QUESTION 1

A job-order cost system uses a predetermined factory overhead rate based on expected volume and expected fixed cost. At the end of the year, underapplied overhead might be explained by which of the following situations?

- A. Actual Volume- Less than expected
  Actual Fixed Costs- Less than expected
- B. Actual Volume- Less than expected
  Actual Fixed Costs- Greater than expected
- C. Actual Volume- Greater than expected
  Actual Fixed Costs- Greater than expected
- D. Actual Volume- Greater than expected
  Actual Fixed Costs- Less than expected

1 points

QUESTION 2

The Childers Company manufactures widgets. During the fiscal year just ended, the company incurred prime costs of $1.5 million and conversion costs of $1.8 million. Overhead is applied at the rate of 200% of direct labor cost. How much of the above costs represent direct materials cost?

- A. $600,000
- B. $900,000
- C. $1,500,000
- D. $300,000

1 points

QUESTION 3

In a labor-intensive industry in which more overhead (service, support, more expensive equipment, etc.) is incurred by the more highly skilled and paid employees, what denominator measure is most likely to be appropriate for applying overhead?

- A. Machine hours.
- B. Direct labor cost.
- C. Direct labor hours.
- D. Sales value of product produced.

1 points

QUESTION 4

Many companies recognize three major categories of costs of manufacturing a product. These are direct materials, direct labor, and overhead. Which of the following is an overhead cost in the production of an automobile?

- A. The cost of the tires on each automobile.
- B. The cost of the laborers who place tires on each automobile.
- C. The delivery costs for the tires on each automobile.
- D. The cost of small tools used in mounting tires on each automobile.

1 points

QUESTION 5

(Not a repeat question.) La Patisserie is a small bakery that provides cakes and breads to small grocery shops in the town of Soquel, California. It is housed in a single building. The ovens and mixing areas occupy 75% of the space, 5% is used for storing and mailing marketing literature and the rest is occupied by the office staff. The bakery operates 360 days per year, 8 hours per day. It employs two cake bakers who are paid $22 per hour and two bread bakers who are paid $12 per hour and has a small staff of helpers who account for 25% of the other employee salaries. Approximately 70% of its materials, flour, eggs, sugar and oil, are used for cakes; the remaining 30% are used for bread. Indirect manufacturing costs are allocated to products on the basis of direct labor hours. During the current year, it started and completed 108,000 units of cakes and 144,000 units of bread at a selling price of $6 per unit and $1.50 per unit respectively.

Annual costs incurred by La Patisserie:

Flour, Eggs, Sugar and Oil	$122,800
Office staff salaries	184,200
Rent utilities and insurance	61,400
Baker's wages	195,840
Salaries of other employees	86,400
Sales commissions (5%)	43,200
Delivery cost	1,919
Other material & supplies	23,025
Office equipment & supplies	11,129
Total cost	**$729,913**

Assume that the manufacturing overhead charged to cakes is $80,000. What is the direct cost per unit of cakes?

- A. $2.69.
- B. $2.27.
- C. $1.29.
- D. $1.97.

1 points

QUESTION 6

Lucy Sportswear manufactures a specialty line of T-shirts using a job-order cost system. During March, the following costs were incurred in completing Job ICU2: direct materials, $13,700; direct labor, $4,800; administrative, $1,400; and selling, $5,600. Factory overhead was applied at the rate of $25 per machine hour, and Job ICU2 required 800 machine hours. If Job ICU2 resulted in 7,000 good shirts, the cost of goods sold per unit would be

- A. $6.50
- B. $6.30
- C. $5.50
- D. $5.70

1 points

QUESTION 7

(Not a repeat question.) Baehr Company is a manufacturing company with a fiscal year that runs from July 1 to June 30. The company uses a job-order accounting system for its production costs. A predetermined overhead rate based upon direct labor hours is used to apply overhead to individual jobs. A flexible budget of overhead costs was prepared for the fiscal year as shown below.

Direct labor hours	100,000	120,000	140,000
Variable overhead costs	$325,000	$390,000	$455,000
Fixed overhead costs	216,000	216,000	216,000
Total overhead	$541,000	$606,000	$671,000

Although the annual ideal capacity is 150,000 direct labor hours, company officials have determined 120,000 direct labor hours to be normal capacity for the year. The information presented below is for November. Jobs 83-50 and 83-51 were completed during November.

Inventories November 1	
Raw materials and supplies	$10,500
Work-in-process (Job 83-50)	54,000
Finished goods	112,500

Materials and supplies requisitioned for production	
Job 83-50	$45,000
Job 83-51	37,500
Job 83-0.2	25,500
Supplies	12,000
	$120,000

Purchases of raw materials and supplies	
Raw materials	$135,000
Supplies	15,000
	150,000

Factory direct labor hours	
Job 83-50	3,500
Job 83-51	3,000
Job 83-0.2	2,000
	8,500

Building occupancy costs (heat, light, depreciation, etc.)	
Factory facilities	$6,500
Sales offices	1,500
Administrative offices	1,000
	$9,000

Labor Costs	
Direct labor wages	$51,000
Indirect labor wages (4,000 hours)	15,000
Supervisory salaries	6,000
	72,000

Factory Equipment Costs	
Power	$4,000
Repairs and maintenance	1,500
Depreciation	1,500
Other	1,000
	8,000

Assume the predetermined overhead rate is $4.50 per direct labor hour. The total amount of overhead applied to jobs during November was:

- A. $29,250
- B. $38,250
- C. $47,250
- D. $56,250

1 points

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Job 83-0.2	2,000
	8,500

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Factory facilities	$6,500
Sales offices	1,500
Administrative offices	1,000
	$9,000

Labor Costs	
Direct labor wages	$51,000
Indirect labor wages (4,000 hours)	15,000
Supervisory salaries	6,000
	72,000

Factory Equipment Costs	
Power	$4,000
Repairs and maintenance	1,500
Depreciation	1,500
Other	1,000
	8,000

Assume the predetermined overhead rate is $4.50 per direct labor hour. Actual factory overhead incurred during November was:

- A. $38,000
- B. $41,500
- C. $47,500
- D. $50,500

1 points

QUESTION 9

At the beginning of the year, Smith Inc. budgeted the following:

Units	10,000
Sales	$100,000
Minus	
Total variable expenses	60,000
Total fixed expenses	20,000
Net income	$20,000
Factory Overhead	
Variable	$30,000
Fixed	10,000

There were no beginning inventories. At the end of the year, no work was in process, total factory overhead incurred was $39,500, and underapplied factory overhead was $1,500. Factory overhead was applied on the basis of budgeted unit production. How many units were produced this year?

- A. 10,250
- B. 9,875
- C. 10,000
- D. 9,500

1 points

QUESTION 10

Companies characterized by the production of basically homogeneous products will most likely use which of the following methods for the purpose of averaging costs and providing management with unit-cost data?

- A. Variable costing.
- B. Absorption costing.
- C. Job-order costing.
- D. Process costing.