

Sample Test for Management Accounting

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

1. Which phrase best describes the current role of the managerial accountant?
 - a. Managerial accountants prepare the financial statements for an organization.
 - b. Managerial accountants facilitate the decision-making process within an organization.
 - c. Managerial accountants make the key decisions within an organization.
 - d. Managerial accountants are primarily information collectors.
 - e. Managerial Accountants are solely staff advisors in an organization.

2. An example of *qualitative* data is:
 - a. product cost
 - b. customer satisfaction
 - c. net income
 - d. inventory cost
 - e. net worth.

3. Product and service costing information is prepared for
 - a. manufacturing companies with inventory.
 - b. merchandising companies.
 - c. service providers.
 - d. each of the other four answers..
 - e. manufacturing companies without inventory.

4. Manufacturing costs typically consist of
 - a. direct materials, direct labor, and manufacturing overhead.
 - b. production and shipping costs.
 - c. production and marketing costs.
 - d. direct materials, direct labor, and administrative costs.
 - e. direct materials, direct labor, marketing and administrative costs.

5. In comparison to the traditional manufacturing environment, overhead costs in a JIT environment all the following are true except:
 - a. are more easily tracked to products.
 - b. are frequently direct in nature.
 - c. include rent, insurance and utilities.
 - d. most of the costs are likely to be indirect in nature.
 - e. labor need not be tracked to the product.

6. As production increases within the relevant range,
 - a. variable costs will vary on a per unit basis.
 - b. variable costs will vary in total.
 - c. fixed costs will vary in total.
 - d. fixed and variable cost stay the same in total.
 - e. none of the other four answers is true.

7. You are given the cost and volume information below:

<u>Volume</u>	<u>Cost</u>
1 unit	\$ 15
10 units	150
100 units	1500

What type of a cost is given?

- fixed cost
 - variable cost
 - step cost
 - mixed cost
 - rent cost.
8. Which of the following statements regarding graphs of fixed and variable costs is true?
- Variable costs can be represented by a straight line where costs are the same for each data point.
 - Fixed costs can be represented by a straight line starting at the origin and continuing through each data point.
 - Fixed costs are zero when production is equal to zero.
 - Variable costs are zero when production is equal to zero.
 - Fixed and Variable costs are curvilinear form above zero on the “Y” axis.
9. All of the following statements regarding budgeting is true except
- Budgeting helps managers determine the resources needed to meet their goals and objectives.
 - Budgeting is a key ingredient in good decision-making.
 - Budgeting is a bookkeeping task
 - The focus of budgeting is planning.
 - Budgeting is an executive responsibility.

10. Broihan Corporation has the following purchases budget for the last half of 2002:

July	\$100,000	October	\$ 90,000
August	80,000	November	100,000
September	110,000	December	94,000

Historically, the company pays one half at the time of purchase and the remainder in the month following purchase.

What are the expected cash disbursements in August?

- \$ 80,000.
- \$ 90,000.
- \$ 95,000.
- \$100,000
- \$105,000

11. The Inground Sprinkler Supply sells sprinkler systems suited for large or small yards. The company has decided to adopt an activity-based costing system. Last year the company incurred \$1,000,000 in overhead costs related to the following activities:

<u>Activity</u>	<u>Allocation Base</u>	<u>Overhead Cost</u>
Purchasing	number of purchase orders	\$ 350,000
Material handling	number of shipments received	200,000
Quality inspection	number of inspections	450,000

The activities for large and small yard systems were as follows:

	<u>Large</u>	<u>Small</u>
purchase orders	15,000	20,000
shipments received	7,500	12,500
inspections	11,500	11,000

If a customer requested a bid on a specially designed sprinkler that would probably require four inspections, how much quality inspection overhead would you include in the bid?

- \$ 0
- \$40
- \$80
- \$120.
- \$160.

12. Bubblemania has three product lines - A, B, and C.

	<u>A</u>	<u>B</u>	<u>C</u>	<u>Total</u>
Sales	\$10,000	9,000	12,000	31,000
Variable costs	<u>4,500</u>	<u>7,000</u>	<u>6,000</u>	<u>17,500</u>
Contribution Margin	5,500	2,000	6,000	13,500
Fixed costs	<u>3,500</u>	<u>6,000</u>	<u>3,000</u>	<u>12,500</u>
Net income	2,000	(4,000)	3,000	1,000

Product line B appears unprofitable, and management is considering discontinuing the line. How would the discontinuation of Product line B affect net income?

- increase by \$4,000
- decrease by \$4,000
- increase by \$2,000
- decrease by \$2,000
- increase by \$6,000

13. Coed Novelties manufactures key chains for college bookstores. During 2003, the company had the following costs:

Direct materials used	\$ 31,000
Direct labor	18,000
Factory rent	12,000
Equipment depreciation – factory	2,000
Equipment depreciation – office	750
Marketing expense	2,500
Administrative expenses	40,000

35,000 units produced were in 2003. What is the product cost per unit?

- a. approximately \$1.24
 - b. \$1.80
 - c. approximately \$3.04
 - d. \$1.40
 - e. approximately \$1.82
14. The time value of money focuses on
- a. accounting net income.
 - b. earnings per share.
 - c. cash flow.
 - d. current earnings
 - e. accrual net income.

15. The Unique Bookshelf Company is considering the purchase of a custom delivery van costing approximately \$50,000. Using a discount rate of 20%, the present value of future cost savings is estimated at \$51,200. To yield the 20% return, the actual cost of the van should not exceed the \$50,000 estimate by more than:

- a. \$50,000
- b. \$51,200
- c. \$25,000
- d. \$ 1,200
- e. 20%

16. The Cape Cod Cotton Candy Company had the following information available regarding last year's operations:

Sales (100,000 units)	\$200,000
Variable costs	<u>100,000</u>
Contribution margin	100,000
Fixed costs	<u>50,000</u>
Net Income	50,000

If sales were to increase by 200 units, what would be the effect on net income?

- a. \$400 increase
- b. \$200 increase
- c. \$150 increase
- d. \$100 increase
- e. \$200 loss

**Sample Test for Management Accounting
Answer Section**

MULTIPLE CHOICE

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