam rubber |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | While glue would be included in the finished product, its cost would be relatively insignificant, therefore, it would not be cost effective to trace its cost to specific products. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 33. The Lauren Company’s payroll summary showed the following in November:

|  |  |
| --- | --- |
| Sales department salaries | $10,000 |
| Supervisor salaries | 20,000 |
| Assembly workers’ wages | 45,000 |
| Machine operators’ wages | 35,000 |
| Maintenance workers’ wages | 15,000 |
| Accounting department salaries |   5,000 |

What amount would be included in direct labor in November?

|  |  |  |
| --- | --- | --- |
|   | a.  | $25,000 |
|   | b.  | $80,000 |
|   | c.  | $45,000 |
|   | d.  | $140,000 |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | Assembly workers and machine operators would be considered direct labor.

|  |  |
| --- | --- |
| Assembly workers’ wages | $45,000 |
| Machine operators’ wages |  35,000 |
| Total direct labor | $80,000 |

The supervisors and maintenance workers would be included in overhead, while the sales and accounting department salaries would be included in selling and administrative expense. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 34. The wages of which of the following employees would **not** be included in the product cost for a manufacturer of custom-built home cooking appliances?

|  |  |  |
| --- | --- | --- |
|   | a.  | shipping clerk |
|   | b.  | appliance body welder |
|   | c.  | factory janitor |
|   | d.  | shop floor supervisor |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | The shipping clerk’s wages would be included in the Income Statement as a Selling Expense. The others represent direct or indirect manufacturing costs that would be included in the cost of the product. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 35. The Shiplett Company’s payroll summary showed the following in November:

|  |  |
| --- | --- |
| Supervisors’ salaries | $50,000 |
| Legal department salaries | 10,000 |
| Maintenance workers’ wages | 30,000 |
| Machine operators’ wages | 70,000 |
| Assembly workers’ wages | 50,000 |
| Sales department salaries | 20,000 |

What is total factory overhead for November?

|  |  |  |
| --- | --- | --- |
|   | a.  | $250,000 |
|   | b.  | $200,000 |
|   | c.  | $80,000 |
|   | d.  | $40,000 |

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| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | The supervisors’ salaries and maintenance workers’ wages would be included in factory overhead.

|  |  |
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| Supervisors’ salaries | $50,000 |
| Maintenance workers’ wages |  30,000 |
| Total indirect labor | $80,000 |

The wages of the assembly workers and machine operators would be included in direct labor, while the sales and accounting department salaries would be included in selling and administrative expense. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 36. Factory overhead includes:

|  |  |  |
| --- | --- | --- |
|   | a.  | Indirect labor but not indirect materials. |
|   | b.  | Indirect materials but not indirect labor. |
|   | c.  | All manufacturing costs, except indirect materials and indirect labor. |
|   | d.  | All manufacturing costs, except direct materials and direct labor. |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *RATIONALE:* | Factory overhead includes all manufacturing costs except direct materials and direct labor. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
| *OTHER:* | Bloom's: Remembering |

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| 37. A typical factory overhead cost is:

|  |  |  |
| --- | --- | --- |
|   | a.  | Freight out. |
|   | b.  | Stationery and printing. |
|   | c.  | Depreciation on machinery and equipment. |
|   | d.  | Postage. |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | Depreciation on machinery and equipment is a factory overhead cost because it is a manufacturing cost that is not direct labor or direct material. The other three items are marketing or administrative expenses. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 38. Factory overhead includes:

|  |  |  |
| --- | --- | --- |
|   | a.  | Wages of office clerk. |
|   | b.  | Sales manager’s salary. |
|   | c.  | Supervisor’s salary. |
|   | d.  | Tax accountant’s salary. |

|  |  |
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| *ANSWER:* | c |
| *RATIONALE:* | The supervisor’s salary is considered indirect labor because the supervisor is required for the manufacturing process, but does not work directly on the units being manufactured. Indirect labor is included in factory overhead. The office clerk’s wages, sales manager’s salary and tax accountant’s salary are marketing or administrative costs. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
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| *OTHER:* | Bloom's: Understanding |

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| 39. The term "prime cost" refers to:

|  |  |  |
| --- | --- | --- |
|   | a.  | The sum of direct labor costs and all factory overhead costs. |
|   | b.  | The sum of direct material costs and direct labor costs. |
|   | c.  | All costs associated with manufacturing other than direct labor costs and direct material costs. |
|   | d.  | Manufacturing costs incurred to produce units of output. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | The term "prime cost" refers to the sum of direct materials costs and direct labor costs. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
| *OTHER:* | Bloom's: Remembering |

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| 40. The following data are from Burton Corporation, a manufacturer, for the month of September:

|  |  |
| --- | --- |
| Direct materials used | $145,000 |
| Supervisors’ salaries | 6,000 |
| Machine operators’ wages | 200,000 |
| Sales office rent and utilities | 22,000 |
| Machine depreciation | 35,000 |
| Secretary to the Chief Executive Officer salary | 3,000 |
| Factory insurance | 15,000 |

​Total prime costs are:

|  |  |  |
| --- | --- | --- |
|   | a.  | $354,000 |
|   | b.  | $145,000 |
|   | c.  | $345,000 |
|   | d.  | $256,000 |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | Prime costs include direct materials and direct labor. Of the salaries and wages listed, only the wages of the machine operators would be considered direct labor as they are the only employees listed who would actually work on the products themselves.

|  |  |
| --- | --- |
| Direct materials used | $145,000 |
| Machine operators’ wages | 200,000 |
| Total prime costs | $345,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 41. The term "conversion costs" refers to:

|  |  |  |
| --- | --- | --- |
|   | a.  | The sum of direct labor costs and all factory overhead costs. |
|   | b.  | The sum of direct material costs and direct labor costs. |
|   | c.  | All costs associated with manufacturing other than direct labor costs. |
|   | d.  | Direct labor costs incurred to produce units of output. |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | The term "conversion costs" refers to the sum of direct labor costs and all factory overhead costs. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
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| 42. The following data are from Baker Company, a manufacturer, for the month of October:

|  |  |
| --- | --- |
| Machine operators’ wages | $110,000 |
| Supervisors’ salaries | 3,000 |
| Factory insurance | 7,500 |
| Secretary to the Chief Executive Officer salary | 1,500 |
| Machine depreciation | 17,500 |
| Sales office rent and utilities | 11,000 |
| Direct materials used | 67,500 |

​Total conversion costs are:

|  |  |  |
| --- | --- | --- |
|   | a.  | $177,500 |
|   | b.  | $114,500 |
|   | c.  | $150,500 |
|   | d.  | $138,000 |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *RATIONALE:* | Conversion costs include direct labor and factory overhead costs, including indirect labor. Of the salaries and wages listed, only the machine operators are considered direct labor as they are the only employees listed who would actually work on the products themselves. The supervisors are considered factory overhead because their efforts are essential to the manufacturing process, however they do not actually work on the products themselves. The sales office costs and the salary of the secretary would be marketing and administrative expenses as they do not contribute to the manufacturing process.

|  |  |
| --- | --- |
| Machine operators’ wages | $110,000 |
| Supervisors’ salaries | 3,000 |
| Machine depreciation | 17,500 |
| Factory insurance | 7,500 |
| Total conversion costs | $138,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 43. Payroll is debited and Wages Payable is credited to:

|  |  |  |
| --- | --- | --- |
|   | a.  | Pay the payroll taxes. |
|   | b.  | Record the payroll. |
|   | c.  | Pay the payroll. |
|   | d.  | Distribute the payroll. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | When the payroll is recorded, Payroll is debited and Wages Payable is credited. When payroll taxes are paid, the various liability accounts are debited and Cash is credited. When the payroll is paid, Wages Payable is debited and Cash is credited. When the payroll is distributed, Work in Process, Factory Overhead, and Selling and Administrative Expenses are debited and Payroll is credited. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 44. Which of the following is **not** a cost that is accumulated in Work in Process?

|  |  |  |
| --- | --- | --- |
|   | a.  | Direct materials |
|   | b.  | Administrative expense |
|   | c.  | Direct labor |
|   | d.  | Factory overhead |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | Administrative expense is not a manufacturing cost, so it would not be included in Work in Process. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 45. The entry to record depreciation of the production equipment would be:

|  |  |  |
| --- | --- | --- |
|   | a.  | Debit - Depreciation Expense - Equipment   Credit - Accumulated Depreciation - Equipment |
|   | b.  | Debit - Depreciation Expense - Equipment   Credit - Factory Overhead |
|   | c.  | Debit - Factory Overhead   Credit - Accumulated Depreciation - Equipment |
|   | d.  | Debit - Work-in-Process   Credit - Accumulated Depreciation - Equipment |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | Factory depreciation and other factory expenses are debited to the Factory Overhead account as they are incurred. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 46. At a certain level of operations, per unit costs and selling price are as follows:  manufacturing costs, $50; selling and administrative expenses, $10; selling price, $80.  Given this information, the mark-on percentage to manufacturing cost used to determine selling price must have been:

|  |  |  |
| --- | --- | --- |
|   | a.  | 20 percent. |
|   | b.  | 60 percent. |
|   | c.  | 33 percent. |
|   | d.  | 25 percent. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* |

|  |  |
| --- | --- |
| Selling price - Manufacturing costs | = Mark-on percentage |
| Manufacturing costs |

|  |  |
| --- | --- |
| $80 - $50 | = 60% |
| $50 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 47. Arnold Furniture Company produced 4,000 chairs in July.  The manufacturing costs were:

|  |  |
| --- | --- |
| Direct materials | $25,000 |
| Direct labor |  11,000 |
| Factory overhead |  12,000 |
| Selling expense |   5,000 |
| Administrative expense |   6,000 |

​The cost per tent is:

|  |  |  |
| --- | --- | --- |
|   | a.  | $14.75. |
|   | b.  | $12.00. |
|   | c.  | $9.00. |
|   | d.  | $6.25. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* |

|  |  |
| --- | --- |
| Direct materials | $25,000 |
| Direct labor |  11,000 |
| Factory overhead |  12,000 |
| Total manufacturing costs | $48,000 |

$48,000 / 4,000 units = $12.00 cost per unit |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 48. Mountain Company produced 20,000 blankets in June to be sold during the holiday season.  The manufacturing costs were:

|  |  |
| --- | --- |
| Direct materials | $125,000 |
| Direct labor |   55,000 |
| Factory overhead |   60,000 |

Management has decided that the mark-on percentage necessary to cover the product’s share of selling and administrative expenses and to earn a satisfactory profit is 30%.  The selling price per blanket should be:

|  |  |  |
| --- | --- | --- |
|   | a.  | $12.00. |
|   | b.  | $15.60. |
|   | c.  | $23.60. |
|   | d.  | $31.20. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* |

|  |  |
| --- | --- |
| Direct materials | $125,000 |
| Direct labor |   55,000 |
| Factory overhead |   60,000 |
| Total manufacturing costs | $240,000 |

​$240,000 / 20,000 units = $12.00 cost per unit $12.00 x 30% = $3.60 + $12.00 = $15.60 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA 2B - Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 49. The statement of cost of goods manufactured includes:

|  |  |  |
| --- | --- | --- |
|   | a.  | Office supplies used in accounting office. |
|   | b.  | Deprecation of factory building. |
|   | c.  | Salary of sales manager. |
|   | d.  | Rent paid on finished goods warehouse. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | The depreciation of the factory building is a cost necessary to manufacture goods. The office supplies, sales manager’s salary and warehouse rent are marketing and administrative costs and would not be included in the Statement of Cost of Goods Manufactured. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.04 - ReportingBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 50. Selected data concerning the past fiscal year's operations (000's omitted) of the Stanley Manufacturing Company are presented below:

|  |
| --- |
| INVENTORIES |
|   | Beginning | Ending |
| Materials | $ 90  | $ 85  |
| Work in process |  50 |  65 |
| Finished goods | 100 |  90 |
| Other data: |   |   |
|    Direct materials used |   | $365 |
|    Total manufacturing costs charged to production during    the year (includes direct materials, direct labor, and factory    overhead) |   |  680 |
|    Cost of goods available for sale |   |  765 |
|    Selling and general expenses |   |  250 |

Assuming Stanley does **not** use indirect materials, the cost of materials purchased during the year amounted to:

|  |  |  |
| --- | --- | --- |
|   | a.  | $455. |
|   | b.  | $450. |
|   | c.  | $365. |
|   | d.  | $360. |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *RATIONALE:* | Materials purchased added to Materials inventory at the beginning of the month results in the materials available for use. During the year, the materials are used or they remain in the Materials inventory at the end of the year, so the total of materials used and ending Materials inventory is also the total of the amount of materials available. Therefore, the equation can be rearranged to compute the materials purchases as follows:

|  |  |
| --- | --- |
| Direct materials used | $365 |
| Add ending inventory of materials |   85 |
| Materials available during the year | $450 |
| Less beginning inventory of materials |   90 |
| Purchases of materials during the year | $360 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 51. Selected data concerning the past fiscal year's operations (000's omitted) of Kraig Fabricators are presented below:

|  |
| --- |
| INVENTORIES |
|   | Beginning | Ending |
| Materials | $180  | $  170 |
| Work in process | 100 |    130 |
| Finished goods | 200 |    180 |
| Other data: |   |   |
|    Direct materials used |   | $  730 |
|    Total manufacturing costs charged to production during   the year (includes direct materials, direct labor, and factory   overhead) |   | 1,360 |
|    Cost of goods available for sale |   | 1,530 |
|    Selling and general expenses |   |    500 |

The cost of goods manufactured during the year was:

|  |  |  |
| --- | --- | --- |
|   | a.  | $1,410. |
|   | b.  | $1,330. |
|   | c.  | $1,420. |
|   | d.  | $1,470. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* |

|  |  |
| --- | --- |
| Beginning work in process inventory | $ 100 |
| Add total manufacturing costs during the year | 1,360 |
| Total | $1,460 |
| Less ending work in process inventory | 130 |
| Cost of goods manufactured during the year | $1,330 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 52. Selected data concerning the past fiscal year's operations (000's omitted) of Hercules Mills are presented below:

|  |
| --- |
| INVENTORIES |
|   | Beginning | Ending |
| Materials | $ 18 | $ 17 |
| Work in process |  10 |  13 |
| Finished goods | 20 |  18 |
| Other data: |   |   |
|    Direct materials used |   | $ 73 |
|    Total manufacturing costs charged to production during   the year (includes direct materials, direct labor, and factory   overhead) |   | 136 |
|    Cost of goods available for sale |   | 153 |
|    Selling and general expenses |   | 50 |

The cost of goods sold during the year was:

|  |  |  |
| --- | --- | --- |
|   | a.  | $135. |
|   | b.  | $146. |
|   | c.  | $153. |
|   | d.  | $155. |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* |

|  |  |
| --- | --- |
| Beginning finished goods inventory | $ 20 |
| Add cost of goods manufactured during the year ($136 + $10 - $13) |  133 |
| Total cost of goods available for sale | $153 |
| Less ending finished goods inventory |   18 |
| Cost of goods sold during the year | $135 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 53. Which of the following production operations would be most likely to employ a job order system of cost accounting?

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| --- | --- | --- |
|   | a.  | Candy manufacturing |
|   | b.  | Crude oil refining |
|   | c.  | Creating custom-made suits |
|   | d.  | Flour milling |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | Creating custom suits would be most likely to employ a job order system of cost accounting due to the number of custom jobs involved. The manufacture of candy, the vulcanizing of rubber, and the refining of crude oil would normally be a continuous process of producing like goods and would be accounted for under the process cost system. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.7 - LO6: Distinguish between the two basic types of cost accounting systems |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Cost Accounting Systems |
| *OTHER:* | Bloom's: Understanding |

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| 54. A law firm wanting to track the costs of serving different clients may use a:

|  |  |  |
| --- | --- | --- |
|   | a.  | process cost system. |
|   | b.  | job order cost system. |
|   | c.  | cost control system. |
|   | d.  | standard cost system. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | Professional firms use job order cost systems to track the costs of serving different clients. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.7 - LO6: Distinguish between the two basic types of cost accounting systems |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Cost Accounting Systems |
| *OTHER:* | Bloom's: Understanding |

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| 55. When should process costing techniques be used in assigning costs to products?

|  |  |  |
| --- | --- | --- |
|   | a.  | In situations where standard costing techniques should not be used |
|   | b.  | If products manufactured are substantially identical |
|   | c.  | When production is only partially completed during the accounting period |
|   | d.  | If products are manufactured on the basis of each order received |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | Process costing techniques should be used in assigning costs to products if the product is composed of mass-produced units that are substantially identical. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.7 - LO6: Distinguish between the two basic types of cost accounting systems |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA 2B - Cost Management |
| *TOPICS:* | Cost Accounting Systems |
| *OTHER:* | Bloom's: Remembering |

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| 56. An industry that would most likely use process costing procedures is:

|  |  |  |
| --- | --- | --- |
|   | a.  | Beverage. |
|   | b.  | Home Construction. |
|   | c.  | Printing. |
|   | d.  | Shipbuilding. |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | Beverage production usually consists of continuous output of homogeneous products for which process costing is used. The other three industries would utilize job order costing because each product or group of products is made to order. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.7 - LO6: Distinguish between the two basic types of cost accounting systems |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.06 - Reflective ThinkingIMA-Cost Management |
| *TOPICS:* | Cost Accounting Systems |
| *OTHER:* | Bloom's: Understanding |

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| 57. A standard cost system is one:

|  |  |  |
| --- | --- | --- |
|   | a.  | that provides a separate record of cost for each special-order product. |
|   | b.  | that uses predetermined costs to furnish a measurement that helps management make decisions regarding the efficiency of operations. |
|   | c.  | that accumulates costs for each department or process in the factory. |
|   | d.  | where costs are accumulated on a job cost sheet. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | A standard cost system uses predetermined standard costs to furnish a measurement that helps management make decisions regarding the efficiency of operations. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.7 - LO6: Distinguish between the two basic types of cost accounting systems |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Cost Accounting Systems |
| *OTHER:* | Bloom's: Remembering |

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| 58. In job order costing, the basic document for accumulating the cost of each job is the:

|  |  |  |
| --- | --- | --- |
|   | a.  | Job cost sheet. |
|   | b.  | Requisition sheet. |
|   | c.  | Purchase order. |
|   | d.  | Invoice. |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | In job order costing, the basic document to accumulate the cost of each job is the job cost sheet. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.8 - LO7: Illustrate a job order cost system |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of a Job Order Cost System |
| *OTHER:* | Bloom's: Remembering |

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| 59. Under a job order cost system of accounting, the entry to distribute payroll to the appropriate accounts would be:

|  |  |  |
| --- | --- | --- |
|   | a.  | Debit-Payroll                                               Credit-Wages Payable                                       |
|   | b.  | Debit-Work in Process                            Debit-Factory Overhead                            Debit-Selling and Administrative Expense       Credit-Payroll                                               |
|   | c.  | Debit-Work in Process                              Debit-Finished Goods                                Debit-Cost of Goods Sold                               Credit-Payroll                                                 |
|   | d.  | Debit-Work in Process                              Debit-Factory Overhead                            Debit-Selling and Administrative Expense       Credit-Wages Payable                                     |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | Payroll is credited when the amounts are distributed to the appropriate accounts. Those accounts include Work in Process for direct labor, Factory Overhead for indirect labor and Selling and Administrative Expense for salaries and wages incurred outside of the factory. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.8 - LO7: Illustrate a job order cost system |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of a Job Order Cost System |
| *OTHER:* | Bloom's: Understanding |

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| 60. Under a job order system of cost accounting, the dollar amount of the entry to transfer inventory from Work in Process to Finished Goods is the sum of the costs charged to all jobs:

|  |  |  |
| --- | --- | --- |
|   | a.  | In process during the period. |
|   | b.  | Completed and sold during the period. |
|   | c.  | Completed during the period. |
|   | d.  | Started in process during the period. |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | When jobs are completed during the period, Finished Goods is debited and Work in Process is credited for the cost of the completed jobs. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.8 - LO7: Illustrate a job order cost system |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of a Job Order Cost System |
| *OTHER:* | Bloom's: Understanding |

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| 61. Under a job order system of cost accounting, Cost of Goods Sold is debited and Finished Goods is credited for a:

|  |  |  |
| --- | --- | --- |
|   | a.  | Transfer of materials to the factory. |
|   | b.  | Shipment of completed goods to the customer. |
|   | c.  | Transfer of completed production to the finished goods storeroom. |
|   | d.  | Purchase of goods on account. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | When completed goods are shipped to customers, Cost of Goods Sold is debited and Finished Goods is credited. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.8 - LO7: Illustrate a job order cost system |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of a Job Order Cost System |
| *OTHER:* | Bloom's: Understanding |

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| 62. The Institute of Management Accountants (IMA) Statement of Professional Practice includes all of the following standards **except**:

|  |  |  |
| --- | --- | --- |
|   | a.  | Confidentiality. |
|   | b.  | Commitment. |
|   | c.  | Integrity. |
|   | d.  | Competence. |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | The four IMA Professional Standards are: Competence, Confidentiality, Integrity and Credibility. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.3 - LO2: Describe the ethical responsibilities and certification requirements for management accountants, as well as corporate governance. |
| *ACCREDITING STANDARDS:* | AACSB EthicsACCT.AICPA.BB.07 - Critical ThinkingBUSPROG.02 - EthicsIMA 4 - Business Applications |
| *TOPICS:* | Appendix |
| *OTHER:* | Bloom's: Remembering |

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| 63. According to the Institute of Management Accountants (IMA) Statement of Ethical Professional Practice, performing professional duties in accordance with relevant laws, regulations and technical standards is a component of which standard?

|  |  |  |
| --- | --- | --- |
|   | a.  | Competence |
|   | b.  | Confidentiality |
|   | c.  | Integrity |
|   | d.  | Credibility |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | Performing technical duties in accordance with relevant laws, regulations and technical standards is a component of the competence standard. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.3 - LO2: Describe the ethical responsibilities and certification requirements for management accountants, as well as corporate governance. |
| *ACCREDITING STANDARDS:* | AACSB EthicsACCT.AICPA.BB.07 - Critical ThinkingBUSPROG.02 - EthicsIMA-Business Applications |
| *TOPICS:* | Appendix |
| *OTHER:* | Bloom's: Remembering |

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| 64. Joey Bruce is a cost accountant at ABC Industries.  Joey told Tanner Scott, his financial advisor, that he was working on a project to determine the feasibility of a merger of ABC Industries with Left Guard Company, a major competitor.  Which of the Institute of Management Accountant’s (IMA) ethical standards may have been violated?

|  |  |  |
| --- | --- | --- |
|   | a.  | Competence |
|   | b.  | Confidentiality |
|   | c.  | Integrity |
|   | d.  | Credibility |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *RATIONALE:* | The IMA Statement of Professional Practice’s Confidentiality standard, members have the responsibility to keep information confidential except when disclosure is authorized or legally required, and to refrain from using confidential information for unethical and legal advantage. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.3 - LO2: Describe the ethical responsibilities and certification requirements for management accountants, as well as corporate governance. |
| *ACCREDITING STANDARDS:* | AACSB EthicsACCT.AICPA.BB.07 - Critical ThinkingBUSPROG.02 - EthicsIMA-Business Applications |
| *TOPICS:* | Professional Ethics, CMA Certification and Corporate Governance |
| *OTHER:* | Bloom's: Understanding |

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| 65. According to the Institute of Management Accountants (IMA) Statement of Ethical Professional Practice, under the Integrity Standard, each member has the responsibility to:

|  |  |  |
| --- | --- | --- |
|   | a.  | Communicate information fairly and objectively. |
|   | b.  | Keep information confidential. |
|   | c.  | Mitigate actual conflicts of interest. |
|   | d.  | Maintain an appropriate level of professional competence. |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | Under the Integrity Standard, IMA members have the responsibility to mitigate actual conflicts of interest and avoid apparent conflicts of interest. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.3 - LO2: Describe the ethical responsibilities and certification requirements for management accountants, as well as corporate governance. |
| *ACCREDITING STANDARDS:* | AACSB EthicsACCT.AICPA.BB.07 - Critical ThinkingBUSPROG.02 - EthicsIMA-Business Applications |
| *TOPICS:* | Appendix |
| *OTHER:* | Bloom's: Remembering |

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| 66. Tom Jones, a management accountant, was faced with an ethical conflict at the office.  According to the Institute of Management Accountants’ (IMA) Statement of Professional Practice, the first action Tom should pursue is to:

|  |  |  |
| --- | --- | --- |
|   | a.  | follow his organization’s established policies on the resolution of such conflict. |
|   | b.  | contact the local newspaper. |
|   | c.  | contact the company’s audit committee. |
|   | d.  | consult an attorney. |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | When faced with ethical issues, one should follow the organization’s established policies on the resolution of such conflict. If these policies do not resolve the ethical conflict, one should consider discussing the matter with one’s supervisor or, if it appears he or she is involved, other internal sources. It is not appropriate to contact parties outside the organization unless it is the authorities if one believes there is a violation of the law. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.3 - LO2: Describe the ethical responsibilities and certification requirements for management accountants, as well as corporate governance. |
| *ACCREDITING STANDARDS:* | AACSB EthicsACCT.AICPA.BB.07 - Critical ThinkingBUSPROG.02 - EthicsIMA-Business Applications |
| *TOPICS:* | Appendix |
| *OTHER:* | Bloom's: Applying |

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| 67. Prepare a performance report showing both month and year-to-date data for Post Manufacturing’s Machining Department for February, 201X using the following data:

|  |  |  |
| --- | --- | --- |
|   | January | February |
| Budgeted Data: |   |   |
| Machinists’ wages | $6,200 | $5,600 |
| Supplies | 3,200 | 3,000 |
| Depreciation | 2,000 | 2,000 |
| Utilities | 1,500 | 1,400 |
|   |   |   |
| Actual Data: |   |   |
| Machinists’ wages | $6,120 | $5,650 |
| Supplies | 3,300 | 3,180 |
| Depreciation | 2,000 | 2,000 |
| Utilities | 1,580 | 1,390 |

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| *ANSWER:* | ​Post Manufacturing - Machining DepartmentPerformance ReportFor Period Ended February 28, 201XExpense          Budget                          Actual                       Variance

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   |          February | Year-to-Date |   February | Year-to- Date |   February | Year-to-Date |
| Machinists’ wages | $ 5,600 | $11,800 | $ 5,650 | $11,770 | $  50 U | $  30 F |
| Supplies |   3,000 |   6,200 |   3,180 |   6,480 |   180 U |   280 U |
| Depreciation |   2,000 |   4,000 |   2,000 |   4,000 |      -- |      -- |
| Utilities | 1,400 | 2,900 | 1,390 | 2,970 |   10 F |   70 U |
| Total | $12,000 | $24,900 | $12,220 | $25,220 | $ 220 U | $ 320 U |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.2 - LO1: Explain the uses of cost accounting information |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Performance Measurement |
| *TOPICS:* | Uses of Cost Accounting Information |
| *OTHER:* | Bloom's: Applying |

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| 68. The following data were taken from the general ledger of Data Corp., a retailer of computers and accessories:

|  |  |
| --- | --- |
| Merchandise Inventory, August 1 | $  323,000 |
| Merchandise Inventory, August 31 | 296,000 |
| Purchases | 1,684,000 |

Compute the cost of goods sold for the month of August.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *ANSWER:* |

|  |  |
| --- | --- |
| Merchandise Inventory, August 1 | $  323,000 |
| Plus Purchases | 1,684,000 |
| Merchandise Available for Sale | 2,007,000 |
| Less Merchandise Inventory, August 31 |   296,000 |
| Cost of Goods Sold | $1,711,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Understanding |

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| 69. The following data were taken from the general ledger and other data of Price Fabricators on July 31:

|  |  |
| --- | --- |
| Work in Process, July 1 | $ 94,000 |
| Finished Goods, July 1 | 78,000 |
| Materials purchased in July | 221,000 |
| Cost of goods manufactured in July | 464,000 |
| Marketing and administrative costs in July | 46,000 |
| Finished Goods, July 31 | 82,000 |
| Work in Process, July 31 | 75,000 |

Compute the cost of goods sold for Price Fabricators, selecting the appropriate items from the list provided.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *ANSWER:* |

|  |  |
| --- | --- |
| Finished Goods Inventory, July 1 | $ 78,000 |
| Plus Cost of Goods Manufactured | 464,000 |
| Cost of Goods Available for Sale | 542,000 |
| Less Finished Goods Inventory, July 31 | 82,000 |
| Cost of Goods Sold | $460,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Applying |

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| 70. The following data were taken from Middletown Merchandisers on July 31, for the first month of its fiscal year:

|  |  |
| --- | --- |
| Merchandise Inventory, July 31 | $  25,000 |
| Purchases |   735,000 |
| Cost of Goods Sold |   750,000 |

Compute the inventory at July 1.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *ANSWER:* |

|  |  |
| --- | --- |
| Cost of Goods Sold | $750,000 |
| Plus Merchandise Inventory, July 31 |    25,000 |
| Equals Cost of Goods Available for Sale | $775,000 |
| Less Purchases |   735,000 |
| Equals Merchandise Inventory, July 1 | $ 40,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.4 - LO3: Describe the relationship of cost accounting to financial and management accounting |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Relationship of Cost Accounting to Financial and Management Accounting |
| *OTHER:* | Bloom's: Understanding |

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| 71. Campus Carriers Co. manufactures and sells backpacks to college students.  The company operates a factory in Small Town and two stores in College Town and University City.  Classify the following costs incurred by Campus Carriers as Direct Materials, Direct Labor, Factory Overhead or Selling and Administrative Expense.​a. Rent paid to lease the store in College Town.b. Canvas fabric.c. Wages paid to students distributing advertising fliers in University City.d. Sewing machine operator’s wages.e. Building depreciation on the factory building.f. Thread.g. The cost of transporting the backpacks from the factory in Small Town to the University City store.​h. Depreciation of the cash register at the College Town Store.i. Factory manager’s salary.j. Security guard at the factory.k. Store manager’s salary.l. Electricity to power sewing machines.m. Electricity to light the College Town store.

|  |  |
| --- | --- |
| *ANSWER:* | a. Selling and administrative expense would include costs related to stores.b. Direct material - canvas would be used to make back packs.c. Selling and administrative expense would include advertising.d. Direct labor - sewing machine operators are “touch” labor.e. Factory overhead - depreciation is a factory expense that cannot be traced directly to the products.f. Factory overhead.  While thread is included in the final product, the cost is insignificant and would be accounted for as an indirect cost.g. Selling and administrative expense.  Transportation is incurred outside of the factory.h. Selling and administrative expense would include costs relating to the stores.i. Factory overhead - the factory manager’s salary is a factory cost that cannot be traced directly to products.j. Factory overhead - the security guard’s salary is a factory cost that cannot be traced directly to products.k. Selling and administrative expense would include all costs related to the stores.l. Factory overhead - electricity to run the machines is a factory cost that cannot be traced directly to products..m. Selling and administrative expense would include all costs related to the stores. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costs |
| *ACCREDITING STANDARDS:* | AACSB Reflective ThinkingACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing Costs |
| *OTHER:* | Bloom's: Understanding |

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| 72. The following inventory data relate to the Reta Company:

|  |
| --- |
| INVENTORIES |
|   | Beginning | Ending |
| Finished goods | $80,000  | $100,000  |
| Work in process | 65,000  | 70,000  |
| Direct materials | 60,000  | 64,000  |

Revenues and costs for the period:

|  |  |
| --- | --- |
| Sales | $740,000 |
| Cost of goods available for sale | 650,000 |
| Total manufacturing costs | 575,000 |
| Factory overhead | 154,000 |
| Direct materials used | 164,000 |
| Selling and administrative expenses | 51,000 |

Compute the following for the year:

|  |  |
| --- | --- |
| a. | Direct materials purchased |
| b. | Direct labor costs incurred |
| c. | Cost of goods sold |
| d. | Gross profit |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| *ANSWER:* | (a)

|  |  |
| --- | --- |
| Direct materials used during the period | $164,000 |
| Add inventory of direct materials at the end of the period |   64,000 |
| Direct materials available during the period | $228,000 |
| Less inventory of direct materials at the beginning of the period |   60,000 |
| Direct materials purchased during the period | $168,000 |

(b)

|  |  |  |
| --- | --- | --- |
| Total manufacturing costs incurred during the period |   | $575,000 |
| Less: Direct materials used | $164,000 |   |
|         Factory overhead incurred |  154,000 |  318,000 |
| Direct labor costs incurred during the period |   | $257,000 |

(c)

|  |  |
| --- | --- |
| Cost of goods available for sale | $650,000 |
| Less finished goods inventory at the end of the period |  100,000 |
| Cost of goods sold during the period | $550,000 |

(d)

|  |  |
| --- | --- |
| Sales | $740,000 |
| Cost of goods sold |  550,000 |
| Gross profit | $190,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costsPRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing CostsIllustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 73. The following inventory data relate to the Anaheim Ltd.:

|  |
| --- |
| INVENTORIES |
|   | Beginning | Ending |
| Finished goods | $160,000  | $200,000  |
| Work in process | 130,000  | 140,000  |
| Direct materials | 120,000  | 128,000  |

Revenues and costs for the period:

|  |  |
| --- | --- |
| Sales | $1,480,000 |
| Cost of goods available for sale | 1,300,000 |
| Total manufacturing costs | 1,150,000 |
| Factory overhead | 308,000 |
| Direct materials used | 328,000 |
| Selling and administrative expenses | 102,000 |

Prepare journal entries for the following, making any necessary computations:

|  |  |
| --- | --- |
| a. | Purchase of materials on account |
| b. | Issuance of materials into production |
| c. | Transfer the cost of completed work to Finished Goods |
| d. | Record the sale of the goods on account and the related cost of goods sold. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| *ANSWER:* | (a)

|  |  |
| --- | --- |
| Direct materials used during the period | $328,000 |
| Add inventory of direct materials at the end of the period |  128,000 |
| Direct materials available during the period | $456,000 |
| Less inventory of direct materials at the beginning of the period |  120,000 |
| Direct materials purchased during the period | $336,000 |

|  |  |  |
| --- | --- | --- |
| Materials | 336,000 |   |
|        Accounts Payable |   | 336,000 |

(b)

|  |  |  |
| --- | --- | --- |
| Work in Process | 328,000 |   |
|        Materials |   | 328,000 |

(c)

|  |  |
| --- | --- |
| Work in Process Inventory, beginning of the period | $  130,000 |
| Plus Total Manufacturing Costs |  1,150,000 |
|   | $1,280,000 |
| Less Work in Process Inventory, end of the period |   140,000 |
| Cost of Goods Manufactured | $1,140,000 |

|  |  |  |
| --- | --- | --- |
| Finished Goods | 1,140,000 |   |
|        Work in Process |   | 1,140,000 |

(d)

|  |  |
| --- | --- |
| Finished Goods Inventory, beginning of the period | $  160,000 |
| Plus Cost of Goods Manufactured |  1,140,000 |
| Cost of  Goods Available for Sale | $1,305,000 |
| Less Finished Goods Inventory, end of the period |   200,000 |
| Cost of Goods Sold | $1,100,000 |

|  |  |  |
| --- | --- | --- |
| Accounts Receivable | 1,480,000 |   |
|        Sales |   | 1,480,000 |
|   |   |   |
| Cost of Goods Sold | 1,100,000 |   |
|        Finished Goods |   | 1,100,000 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.5 - LO4: Identify the three basic elements of manufacturing costsPRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Elements of Manufacturing CostsIllustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Analyzing |

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| 74. Following is a list of costs incurred by the Sitka Products Co. during the month of June:

|  |  |  |  |
| --- | --- | --- | --- |
| Direct materials used | $12,000  | Expired insurance | $3,000 |
| Indirect materials used |  3,000 | Utilities | 800 |
| Direct labor employed | 20,000 | Repairs | 700 |
| Indirect labor employed |  4,500 | Depreciation expense |   |
| Selling expenses |  6,000 | --Machinery and equipment | 1,200 |

Prepare the journal entries necessary to record the issuance of materials, the distribution of labor cost, the recording of factory overhead, and the entry transferring Factory Overhead to Work in Process.

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| *ANSWER:* |

|  |  |  |
| --- | --- | --- |
| Work in Process (Direct Materials) | 12,000 |   |
| Factory Overhead (Indirect Materials) | 3,000 |   |
|    Materials |   | 15,000 |
| Work in Process (Direct Labor) | 20,000 |   |
| Factory Overhead (Indirect Labor) | 4,500 |   |
|    Payroll |   | 24,500 |
| Factory Overhead | 5,700 |   |
|    Prepaid Insurance |   | 3,000 |
|    Accounts Payable (Utilities) |   | 800 |
|    Accounts Payable (Repairs) |   | 700 |
|    Accumulated Depreciation (Machinery and Equipment) |   | 1,200 |
| Work in Process | 13,200 |   |
|    Factory Overhead |   | 13,200 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 75. The following data was taken from the general ledger and other records of Martinez Manufacturing Co. at July 31, the end of the first month of operations in the current fiscal year:

|  |  |
| --- | --- |
| Sales | $50,000 |
| Materials inventory (July 1) | 15,000 |
| Work in process inventory (July 1) | 20,000 |
| Finished goods inventory (July 1) | 28,000 |
| Materials purchased | 21,000 |
| Direct labor cost | 12,500 |
| Factory overhead (including $5,000 of indirect materials used and $2,500 of indirect labor cost) | 11,500 |
| Selling and administrative expense | 8,000 |
| Inventories at July 31: |   |
| Materials | 16,000 |
| Work in process | 18,000 |
| Finished goods | 30,000 |

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| --- | --- |
| a. | Prepare a statement of cost of goods manufactured. |
| b. | Determine the cost of goods sold for the month. |

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| *ANSWER:* | (a)

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| --- |
| Martinez Manufacturing Co.Statement of Cost of Goods ManufacturedFor the Month Ended July 31, 20-- |
| Direct Materials: |   |   |
|    Inventory, July 1 | $15,000 |   |
|    Purchases |  21,000 |   |
| Total cost of available materials | $36,000 |   |
|    Less inventory, July 31 |  16,000 |   |
| Cost of materials used | $20,000 |   |
|    Less indirect materials used |   5,000 |   |
|    Cost of direct materials used in production |   | $15,000 |
| Direct labor |   | 12,500 |
| Factory overhead: |   |   |
|    Indirect materials | $ 5,000 |   |
|    Indirect labor | 2,500 |   |
|    Other |   4,000 |   |
|    Total factory overhead |   |  11,500 |
| Total manufacturing cost |   | $39,000 |
|    Add work in process inventory, July 1 |   |  20,000 |
|      Total |   | $59,000 |
|    Less work in process inventory, July 31 |   |  18,000 |
| Cost of goods manufactured during the month |   | $41,000 |

(b)

|  |  |
| --- | --- |
| Finished goods inventory, July 1 | $28,000 |
| Add cost of goods manufactured during July |  41,000 |
| Goods available for sale | $69,000 |
| Less finished goods inventory, July 31 |  30,000 |
| Cost of goods sold | $39,000 |

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| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 76. The following data was taken from the general ledger and other records of Marwick Manufacturing Co. at January31, the end of the first month of operations in the current fiscal year:

|  |  |
| --- | --- |
| Sales | $650,000 |
| Inventories at January 1: |   |
|     Materials inventory |  25,000 |
|     Work in process inventory |  29,000 |
|      Finished goods inventory | 48,000 |
| Inventories at January 31: |   |
|      Materials inventory | 20,000 |
|      Work in process inventory | 32,000 |
|      Finished goods inventory | 54,000 |
| Materials purchased | 154,000 |
| Labor Costs: |   |
|      Assembly workers’ wages |    185,000 |
|      Supervisors’ salaries |     30,000 |
|      Sales personnel salaries |     52,000 |
| Depreciation: |   |
|      Factory building | 73,000 |
|      Sales office | 28,000 |
| Indirect materials used | 3,000 |
| Factory utilities | 67,000 |

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| a. | Prepare a statement of cost of goods manufactured. |
| b. | Determine the cost of goods sold for the month. |

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| *ANSWER:* | (a)

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| --- |
| Marwick Manufacturing Co.Statement of Cost of Goods ManufacturedFor the Month Ended January 31, 20-- |
| Direct Materials: |   |   |
|    Inventory, January 1 | $25,000 |   |
|    Purchases |  154,000 |   |
| Total cost of available materials | $179,000 |   |
|    Less inventory, July 31 |  20,000 |   |
| Cost of materials used | $159,000 |   |
|    Less indirect materials used |   3,000 |   |
|    Cost of direct materials used in production |   | $156,000 |
| Direct labor |   | 185,000 |
| Factory overhead: |   |   |
|    Indirect materials | $ 3,000 |   |
|    Indirect labor (Supervisors) | 30,000 |   |
|    Depreciation |     73,000 |   |
|    Utilities |   67,000 |   |
|    Total factory overhead |   |  173,000 |
| Total manufacturing cost |   | $514,000 |
|    Add work in process inventory, January 1 |   |  29,000 |
|      Total |   | $543,000 |
|    Less work in process inventory, January 31 |   |  32,000 |
| Cost of goods manufactured during the month |   | $511,000 |

(b)

|  |  |
| --- | --- |
| Finished goods inventory, January 1 | $48,000 |
| Add cost of goods manufactured during July |  511,000 |
| Goods available for sale | $559,000 |
| Less finished goods inventory, January 31 |  54,000 |
| Cost of goods sold | $505,000 |

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| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.6 - LO5: Illustrate basic cost accounting procedures |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.04 - ReportingBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of Accounting for Manufacturing Costs |
| *OTHER:* | Bloom's: Applying |

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| 77. Custom Cabinets Inc. manufactures goods on a job order basis.  During the month of November, three jobs were started.  (There was no work in process at the beginning of the month.)  Jobs 401 and 402 were completed and sold for $14,500 and $19,000, respectively, during the month; Job 403 was still in process at the end of November.The following data are taken from the job cost sheets for each job.  Factory overhead charges include a total of $900 of indirect materials and $600 of indirect labor.  One work in process control account is used.

|  |  |  |  |
| --- | --- | --- | --- |
|   | Job 401 | Job 402 | Job 403 |
| Direct materials | $3,200      | $3,800      | $2,000      |
| Direct labor | 2,400      | 3,500      | 1,500      |
| Factory overhead | 1,250      | 2,000      | 850      |

Prepare a journal entry to record each of the following:

|  |  |
| --- | --- |
| a. | Materials used |
| b. | Factory wages and salaries earned |
| c. | Factory Overhead transferred to Work in Process |
| d. | Jobs completed |
| e. | Jobs sold |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| *ANSWER:* | (a)

|  |  |  |
| --- | --- | --- |
| Work in Process (3,200 + 3,800 + 2,000) | 9,000 |   |
| Factory Overhead | 900 |   |
|    Materials |   | 9,900 |

(b)

|  |  |  |
| --- | --- | --- |
| Work in Process (2,400 + 3,500 + 1,500) | 7,400 |   |
| Factory Overhead | 600 |   |
|    Payroll |   | 8,000 |

(c)

|  |  |  |
| --- | --- | --- |
| Work in Process (1,250 + 2,000 + 850) | 4,100 |   |
|     Factory Overhead |   | 4,100 |

(d)

|  |  |  |
| --- | --- | --- |
| Finished Goods | 16,150 |   |
|    Work in Process\* |   | 16,150 |
| \* Jobs completed: |   |   |
|     401 (3,200 + 2,400 + 1,250) | $ 6,850 |   |
|     402 (3,800 + 3,500 + 2,000) |   9,300 |   |
|      Total | $16,150 |   |

(e)

|  |  |  |
| --- | --- | --- |
| Cost of Goods Sold | 16,150 |   |
|    Finished Goods |   | 16,150 |
| Accounts Receivable (14,500 + 19,000) | 33,500 |   |
|    Sales |   | 33,500 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.8 - LO7: Illustrate a job order cost system |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of a Job Order Cost System |
| *OTHER:* | Bloom's: Applying |

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| 78. The Shawshank Manufacturing Co. uses a job order cost system of accounting.  The following information was taken from the books of the company after all posting had been completed at the end of January:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| JobsCompleted | DirectMaterials Cost | DirectLabor Cost | FactoryOverhead | UnitsCompleted |
| 101      | $1,800     | $2,000     | $1,000     | 200     |
| 102      | 1,235     | 1,250     |   890 |   150 |
| 104      | 900     | 850     | 350     | 100     |

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|  |  |
| --- | --- |
| a.  | Prepare the journal entries to allocate the costs of materials, labor, and factory overhead to each job and to transfer the costs of jobs completed to Finished Goods. |
| b. | Compute the total production cost of each job. |
| c. | Compute the unit cost of each job. |
| d. | Compute the selling price per unit for each job, assuming a mark-on percentage of 40 percent. |

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| *ANSWER:* | (a)

|  |  |  |
| --- | --- | --- |
| Work in Process--Job 101 | 1,800 |   |
| Work in Process--Job 102 | 1,235 |   |
| Work in Process--Job 104 | 900 |   |
|    Materials |   | 3,935 |
|   |   |   |
| Work in Process--Job 101 | 2,000 |   |
| Work in Process--Job 102 | 1,250 |   |
| Work in Process--Job 104 | 850 |   |
|    Payroll |   | 4,100 |
|   |   |   |
| Work in Process--Job 101 | 1,000 |   |
| Work in Process--Job 102 | 890 |   |
| Work in Process--Job 104 | 350 |   |
|    Factory Overhead |   | 2,240 |
|   |   |   |
| Finished Goods | 10,275 |   |
|    Work in Process--Job 101 |   | 4,800 |
|    Work in Process--Job 102 |   | 3,375 |
|    Work in Process--Job 104 |   | 2,100 |

(b)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| JobsCompleted | DirectMaterials Cost | DirectLabor Cost | FactoryOverhead | TotalProductionCost |
| 101      | $1,800 | $2,000 | $1,000 | $4,800 |
| 102      | 1,235 | 1,250 | 890 | 3,375 |
| 104      |    900 |    850 |    350 |  2,100 |
| Total | $3,935 | $4,100 | $2,240 | $10,275 |

(c)

|  |  |
| --- | --- |
| Unit Cost: |   |
| Job 101 ($4,800 / 200) | $24.00 |
| Job 102 ($3,375 / 150) | $22.50 |
| Job 104 ($2,100 / 100) | $21.00 |

(d)

|  |  |
| --- | --- |
| Selling Price Per Unit: |   |
| Job 101 ($24.00 × 40%) + $24.00 | $33.60 |
| Job 102 ($22.50 × 40%) + $22.50 | $31.50 |
| Job 104 ($21.00 × 40%) + $21.00 | $29.40 |

 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.8 - LO7: Illustrate a job order cost system |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of a Job Order Cost System |
| *OTHER:* | Bloom's: Applying |

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| 79. Megerle Motors manufactures specialty motors for the medical industry and uses a job order cost system.  During its first month of operations, the following selected transactions took place:

|  |  |
| --- | --- |
| a.  Materials purchased on account | $25,000 |
| b.  Materials issued to the factory: |   |
|      Job A25 | $  3,300 |
|      Job B43 | 2,500 |
|      Job C89 | 4,700 |
|      Job D52 | 6,200 |
|      For general use in the factory | 1,200 |
| c.  Factory wages and salaries earned and distributed: |   |
|      Job A25 | $ 2,400 |
|      Job B43 | 4,300 |
|      Job C89 | 5,600 |
|      Job D52 | 3,800 |
|      For general work in the factory | 2,900 |
| d.  Miscellaneous factory overhead costs on account | $ 4,500 |
| e.  Depreciation of factory machinery | $ 2,100 |
| f.  Factory overhead allocated as follows: |   |
|      Job A25 | $ 2,500 |
|      Job B43 | 3,000 |
|      Job C89 | 2,800 |
|      Job D52 | 2,400 |
| g.  Jobs A25, B43 and C89 completed |   |
| h.  Jobs A25 and B43 shipped to the customer and billed | $45,000 |
|   |   |

Required:1.   Compute the cost of each job.2.   Determine the ending balances in materials, work in process, finished goods and cost of goods sold by preparing the necessary T- accounts and record the transactions in them.

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| *ANSWER:* | 1.  Job A25:  $3,300 + 2,400 + 2,500 = $  8,200     Job B43:  $2,500 + 4,300 + 3,000 = $  9,800     Job C89:  $4,700 + 5,600 + 2,800 = $13,100     Job D52:  $6,200 + 3,800 + 2,400 = $12,4002.

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| --- | --- | --- | --- | --- | --- | --- |
| Materials |   | Work in process |   | Finished goods |  |  |
| a.     25,000 | b.17,900 (1) |   | b.     16,700 | g.     31,100 |   | g. 31,100 (4) | h. 18,000 (5) |
|   |   |   | c.     16,100 |   |   |   |   |
|   |   |   | f.     10,700 |   |   |   |   |
|   |   |   |   |   |   |   |   |
|              |   |   |              |   |   |                |   |
| 7,100 |   |   | 12,400 |   |   | 13,100 |   |
|   |   |   |   |   |   |   |   |

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| Cost of goods sold |   | Overhead |   | Accumulated Depreciation |  |  |
| h.     18,000 |   |   | b.      1,200 | f. 10,700(3) |   |   | e.       2,100 |
|   |   |   | c.      2,900 |   |   |   |   |
|   |   |   | d.      4,500 |   |   |   |   |
|   |   |   | e.      2,100 |   |   |   |   |
|                |   |   |              |   |   |   |              |
| 18,000 |   |   | 0 |   |   |   | 2,100 |
|   |   |   |   |   |   |   |   |

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| --- | --- | --- | --- | --- | --- | --- |
| Accounts Payable |   | Payroll |   | Accrued Payroll |  |  |
|   | a.    25,000 |   | c.19,000 (2) | c.   19,000 |   |   | c.      19,000 |
|   | d.      4,500 |   |   |   |   |   |   |
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| Accounts Receivable |   | Sales |   |   |  |  |
| h.     45,000 |   |   |   | h.  45,000 |   |   |   |
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(1) $3,300 + 2,500 + 4,700 + 6,200 = $16,700 (to WIP) + 1,200 (to OH) = $17,900(2) $2,400 + 4,300 + 5,600 + 3,800 = $16,100 (to WIP) = 2,900 (to OH) = $19,000(3) $2,500 + 3,000 + 2,800 + 2,400 = $10,700(4) $8,200 + 9,800 + 13,100 = $31,100(5) $8,200 + 9,800 = $18,000 |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.8 - LO7: Illustrate a job order cost system |
| *ACCREDITING STANDARDS:* | AACSB AnalyticACCT.AICPA.FN.03 - MeasurementBUSPROG.03 - AnalyticIMA-Cost Management |
| *TOPICS:* | Illustration of a Job Order Cost System |
| *OTHER:* | Bloom's: Applying |

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| 80. The Institute of Management Accountants (IMA) Statement of Professional Practice includes four standards of ethical behavior.a.  List the four standards of ethical behavior.b.  For each of the items listed below, identify the IMA standard under which each of the following responsibilities is included.1.  Refrain from using confidential information for unethical or illegal advantage.2.  Communicate information fairly and objectively.3.  Abstain from engaging or supporting any activity that might discredit the profession.4.  Perform professional duties in accordance with relevant laws, regulations, and technical standards.5.  Maintain an appropriate level of professional expertise by continually developing knowledge and skills.6.  Mitigate actual conflicts of interest.  Regularly communicate with business associates to avoid any apparent conflict of interest.  Advise all parties of potential conflicts.7.  Disclose all relevant information that could reasonably be expected to influence an intended user’s understanding of the reports, analyses or recommendations.

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| *ANSWER:* | a.  The four standards of ethical behavior are:  Competence, Confidentiality, Integrity and Credibilityb. 1.  Confidentiality    2.  Credibility    3.  Integrity    4.  Competence    5.  Competence    6.  Integrity    7.  Credibility |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *LEARNING OBJECTIVES:* | PRIN.EDWA.16.3 - LO2: Describe the ethical responsibilities and certification requirements for management accountants, as well as corporate governance. |
| *ACCREDITING STANDARDS:* | AACSB EthicsACCT.AICPA.BB.07 - Critical ThinkingBUSPROG.02 - EthicsIMA-Business Applications |
| *TOPICS:* | Appendix |
| *OTHER:* | Bloom's: Understanding |

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