

Achievement Test 1: Chapters 1-2
Managerial Accounting, 6e

Name _____
Instructor _____
Section # _____ Date _____

Part	I	II	III	IV	Total
Points	30	20	22	28	100
Score					

PART I — MULTIPLE CHOICE (30 points)

Instructions: Designate the best answer for each of the following questions.

- _____ 1. A debit balance in the Manufacturing Overhead account at the end of an interim month means that
- the balance should be reported as an asset in the monthly balance sheet.
 - corrective action by management is necessary.
 - overhead has been underapplied.
 - cost of goods sold should be credited on the monthly income statement.
- _____ 2. In a job order cost system, which of the following accounts is *not* a control account?
- Raw Materials Inventory
 - Factory Labor
 - Finished Goods Inventory
 - Manufacturing Overhead
- _____ 3. In the current assets section of the balance sheet, in which order are manufacturing inventories listed?
- Raw materials, work in process, finished goods
 - Finished goods, work in process, raw materials
 - Work in process, finished goods, raw materials
 - Finished goods, raw materials, work in process
- _____ 4. Which one of the following costs is a component of both manufacturing overhead and total manufacturing costs?
- Direct labor
 - Direct materials
 - Selling and administrative costs
 - Factory utilities
- _____ 5. Manufacturing costs are typically classified as
- product costs or period costs.
 - direct materials or direct labor.
 - direct materials, direct labor, or manufacturing overhead.
 - direct materials, direct labor, or selling and administrative.

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The following data should be used for questions 6–9:

Raw materials inventory, January 1	\$ 12,000
Raw materials inventory, December 31	16,000
Work in process, January 1	5,000
Work in process, December 31	8,000
Finished goods, January 1	17,000
Finished goods, December 31	12,000
Raw materials purchases	118,000
Direct labor	165,000
Factory utilities	64,000
Indirect labor	12,000
Factory depreciation	18,000
Selling and administrative expenses	220,000

- _____ 6. How much is the cost of the direct materials used?
- \$118,000
 - \$114,000
 - \$122,000
 - \$130,000
- _____ 7. Assume your answer to question 6 above is \$130,000. How much are total manufacturing costs?
- \$389,000
 - \$393,000
 - \$295,000
 - \$609,000
- _____ 8. Assume your answer to question 7 above is \$400,000. How much is cost of goods manufactured?
- \$400,000
 - \$389,000
 - \$397,000
 - \$403,000
- _____ 9. Assume your answer to question 8 above is \$420,000. How much is cost of goods sold?
- \$420,000
 - \$408,000
 - \$295,000
 - \$425,000
- _____ 10. The formula for computing a predetermined overhead rate is
- estimated annual overhead costs ÷ estimated annual operating activity.
 - estimated annual overhead costs ÷ actual annual operating activity.
 - actual annual overhead costs ÷ actual annual operating activity.
 - actual annual overhead costs ÷ estimated annual operating activity.
- _____ 11. Which one of the following is an example of a period cost?
- Maintenance on factory machines
 - Wages of factory workers
 - Salesmen's commissions
 - Depreciation on the factory building

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- _____ 12. When production costs are debited to Work in Process Inventory, which accounts will be credited?
- Raw Materials Inventory, Factory Labor, and Finished Goods Inventory
 - Manufacturing Overhead, Factory Labor, and Cost of Goods Sold
 - Raw Materials Inventory, Factory Labor, and Manufacturing Overhead
 - Accounts Payable, Factory Wages Payable, and Accumulated Depreciation
- _____ 13. What are the functions of management in an organization?
- Planning, controlling, and decision making
 - Planning, directing, and controlling
 - Directing, controlling, and decision making
 - Directing, planning, and decision making
- _____ 14. Which one of the following is *not* one of the major activities of managerial accounting?
- Providing a basis for controlling costs by comparing actual results with planned objectives
 - Preparing financial statements designed primarily for stockholders and creditors
 - Preparing internal reports for management
 - Determining the behavior of costs as activity levels change
- _____ 15. Which of the following would most likely use a job order cost system?
- Cement manufacturer
 - Cat food manufacturer
 - Specialty printing company
 - Automobile manufacturer

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PART II — CLASSIFICATION OF COSTS AND EXPENSES (20 points)

Instructions: Classify the following manufacturing costs and expenses by using the following code letters:

- A. Direct materials cost
- B. Direct labor cost
- C. Manufacturing overhead cost
- D. Period cost

Wood You Manufacturing Company incurs the following costs and expenses in making furniture:

- ___ 1. Insurance on delivery equipment
- ___ 2. Oak and cherry wood used in desks and chairs
- ___ 3. Lubricants, rosin, and polishing compounds used in manufacturing
- ___ 4. Advertising in trade magazines
- ___ 5. Rent on leased factory machinery
- ___ 6. Wages of assembly line workers
- ___ 7. Salesperson's commissions
- ___ 8. Insurance on factory machines
- ___ 9. Depreciation on factory machinery
- ___ 10. Wages of factory janitors

PART III—DETERMINE WORK IN PROCESS AND FINISHED GOODS BALANCES (22 points)

Hanover Manufacturing begins operations on April 1. Information from job cost sheets shows the following:

<u>Job</u>	<u>Manufacturing Costs Assigned (non-cumulative)</u>		
	<u>April</u>	<u>May</u>	<u>June</u>
15	\$10,200		
16	5,100	\$6,400	
18	3,600	5,900	\$4,000
19		7,300	7,400
20			3,100

Job 15 was completed in April. Job 16 was completed in May. Job 18 was completed in June. Each job was sold in the month following completion.

Instructions: Determine the following amounts:

1. Work in process inventory, April 30 \$ _____
2. Finished goods inventory, April 30 \$ _____
3. Work in process inventory, May 31 \$ _____
4. Finished goods inventory, May 31 \$ _____
5. Work in process inventory, June 30 \$ _____
6. Finished goods inventory, June 30 \$ _____

PART IV — JOB ORDER COST ACCOUNTING ENTRIES (28 points)

The ledger accounts of CynaWood Cabinet Company are presented below, with an identification number for each.

Instructions: Prepare appropriate job order cost system entries to record the data/events given below. Place the appropriate identification number(s) in the debit and credit columns provided and the dollar amount in the adjoining column.

- | | |
|------------------------------|-----------------------------|
| 1. Cash | 9. Accumulated Depreciation |
| 2. Accounts Receivable | 10. Sales |
| 3. Raw Materials Inventory | 11. Depreciation Expense |
| 4. Work in Process Inventory | 12. Factory Labor |
| 5. Finished Goods Inventory | 13. Wages Expense |
| 6. Manufacturing Overhead | 14. Cost of Goods Sold |
| 7. Accounts Payable | 15. Other Accounts |
| 8. Factory Wages Payable | |

Entry Information	Account(s) Debited	Account(s) Credited	Dollar Amount
1. Purchased raw materials on account—\$96,000			—
2. Incurred factory labor—\$75,000			—
3. Charged direct labor to job X43—\$68,000			—
4. Charged direct materials to job X43—\$82,000			—
5. Incurred manufacturing overhead on account— \$38,000			—
6. Recorded the remaining factory labor as indirect labor			—
7. Recognized depreciation on factory equipment— \$11,000			—
8. Charged overhead to job X43 at 80% of direct labor cost			—
9. Recorded completion of job X43			—
10. Recorded cost of sales for job X43			—
11. Recorded revenue from sale of job X43 on account — \$330,000			—
12. Assume total actual overhead was \$560,000 and total applied overhead was \$547,000 for the year. Record the entry to close the manufacturing overhead account.			—

Solutions — Achievement Test 1: Chapters 1-2**PART I — MULTIPLE CHOICE (30 points)**

- | | | |
|------|-------|-------|
| 1. C | 6. B | 11. C |
| 2. B | 7. A | 12. C |
| 3. B | 8. C | 13. B |
| 4. D | 9. D | 14. B |
| 5. C | 10. A | 15. C |

PART II — CLASSIFICATION OF COSTS AND EXPENSES (20 points)

- | | |
|------|-------|
| 1. D | 6. B |
| 2. A | 7. D |
| 3. C | 8. C |
| 4. D | 9. C |
| 5. C | 10. C |

PART III—DETERMINE WORK IN PROCESS AND FINISHED GOODS BALANCES (22 points)

- \$8,700 (\$5,100 + \$3,600)
- \$10,200
- \$16,800 (\$3,600 + \$5,900 + \$7,300)
- \$11,500 (\$5,100 + \$6,400)
- \$17,800 (\$7,300 + \$7,400 + \$3,100)
- \$13,500 (\$3,600 + \$5,900 + \$4,000)

*Four points each, except for item 2 (2 points).

PART IV — JOB ORDER COST ACCOUNTING ENTRIES (28 points)*

	Account(s) <u>Debited</u>	Account(s) <u>Credited</u>	Dollar <u>Amount</u>		Account(s) <u>Debited</u>	Account(s) <u>Credited</u>	Dollar <u>Amount</u>
1.	3	7	\$96,000	7.	6	9	\$11,000
2.	12	8	75,000	8.	4	6	54,400
3.	4	12	68,000	9.	5	4	204,400
4.	4	3	82,000	10.	14	5	204,400
5.	6	7	38,000	11.	2	10	330,000
6.	6	12	7,000	12.	14	6	13,000

*One point for each account title and one point for computed amounts (Entries 6, 8, 9, and 12).