

<b>Second Semester 2020 Third Year</b>		<b>Assiut University Faculty of Commerce English Program</b>
<b>"Cost Accounting"</b>		
	<b>"Test Bank"</b>	

**Multiple Choice Questions:**

1. The term "conversion costs" refers to:
  - a. Manufacturing costs incurred to produce units of output.
  - b. All costs associated with manufacturing other than direct labor costs and raw material costs.
  - c. Costs which are associated with marketing, shipping, warehousing, and billing activities.
  - d. The sum of direct labor costs and all factory overhead costs.
  - e. The sum of raw material costs and direct labor costs.
  
2. The term "prime costs" refers to:
  - a. Manufacturing costs incurred to produce units of output.
  - b. All costs associated with manufacturing other than direct labor costs and raw material costs.
  - c. Costs which are predetermined and should be attained.
  - d. The sum of direct labor costs and all factory overhead costs.
  - e. The sum of raw material costs and direct labor costs.
  
3. Costs which are inventorable are:
  - a. Manufacturing costs incurred to produce units of output.
  - b. All costs associated with manufacturing other than direct labor costs and raw material costs.
  - c. Costs which are associated with marketing, shipping, warehousing, and billing activities.
  - d. The sum of direct labor costs and all factory overhead costs.
  - e. The sum of raw material costs and direct labor costs.

4. The term "variable costs" refers to:
  - a. All costs which are likely to respond to the amount of attention devoted to them by a specified manager.
  - b. All costs which are associated with marketing, shipping, warehousing, and billing activities.
  - c. All costs which do not change in total for a given period of time and relevant range but which become progressively smaller on a per unit basis as volume increases.
  - d. All manufacturing costs incurred to produce units of output.
  - e. All costs which fluctuate in total in response to small changes in the rate of utilization of capacity.
  
5. The term "committed costs" refers to those:
  - a. Costs which management decides to incur in the current period to enable the company to achieve objectives other than the filling of orders placed by customers.
  - b. Costs which are likely to respond to the amount of attention devoted to them by a specified manager.
  - c. Costs which are governed mainly by past decisions that established the present levels of operating and organizational capacity and which only change slowly in response to small changes in capacity.
  - d. Costs which fluctuate in total in response to small changes in the rate of utilization of capacity.
  - e. Costs amortized which were capitalized in previous periods.
  
6. The term "discretionary costs" refers to those:
  - a. Costs which management decides to incur in the current period to enable the company to achieve objectives other than the filling of orders placed by customers.
  - b. Costs which are likely to respond to the amount of attention devoted to them by a specified manager.
  - c. Costs which are governed mainly by past decisions that established the present levels of operating and organizational capacity and which only change slowly in response to small changes in capacity.

- d. **Costs amortized which were capitalized in previous periods.**
  - e. **Costs which will be unaffected by current managerial decisions.**
7. **Those costs referred to as "controllable costs" are:**
- a. **Costs which management decides to incur in the current period to enable the company to achieve objectives other than the filling of orders placed by customers.**
  - b. **Costs which are likely to respond to the amount of attention devoted to them by a specified manager.**
  - c. **Costs which are governed mainly by past decisions that established the present levels of operating and organizational capacity and which only change slowly in response to small changes in capacity.**
  - d. **Costs which fluctuate in total in response to small changes in the rate of utilization of capacity.**
  - e. **Costs which will be unaffected by current managerial decisions.**
8. **The term "cost" refers to:**
- a. **An asset that has given benefit and is now expired.**
  - b. **The price of products sold or services rendered.**
  - c. **The value of the sacrifice made to acquire goods or services.**
  - d. **An asset that has not given benefit and is now expired.**
  - e. **The present value of future benefits.**
9. **Step costs are classified as a:**
- a. **Variable costs.**
  - b. **Fixed cost.**
  - c. **Prime cost.**
  - d. **Conversion cost.**
  - e. **Mixed cost.**

10. The term "sunk costs" refers to:
  - a. Past costs that are now irrevocable.
  - b. Costs that are directly influenced by unit managers.
  - c. Costs that should be incurred in a particular production process.
  - d. Costs that may be eliminated if some economic activity is changed or deleted.
  - e. Benefits lost from rejecting the next best alternative.
  
11. The management of Whopper Dorfman's Pickle Factory budgeted production of 700,000 units at a cost of \$1,450,000. If actual production was 700,000 units at a cost of \$1,490,000, then Whopper Dorfman's production supervisor was:
  - a. Effective.
  - b. Efficient.
  - c. Both effective and efficient.
  - d. Neither effective nor efficient.
  
12. Goal congruence:
  - a. Occurs when the goals of upper-level management positively coincide with the goals of lower - and middle-level management.
  - b. Is a simple concept that can be applied easily in practice for positive results.
  - c. involves the alignment of an organization's overall goals with the individual manager's personal goals.
  - d. Includes all of the above.
  
13. Which statement is incorrect?
  - a. Within the relevant range, variable costs change on a per unit basis.

- b. Middle-level management is primarily responsible for fixed costs.
  - c. Direct labor is an element of both prime costs and conversion costs.
  - d. The work of a plant supervisor would be considered direct labor.
14. Captain Ahab's shipbuilding company constructs huge sailing vessels. Captain Ahab's accountant would consider the inexpensive stain used only on the wood of the captain's wheel of a vessel to be:
- a. A direct material.
  - b. A direct material as well as a prime cost.
  - c. A prime cost.
  - d. A conversion cost.
15. Ready Corporation purchased a factory that has fixed costs of \$180,000 per year. The factory has the capacity to produce 70,000 units of product 1 per year. (Left-over capacity can be used for the production of another product). However, for every unit produced, variable costs increase by \$8. Assuming that Ready Corporation can sell all its production for \$3,50 over variable cost, at what level should Ready Corporation produce?
- a. Ready Corporation should not produce because it will be unprofitable; it should sell the factory.
  - b. Ready corporation should produce product 1 at an approximate level of 35,000 units because this will keep variable costs down and another product can be produced with the left-over capacity.
  - c. Ready Corporation should produce at a level of 70,000 units because this will reduce the fixed cost per unit to its lowest amount.
  - d. Ready Corporation should produce at any level it desires because it will, within the relevant range, be able to make a \$3.50 profit over variable costs.

16. Which one of the following costs would be most representative of a semivariable cost?
- a. Equipment rentals.
  - b. Electricity for machinery.
  - c. Supervisor salaries.
  - d. Plant insurance.
17. Which type of cost is not recorded in the accounting records?
- a. Irrelevant costs.
  - b. Opportunity costs.
  - c. Sunk costs.
  - d. Noncontrollable costs.
18. A step cost:
- a. Contains only fixed characteristics, whereas a semivariable cost contains both fixed and variable characteristics over various relevant ranges of operation.
  - b. Has a fixed portion which changes abruptly at various activity levels.
  - c. Is similar to a mixed cost within a very small relevant range.
  - d. Will usually be converted into a semivariable cost for sound bookkeeping purposes.
19. The cost of goods manufactured, under a periodic cost accumulation system, is equal to the:
- a. Beginning finished goods inventory plus purchases.
  - b. Beginning work-in-process plus cost of goods in process during the year.
  - c. Cost of goods put into production plus beginning work-in-process less ending work-in-process.
  - d. Cost of goods sold less beginning work-in-process.

20. The cost of goods sold under a periodic cost accumulation system is equal to the:
- a. Cost of goods available for sale less ending finished goods inventory.
  - b. Cost of goods available for sale plus beginning finished goods inventory.
  - c. Cost of goods manufactured plus beginning finished goods inventory.
  - d. Cost of goods manufactured less beginning finished goods inventory.
21. Under a perpetual cost accumulation system, the cost of direct materials, direct labor, and factory overhead must first flow through the:
- a. Finished goods account.
  - b. Cost of goods sold account.
  - c. Work-in-process account.
  - d. Cost of goods manufactured account.
22. A job order cost accumulation system is most suitable where:
- a. Mass production techniques are used.
  - b. Continuous processing is performed.
  - c. Homogeneous products are produced.
  - d. Customized products are produced.
23. In a process cost system, the unit cost is computed for a:
- a. Job.
  - b. Department.
  - c. Batch of goods.
  - d. Category of goods.

24. The process of charging factory overhead to work-in-process on the basis of a predetermined application rate multiplied by actual input is known as:
- Normal costing.
  - Actual costing.
  - Standard costing.
  - Product costing.
25. Which of the following is a cost behavior-oriented approach to product costing?
- Absorption costing.
  - Direct costing.
  - Process costing.
  - Job order costing.
26. Because the unit cost of a product cannot be determined until the end of the period, periodic cost accumulation systems generally record only:
- Standard costs.
  - Normal costs.
  - Process costs.
  - Actual costs.
27. Which of the following is not an example of a normally issued external financial statement?
- Statement of financial position.
  - Statement of results of operations.
  - Statement of performance evaluation.
  - Statement of retained earnings.



28. The amount of cost of goods manufactured appearing on the bottom of the cost of goods manufactured statement also appears on the:
- Statement of financial position.
  - Statement of results of operations.
  - Statement of performance evaluation.
  - Statement of retained earnings.
29. The accumulation of total costs and the computation of unit costs are the primary objectives of:
- A perpetual cost accumulation system.
  - A periodic cost accumulation system.
  - Both a periodic and a perpetual cost accumulation system.
  - A job order cost accumulation system.
  - Neither a periodic nor a perpetual cost accumulation system.
30. Balance Sneaker Company charges factory overhead to work-in-process inventory on the basis of a predetermined factory overhead application rate. To do this, the predetermined factory overhead application rate is multiplied by the actual input of a given period. The management of Balance Sneaker Company charges factory overhead in this manner to avoid fluctuations in the unit cost of goods produced that would result if factory overhead was charged to work-in-process as it was incurred. Balance Sneaker Company uses:
- Normal costing.
  - Standard costing.
  - Actual costing.
  - Absorption costing.
31. Lloyd Company has just contracted to sell 1,000 units of product X to Epson Company for a 12% profit over estimated cost. Lloyd Company most likely uses a:
- Job order cost system.
  - Direct costing system.

- c. **Process cost system.**
- d. **System that cannot be determined from the information given.**

**32. Internal reports:**

- a. **May as a basis of valuation use any monetary or physical measurement basis.**
- b. **Must adhere to generally accepted accounting principles.**
- c. **Usually adopt a company-wide perspective.**
- d. **Are directly regulated.**

**33. A written order sent to inform the purchasing department of a need for materials is called a:**

- a. **Purchase order.**
- b. **Purchase requisition.**
- c. **Receiving report.**
- d. **Materials requisition form.**

**34. A written request to a supplier for specified goods at an agreed-upon price is called a:**

- a. **Purchase order.**
- b. **Purchase requisition.**
- c. **Receiving report.**
- d. **Materials requisition form.**

**35. Which of the following forms must be filed out when inventory is to be removed from the materials inventory to be placed into production?**

- a. **Purchase order.**
- b. **Purchase requisition.**
- c. **Receiving report.**
- d. **Materials requisition form.**

- 36. Under a periodic inventory system, the purchase of materials is recorded in an account entitled:**
- a. Cost of Goods Sold.**
  - b. Purchases of Raw Materials.**
  - c. Materials Inventory.**
  - d. Work-in-Process Inventory.**
- 37. Under a perpetual inventory system, the purchase of materials is recorded in an account entitled:**
- a. Cost of Goods Sold.**
  - b. Purchases of Raw Materials.**
  - c. Materials Inventory.**
  - d. Work-in-Process Inventory.**
- 38. The total of the materials subsidiary ledger inventory cards must be equal to the amount in the following account:**
- a. Cost of Goods Sold.**
  - b. Purchases of Raw Materials.**
  - c. Materials Inventory.**
  - d. Work-in-Process Inventory.**
- 39. Which of the following is usually prepared daily by employees for each job worked on?**
- a. Labor job ticket.**
  - b. Time card.**
  - c. Punch card.**
  - d. Cost Control Card.**

- 40. Factory worker fringe benefit costs are usually charged to:**
- a. Work-in-process inventory.**
  - b. Direct labor.**
  - c. Administrative expense.**
  - d. Factory overhead.**
- 41. Vacation pay for factory workers should be charged to:**
- a. Work-in-process inventory.**
  - b. Direct labor.**
  - c. Administrative expense.**
  - d. Factory overhead.**
- 42. The cost of idle time incurred by employees that is considered normal for the production process should be charged to:**
- a. Work-in-process inventory.**
  - b. Direct labor.**
  - c. Administrative expense.**
  - d. Factory overhead.**
- 43. Which statement is correct?**
- a. For purposes of internal control, the quantity ordered should not be shown on the copy of the purchase order sent to the receiving department.**
  - b. Three copies of a purchase requisition are customarily made; the original is for the purchasing department and a copy goes to both the storeroom clerk and the receiving department.**
  - c. For purposes of internal control, the three document - purchase order, receiving report, and vendor's invoice should be matched and approved by someone who regularly handles one of these documents.**
  - d. A materials requisition form is simply another name for a purchase requisition form.**

44. Jason Company accounts for materials issued to production through a periodic inventory system. If Jason Company had materials available for use of \$30,000, purchases of \$16,000, and an ending materials inventory (based on a physical count) of \$9,000, what is the cost of materials issued?
- a. \$37,000
  - b. \$23,000
  - c. \$5,000
  - d. \$21,000
45. Which statement is correct?
- a. Vacation pay should be charged to work-in-process when an employee is on vacation.
  - b. Accounting for holiday pay is handled in much the same way as vacation pay.
  - c. For a salaried employee, vacation pay, holiday pay, and overtime pay should be accrued over periods of productive labor and charged to factory overhead control.
  - d. Because of appreciable increases in payroll fringe benefit costs, many companies have changed their treatment of these costs and now charge them to factory overhead control.
46. Idle time that results from negligence or inefficiency should:
- a. Be accounted for in a manner similar to overtime premium that resulted from poor workmanship.
  - b. Be accounted for in the same manner as idle time that is normal (cannot be avoided) for a production process.
  - c. Be charged to administrative expense.
  - d. Be accounted for in a manner similar to overtime premium that resulted from the requirements of a specific job.

47. Depreciation based on the number of units produced would be classified as what type of cost?
- Out-of-pocket.
  - Marginal.
  - Variable.
  - Fixed.
48. The variable factory overhead application rate under the normal, practical, and expected activity levels would be the same:
- Except for normal volume.
  - Except for practical capacity.
  - Except for expected activity.
  - For all three activity levels.
49. Cox company found that the differences in product costs, resulting from the application of predetermined overhead rates rather than actual overhead rates, were immaterial even though actual production was substantially less than planned production. The most likely explanation is that:
- Overhead was composed chiefly of variable costs.
  - Several products were produced simultaneously.
  - Fixed factory overhead was a significant cost.
  - Costs of overhead items were substantially higher than anticipated.
50. If a predetermined overhead rate is not employed and the volume of production is increased over the level planned, the cost per unit would be expected to:
- Decrease for fixed costs and remain unchanged for variable costs.
  - Remain unchanged for fixed costs and increase for variable costs.
  - Decrease for fixed costs and increase for variable costs.
  - Increase for fixed costs and increase for variable costs.

51. The Carlo Company budgeted overhead at \$255,000 for the period for Department A, on the basis of a budgeted volume of 100,000 direct labor hours. At the end of the period, the Factory Overhead Control account for Department A had a balance of \$270,000' actual direct labor hours were 105,000. What was the over or underapplied overhead for the period?
- \$2,250, overapplied.
  - \$2,250, underapplied.
  - \$15,000, overapplied.
  - \$15,000, underapplied.
52. Factory overhead application rates best reflect anticipated fluctuations in sales over several years when the rates are computed using figures based on:
- Maximum capacity.
  - Normal capacity.
  - Practical capacity.
  - Expected capacity.
53. Preferably, underapplied factory overhead resulting from significant unanticipated price increases should be written off by:
- Decreasing cost of goods sold.
  - Increasing cost of goods sold.
  - Decreasing cost of goods sold, work-in-process inventory, and finished goods inventory.
  - Increasing cost of goods sold, work-in-process inventory, and finished goods inventory.
54. In order to identify costs that relate to a specific product; an allocation base should be chosen that:
- Does not have a cause and effect relationship.
  - Has a cause and effect relationship.
  - Considers variable costs but not fixed costs.
  - Considers direct materials and direct labor but not factory overhead.

55. In the determination of factory overhead application rates, the numerator of the formula is the:
- Actual factory overhead for the next period.
  - Estimated factory overhead for the next period.
  - Actual labor hours for the next period.
  - Estimated labor hours for the next period.
56. Which productive capacity level does not consider product demand, but at the same time accounts for anticipated and unavoidable interruptions in production?
- Short-run productive capacity.
  - Normal productive capacity.
  - Theoretical productive capacity.
  - Realistic productive capacity.
57. Which statement regarding productive capacity is incorrect?
- A main drawback of using expected productive capacity is its ability to exaggerate the effect of business cycles.
  - Excess capacity is a product cost that should be charged to a loss account to alert management that something must be done to reduce existing facilities that are in excess of what the sales department could over hope to sell in the long run.
  - When a company that has huge physical capacity uses expected productive capacity, it is possible that low product demand could lead to fewer products being made, which would cause the unit cost of production to increase. Such an increase could lead to a corresponding increase in sales price which would further diminish product demand.
  - Long-run productive capacity eliminates the possibility of manipulating unit product cost by deliberately varying production levels.



58. Lens Crafting Manufacturers makes eyewear products and various accessories for those products, ranging from conservative glasses to trendy eye-coloring contacts and prescription sports goggles. To manufacture such products, Lens Crafting Manufacturers relies on competent personnel, from the medical eye specialist staff right on down to the college student help. Of course, lens Crafting Manufacturers makes use of the latest in technology-cal machinery and equipment. Which of the following bases would be most appropriate for computing Lens Crafting Manufacturers' factory overhead application rate?
- Units of production.
  - Direct labor cost.
  - Direct labor hours.
  - Machine hours.
59. When the planned activity level used to calculate the predetermined factory overhead application rate differs from the actual level achieved for the period, the result is a:
- Denominator variance.
  - Efficiency variance.
  - Controllable variance.
  - Underapplication of fixed factory overhead.
60. which statement is correct?
- Insignificant differences between applied and actual factory overhead are usually treated as a period cost by adjusting cost of goods sold.
  - The purpose of a peroration entry to account for a difference between actual and applied factory overhead is to allocate the under or overapplied overhead to those accounts that were originally distorted. If what unintentionally proved to be the incorrect application rate is used, their ending balances can be adjusted to approximate what they would have been if the correct application rate had been used.

- c. In order to prorate the overapplication of factory overhead, cost of goods sold would be increased.**
- d. Significant differences between applied and actual factory overhead should be prorated to work-in-process inventory, finished goods inventory, and cost of goods sold, in proportion to the unadjusted factory overhead balance in each of those accounts.**