Managerial Accounting 15th edition Warren Test Bank

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TRUE/FALSE

1 : Cost accounting systems measure, record, and report product costs.
A : true
B : false

Correct Answer : A

2 : A job order cost accounting system provides for a separate record of the cost of each particular quantity of product that passes through the factory.
A : true
B : false

Correct Answer : A

3 : A process cost accounting system provides for a separate record of the cost of each particular quantity of product that passes through the factory.
A : true
B : false

Correct Answer : B

4 : A process cost accounting system provides product costs for each of the departments or processes within the factory.
A : true
B : false

Correct Answer : A

5 : A process cost accounting system is best used by manufacturers of like units of product that are not distinguishable from each other during a continuous production process.
A : true
B : false

Correct Answer : A

6 : The process cost system is appropriate where few products are manufactured and each product is made to customers' specifications.
A : true
B : false

Correct Answer : B

7 : A job order cost system would be appropriate for a crude oil refining business.
A : true
B : false

Correct Answer : B

8 : Perpetual inventory controlling accounts and subsidiary ledgers are maintained for materials, work in process, and finished goods in job order costing systems.
A : true

B : false

Correct Answer : A

9 : When the goods are sold, their costs are transferred from Work in Process to Finished Goods.
A : true
B : false

Correct Answer : B

10 : The materials requisition serves as the source document for debiting the accounts in the materials ledger.
A : true
B : false

Correct Answer : B

11 : Materials are transferred from the storeroom to the factory in response to materials requisitions.
A : true
B : false

Correct Answer : A

12 : The document that serves as the basis for recording direct labor on a job cost sheet is the time ticket.
A : true
B : false

Correct Answer : A

13 : Depreciation expense on factory equipment is part of factory overhead cost.
A : true
B : false

Correct Answer : A

14 : Factory overhead is applied to production using a predetermined overhead rate.
A : true
B : false

Correct Answer : A

15 : If factory overhead applied exceeds the actual costs, the factory overhead account will have a credit balance.
A : true
B : false

Correct Answer : A

16 : If factory overhead applied exceeds the actual costs, overhead is said to be underapplied.
A : true

B : false

Correct Answer : B

17 : If the underapplied factory overhead amount is immaterial, it is transferred to Cost of Goods Sold at the end of the fiscal year.
A : true
B : false

Correct Answer : A

18 : Each account in the work in process subsidiary ledger in a job order costing system is called a job cost sheet.
A : true
B : false

Correct Answer : A

19 : In the job order costing system, the finished goods account is the controlling account for the factory overhead ledger.
A : true
B : false

Correct Answer : B

20 : The inventory accounts generally maintained by a manufacturing firm are only finished goods and materials.
A : true
B : false

Correct Answer : B

21 : Generally accepted accounting principles require companies to use only one factory overhead rate for product costing.
A : true
B : false

Correct Answer : B

22 : Activity-based costing is a method of accumulating and allocating costs by department.
A : true
B : false

Correct Answer : B

23 : Interim financial statements for a manufacturing business would report overapplied factory overhead as a deferred item on the balance sheet.
A : true
B : false

Correct Answer : A

24 : The debit to Factory Overhead for the cost of indirect materials is obtained from the summary of

the materials requisitions.
A : true
B : false

Correct Answer : A

25 : Indirect materials are any materials needed to make a product that can be directly traced to the product.
A : true
B : false

Correct Answer : B

26 : Nonmanufacturing costs are generally classified into two categories: selling and administrative.
A : true
B : false

Correct Answer : A

27 : The current year's advertising costs are normally considered period costs.
A : true
B : false

Correct Answer : A

28 : Direct labor cost is an example of a period cost.
A : true
B : false

Correct Answer : B

29 : A manufacturing business reports just two types of inventory on its balance sheet: work in process inventory and finished goods inventory.
A : true
B : false

Correct Answer : B

30 : On the balance sheet for a manufacturing business, the cost of direct materials, direct labor, and factory overhead, which have entered into the manufacturing process but are associated with products that have not been finished, are reported as direct materials inventory.
A : true
B : false

Correct Answer : B

31 : As product costs are incurred in the manufacturing process, they are accounted for as assets and reported on the balance sheet as inventory.
A : true
B : false

Correct Answer : A

32 : A receiving report is prepared when purchased materials are first received by the manufacturing department.
A : true
B : false

Correct Answer : B

33 : Period costs are costs that are incurred for the production requirements of a certain period.
A : true
B : false

Correct Answer : B

34 : The job order costing system is not used by service organizations.
A : true
B : false

Correct Answer : B

35 : A law firm would use a job order cost system to accumulate all of the costs associated with a particular client engagement, such as lawyer time, copying charges, filing fees, and overhead.
A : true
B : false

Correct Answer : A

36 : Job order cost accounting systems can be used only for companies that manufacture a product.
A : true
B : false

Correct Answer : B

37 : The direct labor and overhead costs of providing services to clients are accumulated in a work in process account.
A : true
B : false

Correct Answer : A

38 : In a job order cost accounting system for a service business, materials costs are normally included as part of overhead.
A : true
B : false

Correct Answer : A

39 : A service organization will not use the job order costing method because it has no direct materials.
A : true
B : false

Correct Answer : B

40 : Using the job order cost system, service organizations are able to bill customers on a weekly or monthly basis, even when the job has not been completed.
A : true
B : false

Correct Answer : A

41 : Job order cost systems can be used to compare unit costs of similar jobs to determine if costs are staying within expected ranges.
A : true
B : false

Correct Answer : A

42 : Job cost sheets can provide information to managers on unit cost trends, the cost impact of continuous improvement in the manufacturing process, the cost impact of materials changes, and the cost impact of direct materials price or direct labor rate changes over time.
A : true
B : false

Correct Answer : A

43 : Information about costs developed through a job order cost system cannot be used to evaluate an organization’s cost performance.
A : true
B : false

Correct Answer : B

SHORT RESPONSE

44 : Define and discuss the two main types of cost accounting systems for manufacturing operations.

Correct Answer : The two main types of cost accounting systems are job order cost systems and process cost systems. Each system differs in how it accumulates and records costs.?A job order cost system provides product costs for each quantity of product that is manufactured. Each quantity of product that is produced is called a job. This type of system is used by companies that manufacture custom products or batches of similar products.?A process cost system provides product costs for each manufacturing department or process. Process cost systems are used by companies that manufacture products that are indistinguishable from each other and manufactured using a continuous process.

45 : Define and discuss the two main types of cost accounting systems for manufacturing operations.

Correct Answer : Mar. 10Materials2,000 Accounts Payable 2,000 15Work in Process1,125 Materials 1,125 25Work in Process1,075 Materials 1,075

46 : Cavy Company accumulated 560 hours of direct labor on Job 345 and 800 hours on Job

777. The direct labor was incurred at a rate of $20 per direct labor hour for Job 345 and $21 per direct labor for Job 777. Journalize the entry to record the flow of labor costs into production.

Correct Answer : Work in Process28,000*   Wages Payable 28,000   *(560 × $20) + (800 × $21) = $28,000

47 : Cavy Company accumulated 560 hours of direct labor on Job 345 and 800 hours on Job 777. The direct labor was incurred at a rate of $20 per direct labor hour for Job 345 and $21 per direct labor for Job 777. Journalize the entry to record the flow of labor costs into production.

Correct Answer : Factory Overhead17,250   Materials 11,000   Wages Payable 4,000   Utilities Payable 500   Accumulated Depreciation 700   Small Tools 300   Equipment Rental Payable 750

48 : Cavy Company estimates that total factory overhead costs will be $660,000 for the year. Direct labor hours are estimated to be 100,000.?a. Compute the predetermined factory overhead rate.b. Determine the amount of factory overhead applied to Job 345 if the amount of direct labor hours is 560 and to Job 777 if the amount of direct labor hours is 800.c. Journalize the entry to record the factory overhead applied if Jobs 345 and 777 are the only jobs for the period.

Correct Answer : a. $660,000 ÷ 100,000 = $6.60b. Job 345: 560 hrs. × $6.60 = $3,696   Job 777: 800 hrs. × $6.60 = $5,280c.Work in Process8,976   Factory Overhead 8,976

49 : Cavy Company estimates that the factory overhead for the following year will be $1,470,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 40,000 hours. Compute the predetermined overhead rate to apply factory overhead.

Correct Answer : $1,470,000 ÷ 40,000 = $36.75 per machine hour

50 : Cavy Company estimates that the factory overhead for the following year will be $1,250,000. The company has determined that the basis for applying factory overhead will be machine hours, which is estimated to be 40,000 hours. There are 4,780 machine hours for all of the jobs in the month of April. What amount will be applied to all of the jobs for the month of April?

Correct Answer : $1,250,000 ÷ 40,000 hours = $31.25 4,780 hours × $31.25 = $149,375

51 : Cavy Company estimates that the factory overhead for the following year will be $1,470,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 40,000 hours. The machine hours for the month of April for all of the jobs were 4,780. Journalize the entry to record the factory overhead applied in April.

Correct Answer : Work in Process175,665*   Factory Overhead 175,665*($1,470,000 ÷ 40,000) × 4,780

52 : Cavy Company estimates that the factory overhead for the following year will be $1,470,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 40,000 hours. The machine hours for the month of April for all of the jobs were 4,780. Journalize the entry to record the factory overhead applied in April.

Correct Answer : a. Job 765 = $14,570 [$5,670 + $3,500 + (27 × $200)]?   Job 766 = $22,475 [$8,900 + $4,775 + (44 × $200)]?b. Job 765 = $95.86 ($14,570 ÷ 152)?   Job 766 = $89.90 ($22,475 ÷ 250)

53 : Cavy Company completed 26,000 units during the year at a cost of $2,139,800. The beginning finished goods inventory was 5,000 units valued at $405,000. Assuming a FIFO cost flow, determine the cost of goods sold for 20,000 units.

Correct Answer : $405,000 + [15,000 × ($2,139,800 ÷ 26,000)] = $1,639,500

54 : Cavy Company estimates that the factory overhead for the following year will be $1,250,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 40,000 hours. The machine hours for the month of April for all of the jobs were 4,780. If the actual factory overhead for April totaled $141,800, determine the over- or underapplied amount for the month.

Correct Answer : $1,250,000 ÷ 40,000 = $31.25 overhead rate$31.25 × 4,780 machine hours = $149,375 factory overhead applied$141,800 – $149,375 = $7,575 overapplied

55 : Winston Company estimates that the factory overhead for the following year will be $1,250,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 50,000 hours. The total machine hours for the year were 54,300 hours. The actual factory overhead for the year was $1,375,000.?a. Determine the total factory overhead amount applied.b. Compute the over- or underapplied amount for the year.c. Journalize the entry to transfer the over- or underapplied factory overhead to cost of goods sold.

Correct Answer : a. $1,250,000 ÷ 50,000 = $25 overhead rate   54,300 machine hours × $25 = $1,357,500b. $1,375,000 actual – $1,357,500 applied = $17,500 underappliedc.Cost of Goods Sold17,500   Factory Overhead 17,500

56 : Winston Company estimates that the factory overhead for the following year will be $1,250,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 50,000 hours. The total machine hours for the year were 54,300. The actual factory overhead for the year was $1,348,800.?a. Determine the total factory overhead amount applied.b. Compute the over- or underapplied amount for the year.c. Journalize the entry to transfer the over- or underapplied factory overhead to cost of goods sold.

Correct Answer : a. $1,250,000 ÷ 50,000 = $25 overhead rate   54,300 machine hours × $25 = $1,357,500b. $1,348,800 actual – $1,357,500 applied = $8,700 overappliedc.Factory Overhead8,700   Cost of Goods Sold 8,700

57 : Cranston Company estimates the following overhead costs for the coming year:Equipment depreciation $160,000Equipment maintenance   60,000Supervisory salaries 40,000Factory rent   100,000Total $360,000?Cranston is also budgeting $600,000 in direct labor costs and 15,000 machine hours for the coming year.a. Compute the predetermined overhead rate using direct labor costs as the allocation base.b. Compute the predetermined overhead rate using machine hours as the allocation base.

Correct Answer : a. $360,000 ÷ $600,000 = 60% of direct labor costs b. $360,000 ÷ 15,000 machine hours = $24.00 per machine hour

58 : Flagler Company allocates overhead based on machine hours. It estimated overhead costs for the year to be $420,000. Estimated machine hours were 50,000. Actual hours and costs for the year were 46,000 machine hours and $380,000 of overhead.?a. Compute the overhead rate for the year.b. What is the amount of applied overhead for the year?c. What is the amount of under- or overapplied overhead for the year?

Correct Answer : a. $420,000 ÷ 50,000 = $8.40 overhead rate?b. $8.40 × 46,000 machine hours = $386,400?c. $380,000 – $386,400 = $6,400 overapplied

59 : Jase Company allocates overhead based on a predetermined overhead rate of $9 per direct labor hour. Job J904 required 8 tons of direct material at a cost of $600 per ton and took employees who earn $21 per hour a total of 80 hours to complete. What is the total cost of Job J904?

Correct Answer : Direct materials 8 tons × $600 $4,800Direct labor 80 hours × $21 1,680Manufacturing overhead 80 hours × $9 720Total cost of J904 $7,200

60 : Technics Inc., a manufacturing company, utilizes job order costing. Each division establishes its own estimates regarding overhead, which are as follows:?
Division A Division BTotal estimated overhead $128,000 $261,000Total estimated machine hours 16,000 72,500Total estimated direct labor costs $155,000 $290,000If Division A allocates overhead on the basis of machine hours and Division B allocates overhead as a percentage of direct labor costs, what would the predetermined overhead rate be for each division?

Correct Answer : $128,000 ÷ 16,000 = $8 per machine hour?$261,000 ÷ $290,000 = 90% of direct labor costs

61 : Crain Company budgeted 35,000 direct labor hours and incurred 40,000 of actual direct labor hours. It estimated overhead of $735,000 and incurred $780,000 of actual overhead.?What is Crain's predetermined overhead rate? Was overhead overapplied or underapplied for the year? By how much?

Correct Answer : Predetermined overhead rate: $735,000 ÷ 35,000 = $21 per direct labor hour?Applied overhead ($21 × 40,000) $840,000Actual overhead (780,000)Overapplied overhead $ 60,000

62 : Crain Company budgeted 35,000 direct labor hours and incurred 40,000 of actual direct labor hours. It estimated overhead of $735,000 and incurred $780,000 of actual overhead.?What is Crain's predetermined overhead rate? Was overhead overapplied or underapplied for the year? By how much?

Correct Answer : a.1. Summary of materials requisitions 2. Summary of time tickets b.Summary of job cost sheets for jobs completed c.Controlling AccountSubsidiary Ledger MaterialsMaterials ledger Work in ProcessJob cost sheets (or cost ledger) Finished GoodsFinished goods ledger (or stock ledger)

63 : Crain Company budgeted 35,000 direct labor hours and incurred 40,000 of actual direct labor hours. It estimated overhead of $735,000 and incurred $780,000 of actual overhead.?What is Crain's predetermined overhead rate? Was overhead overapplied or underapplied for the year? By how much?

Correct Answer : a.Aug. 11issue:700 × $15$10,500 18issue:(400 × $15) + (1,500 × $17)31,500 31issue:(200 × $17) + (600 × $18) 14,200 $56,200?b.Work in Process56,200 Materials 56,200

64 : Crain Company budgeted 35,000 direct labor hours and incurred 40,000 of actual direct labor hours. It estimated overhead of $735,000 and incurred $780,000 of actual overhead.?What is Crain’s predetermined overhead rate? Was overhead overapplied or underapplied for the year? By how much?

Correct Answer : a.Work in Process39,200 Factory Overhead8,000 Wages Payable 47,200 b.Work in Process27,440 Factory Overhead 27,440

65 : Crain Company budgeted 35,000 direct labor hours and incurred 40,000 of actual direct labor hours. It estimated overhead of $735,000 and incurred $780,000 of actual overhead.?What is Crain’s predetermined overhead rate? Was overhead overapplied or underapplied for the year? By how much?

Correct Answer : a.1.Work in Process72,000 Factory Overhead 72,000 2.Finished Goods301,200 Work in Process 301,200 b.$3,000 debit c.Underapplied d.Total debits to Work in Process: Balance, July 1 $ 60,200 Direct materials 147,000 Direct labor 120,000 Factory overhead 72,000$399,200 Less cost of goods finished, during July?? (301,200) Balance, Work in Process, July 31?? $ 98,000

66 : Crain Company budgeted 35,000 direct labor hours and incurred 40,000 of actual direct labor hours. It estimated overhead of $735,000 and incurred $780,000 of actual overhead.?What is Crain’s predetermined overhead rate? Was overhead overapplied or underapplied for the year? By how much?

Correct Answer : a.Materials176,000 Accounts Payable 176,000 b.Prepaid Expenses12,200 Accounts Payable 12,200 c.Work in Process153,700 Factory Overhead2,700 Materials 156,400 d.Work in Process141,300 Factory Overhead12,000 Wages Payable 153,300 e.Factory Overhead37,000 Accumulated Depreciation—Factory Equipment ?37,000 f.Factory Overhead6,100 Prepaid Expenses 6,100 g.Factory Overhead76,000 Accounts Payable 76,000 h.Work in Process105,300 Factory Overhead 105,300 i.Finished Goods415,300 Work in Process 415,300 j.Cost of Goods Sold412,000 Finished Goods 412,000 Accounts Receivable638,000 Sales 638,000

67 : Crain Company budgeted 35,000 direct labor hours and incurred 40,000 of actual direct labor hours. It estimated overhead of $735,000 and incurred $780,000 of actual overhead.?What is Crain’s predetermined overhead rate? Was overhead overapplied or underapplied for the year? By how much?

Correct Answer : May 17 issue: (8 × $32) + (6 × $33) = $454May 27 issue:(17 × $33) + (1 × $35) = $596

68 : Journalize the entry to record the use of materials and labor, based on the following:?Raw materials issued: Job 609, $850; for general use in factory, $600Labor time tickets: Job 609, $1,600; $400 for supervision

Correct Answer : Work in Process850 Factory Overhead600 Raw Materials 1,450 Work in Process1,600 Factory Overhead400 Wages Payable 2,000

69 : Journalize the entry to record the use of materials and labor, based on the following:?Raw materials issued: Job 609, $850; for general use in factory, $600Labor time tickets: Job 609, $1,600; $400 for supervision

Correct Answer : (a)Direct and indirect materials are issued.(b)Direct and indirect labor costs are incurred.(c)Factory overhead is applied.(d)Completed goods are transferred to finished goods.(e)Goods are sold.(f)Underapplied overhead is allocated.

70 : Journalize the entry to record the use of materials and labor, based on the following:?Raw materials issued: Job 609, $850; for general use in factory, $600Labor time tickets: Job 609, $1,600; $400 for supervision

Correct Answer : a. Nov. 2 Raw Materials 625 Accounts Payable 625?b. Nov. 5 Work in Process—Printing 500 Raw Materials 500? 5 Work in Process—Printing 675 Wages Payable 675? 5 Work in Process—Printing 1,150 Factory Overhead 1,150?c. Nov. 8 Work in Process—Folding 2,325 Work in Process—Printing 2,325?d. Nov. 8 Work in Process—Folding 450 Wages Payable 450? 8 Work in Process—Folding 655 Factory Overhead 655?e. Nov. 9 Finished Goods 3,430 Work in Process—Folding 3,430

71 : On May 15, the Stamping Department accepted Job 051507A to make 1,000 funnels. Materials requisitioned were 1,100 sheets at $1.20 per sheet and 1,150 grommets at $0.15 per set. The cost driver used by the Stamping Department is the drop-forge strokes indicated by a machine-mounted counter. Overhead is applied at $2.25 for each drop-forge stroke. Additionally, $375.00 of overhead is applied to each job due to setup and tear down. Assume the number of drop-forge strokes is 1,115. Direct labor is applied at $22.50 per hour for the machine operator and $11.10 for the machine loader. The job required 6.5 hours of labor.?Upon completion, the job was transferred to finished goods inventory.?Journalize the entries to record all events as of May 15.

Correct Answer : May 15 Work in Process ($1,320.00 + $172.50) 1,492.50* Raw Materials 1,492.50 *(1,100 × $1.20) + (1,150 × $0.15)? 15 Work in Process 2,883.75** Factory Overhead 2,883.75 **$375 + (1,115 × $2.25)? 15 Work in Process 218.40*** Wages Payable 218.40 ***($22.50 + $11.10) × 6.5 hrs.? 15 Finished Goods 4,594.65**** Work in Process 4,594.65 ****$1,492.50 + $2,883.75 + $218.40

72 : On May 15, the Stamping Department accepted Job 051507A to make 1,000 funnels. Materials requisitioned were 1,100 sheets at $1.20 per sheet and 1,150 grommets at $0.15 per set. The cost driver used by the Stamping Department is the drop-forge strokes indicated by a machine-mounted counter. Overhead is applied at $2.25 for each drop-forge stroke. Additionally, $375.00 of overhead is applied to each job due to setup and tear down. Assume the number of drop-forge strokes is 1,115. Direct labor is applied at $22.50 per hour for the machine operator and $11.10 for the machine loader. The job required 6.5 hours of labor.?Upon

completion, the job was transferred to finished goods inventory.?Journalize the entries to record all events as of May 15.

Correct Answer : a. Nov. 14 Work in Process   1,478.00
Materials   1,478.00?(525 × $1.25) + (450 × $1.15) + (85 × $1.45) + (65 × $2.15) + (25 × $1.20) + (25 × $0.45) = $1,478?b. Nov. 14 Work in Process
119.63   Wages Payable   119.63?(4.5 × $22.75) + (1.5 × $11.50) = $119.63?c. Nov. 14 Work in Process
5,893.75   Factory Overhead   5,893.75?(1,025 × $5.75) = $5,893.75?d. Nov. 14 Finished Goods
7,491.38   Work in Process
7,491.38?$1,478.00 + $119.63 + $5,893.75 = $7,491.38

73 : Put the following in the order of the flow of manufacturing costs for a company.?a. Close under- or overapplied factory overhead to Cost of Goods Soldb. Purchase materialsc. Use factory labor and incur factory overhead in productiond. Transfer completed jobs to finished goodse. Apply factory overhead to jobs according to the predetermined overhead ratef. Requisition materials to jobsg. Upon sale, move cost of finished product to Cost of Goods Sold

Correct Answer : b. Purchase materialsf. Requisition materials to jobsc. Use factory labor and incur factory overhead in productione. Apply factory overhead to jobs according to the predetermined overhead ratea. Close under- or overapplied factory overhead to Cost of Goods Soldd. Transfer completed jobs to finished goodsg. Upon sale, move cost of finished product to Cost of Goods Sold

74 : At the end of the period, Carson Company had the following balances in selected accounts:Materials $ 80,000Finished Goods
190,000Work in Process   70,000Cost of Goods Sold
1,000,000Factory Overhead   30,000?a. The factory overhead balance is relatively small; prepare the journal entry to close the factory   overhead account assuming a debit balance. What does a debit balance mean?b. The factory overhead balance is relatively small; prepare the journal entry to close the factory   overhead account assuming a credit balance. What does a credit balance mean?

Correct Answer : a. Cost of Goods Sold   30,000   Factory Overhead
30,000?A debit balance indicates that the factory overhead was underapplied.?b. Factory Overhead   30,000   Cost of Goods Sold   30,000?A credit balance indicates the factory overhead was overapplied.

75 : List the accounts used in the cost flow for (a) a manufacturer and (b) a service provider.

Correct Answer : a.Materials Wages Payable Factory Overhead Work in Process Finished Goods Cost of Goods Sold b.Supplies Wages Payable Overhead Work in Process Cost of Services

76 : Discuss the use of job order costing for professional services businesses. What are the similarities and differences between service and manufacturing business job order costing?

Correct Answer : Professional service providers—attorneys, physicians, advertising agencies, etc.—may use job order cost accounting systems. In such cases, clients are considered jobs.?Like manufacturers, direct labor and overhead costs for service companies are accumulated in work in process accounts. Unlike manufacturers, materials costs for service companies are usually insignificant and treated as overhead. When a job is completed, it is transferred to Cost of Services, which is similar to Cost of Goods Sold. Service companies do not use finished goods accounts.

77 : Discuss how job order cost information is used in decision making. What are some possible reasons that the actual costs of materials would exceed expected costs for a job?

Correct Answer : A job order cost accounting system accumulates and records product costs by jobs. The resulting total and unit product costs can be compared to similar jobs, compared over time, or compared to expected costs. In this way, a job order cost system can be used by managers for evaluating and controlling costs. ?Possible reasons that actual material costs would exceed expected cost include: new or poorly trained employees, poor quality materials, faulty tools or equipment, and incorrect instructions attached to the job.

MULTIPLE CHOICE

78 : Which of the following are the two main types of cost accounting systems for manufacturing operations?
A : process cost and general accounting systems
B : job order cost and process cost systems
C : job order and general accounting systems
D : process cost and replacement cost systems

Correct Answer : B

79 : Which of the following would most likely use a job order costing system?
A : paper mill
B : swimming pool installer
C : company that manufactures chlorine for swimming pools
D : oil refinery

Correct Answer : B

80 : Which of the following would be most likely to use process costing?
A : custom furniture manufacturer
B : auto body repair shop
C : law firm
D : lawn fertilizer manufacturer

Correct Answer : D

81 : Which of the following systems provides for a separate record of the cost of each particular quantity of product that passes through the factory?
A : job order cost system
B : general cost system
C : replacement cost system
D : process cost system

Correct Answer : A

82 : For which of the following businesses would the job order cost system be appropriate?
A : canned soup processor

B : oil refinery
C : lumber mill
D : hospital

Correct Answer : D

83 : For which of the following businesses would the process cost system be appropriate?
A : custom cabinet maker
B : landscaper
C : paper mill
D : catering firm

Correct Answer : C

84 : Which of the following is <u>not</u> a characteristic of a job order costing system?
A : It accumulates cost for each department within the factory.
B : It provides a separate record for the cost of each quantity of product that passes through the factory.
C : It is best suited for industries that manufacture custom goods.
D : It uses only one work in process account.

Correct Answer : A

85 : Which of the following products would most likely be manufactured using a job order costing system?
A : cell phone
B : highlighter pen
C : graduation invitation
D : recliner

Correct Answer : C

86 : Job order costing and process costing are
A : pricing systems
B : cost accounting systems
C : cost flow systems
D : inventory tracking systems

Correct Answer : B

87 : Which of the following costs are <u>not</u> included in finished goods inventory?
A : direct labor
B : factory overhead
C : chief financial officers salary
D : direct materials

Correct Answer : C

88 : Which of the following is the correct flow of manufacturing costs?
A : raw materials, work in process, finished goods, cost of goods sold
B : raw materials, finished goods, cost of goods sold, work in process
C : work in process, finished goods, raw materials, cost of goods sold
D : cost of goods sold, raw materials, work in process, finished goods

Correct Answer : A

89 : On which of the following would the labor costs for an individual job be recorded?
A : clock cards
B : in-and-out cards
C : time tickets
D : a payroll register

Correct Answer : C

90 : Thomlin Company forecasts that total overhead for the current year will be $15,500,000 with 250,000 total machine hours. Year to date, the actual overhead is $16,000,000 and the actual machine hours are 330,000 hours. The predetermined overhead rate based on machine hours is
A : $48 per machine hour
B : $62 per machine hour
C : $45 per machine hour
D : $50 per machine hour

Correct Answer : B

91 : Thomlin Company forecasts that total overhead for the current year will be $15,000,000 with 300,000 total machine hours. Year to date, the actual overhead is $16,000,000 and the actual machine hours are 330,000 hours. If Thomlin Company uses a predetermined overhead rate based on machine hours for applying overhead, as of this point in time (year to date), the overhead is
A : $1,000,000 overapplied
B : $1,000,000 underapplied
C : $500,000 overapplied
D : $500,000 underapplied

Correct Answer : C

92 : At the end of the year, overhead applied was $42,000,000. Actual overhead was $40,300,000. Closing over/underapplied overhead into Cost of Goods Sold would cause net income to
A : increase by $1,700,000
B : decrease by $1,700,000
C : increase by $3,400,000
D : decrease by $3,400,000

Correct Answer : A

93 : Which of the following is a period cost?
A : depreciation on factory lunchroom furniture
B : salary of telephone receptionist in the sales office
C : salary of a security guard for the factory parking lot
D : computer chips used by a computer manufacturer

Correct Answer : B

94 : Which of the following is a product cost?
A : salary of a sales manager

B : advertising for a particular product
C : drill bits for a drill press used in the plant assembly area
D : salary of the company receptionist

Correct Answer : C

95 : The document authorizing the issuance of materials from the storeroom is a
A : materials requisition
B : purchase requisition
C : receiving report
D : purchase order

Correct Answer : A

96 : The source document for the data for debiting Work in Process for direct materials is a
A : purchase order
B : purchase requisition
C : materials requisition
D : receiving report

Correct Answer : C

97 : In a job order cost accounting system, the journal entry to record the flow of direct materials into production consists of a
A : debit to Work in Process and a credit to Materials
B : debit to Materials and a credit to Work in Process
C : debit to Factory Overhead and a credit to Materials
D : debit to Work in Process and a credit to Supplies

Correct Answer : A

98 : A summary of the materials requisitions completed during a period serves as the basis for transferring the cost of the materials from the controlling account in the general ledger to the controlling accounts for
A : Work in Process and Cost of Goods Sold
B : Work in Process and Factory Overhead
C : Finished Goods and Cost of Goods Sold
D : Work in Process and Finished Goods

Correct Answer : B

99 : In a job order cost accounting system, when goods that have been ordered are received, the receiving department personnel count the goods, inspect the goods, and complete a
A : purchase order
B : sales invoice
C : receiving report
D : purchase requisition

Correct Answer : C

100 : The amount of time spent by an employee on an individual job is recorded on a(n)
A : pay stub
B : in-and-out card

C : time ticket
D : employees earnings record

Correct Answer : C

101 : The basis for the journal entry recording direct labor for the period is a summary of the
A : job order cost sheets
B : time tickets
C : employees earnings records
D : clock cards

Correct Answer : B

102 : In a job order cost accounting system, the journal entry to record the flow of direct labor costs into production consists of a
A : debit to Factory Overhead and a credit to Work in Process
B : debit to Finished Goods and a credit to Wages Payable
C : debit to Work in Process and a credit to Wages Payable
D : debit to Factory Overhead and a credit to Wages Payable

Correct Answer : C

103 : At the end of July, the first month of the current fiscal year, the factory overhead account had a debit balance. Which of the following describes the nature of this balance and how it would be reported on the interim balance sheet?
A : overapplied, deferred credit
B : underapplied, deferred debit
C : underapplied, deferred credit
D : overapplied, deferred debit

Correct Answer : B

104 : At the end of the fiscal year, the balance in Factory Overhead is small. The balance will be
A : transferred to Work in Process
B : transferred to Cost of Goods Sold
C : transferred to Finished Goods
D : allocated between Work in Process and Finished Goods

Correct Answer : B

105 : At the end of the fiscal year, the balance in Factory Overhead is small. The balance will be
A : $390,000
B : $170,000
C : $525,000
D : $580,000

Correct Answer : A

106 : At the end of the fiscal year, the balance in Factory Overhead is small. The balance will be
A : $135,000
B : $10,000
C : $120,000
D : $70,000

Correct Answer : A

107 : At the end of the fiscal year, the balance in Factory Overhead is small. The balance will be
A : $63,300
B : $21,300
C : $42,300
D : $11,300

Correct Answer : A

108 : At the end of the fiscal year, the balance in Factory Overhead is small. The balance will be
A : $8,100
B : $35,000
C : $29,900
D : $22,900

Correct Answer : C

109 : If the amount of factory overhead cost incurred exceeds the amount applied, the factory overhead account will have a
A : debit balance and be underapplied
B : credit balance and be underapplied
C : credit balance and be overapplied
D : debit balance and be overapplied

Correct Answer : A

110 : Journalizing the entry to record the indirect labor costs incurred for general factory use would include a debit to
A : Factory Overhead
B : Wages Payable
C : Wages Expense
D : Cost of Goods Sold

Correct Answer : A

111 : Journalizing the entry to record the application of factory overhead costs to jobs would include a credit to
A : Factory Overhead
B : Wages Payable
C : Work in Process
D : Cost of Goods Sold

Correct Answer : A

112 : Journalizing the entry to record a job completed would include a debit to
A : Factory Overhead
B : Finished Goods
C : Work in Process
D : Cost of Goods Sold

Correct Answer : B

113 : Journalizing the entry to record a job completed would include a credit to
A : Factory Overhead
B : Finished Goods
C : Work in Process
D : Cost of Goods Sold

Correct Answer : C

114 : Journalizing the entry to record jobs shipped and customers billed would include a debit to
A : Accounts Payable
B : Cash
C : Finished Goods
D : Cost of Goods Sold

Correct Answer : D

115 : Journalizing the entry to record jobs shipped and customers billed would include a credit to
A : Accounts Payable
B : Cash
C : Finished Goods
D : Cost of Goods Sold

Correct Answer : C

116 : The finished goods account is the controlling account for the
A : cost ledger
B : materials ledger
C : work in process ledger
D : stock ledger

Correct Answer : D

117 : The controlling account for the job cost sheets is
A : Finished Goods
B : Materials
C : Work in Process
D : Cost of Goods Sold

Correct Answer : C

118 : Reynolds Manufacturers Inc. has estimated total factory overhead costs of $95,000 and expected direct labor hours of 9,500 for the current fiscal year. If Job 117 incurs 2,300 direct labor hours, Work in Process will be debited and Factory Overhead will be credited for
A : $21,850
B : $2,300
C : $95,000
D : $23,000

Correct Answer : D

119 : A widely used activity base for developing factory overhead rates in highly automated settings is
A : direct labor hours

B : direct labor dollars
C : direct materials
D : machine hours

Correct Answer : D

120 : When Job 117 was completed, direct materials totaled $4,400; direct labor, $5,600; and factory overhead, $2,400. A total of 1,000 units were produced at a per-unit cost of
A : $12,400
B : $1,240
C : $124
D : $12.40

Correct Answer : D

121 : The journal entries to record the cost and sale of a finished good on account are
A : debit Cost of Goods Sold, credit Finished Goods; debit Accounts Payable, credit Sales
B : debit Cost of Goods Sold, credit Finished Goods; debit Accounts Receivable, credit Sales
C : debit Sales Expense, credit Finished Goods; debit Cash, credit Accounts Receivable
D : debit Work in Process, credit Finished Goods; debit Accounts Receivable, credit Sales

Correct Answer : B

122 : All of the following are examples of activity bases <u>except</u>
A : salaries of supervisors
B : quality inspections of products
C : number of machine setups
D : raw materials storage

Correct Answer : A

123 : Materials purchased on account during the month totaled $190,000. Materials requisitioned and placed in production totaled $165,000. The journal entry to record the materials purchased on account is
A : Materials 165,000

Accounts Payable 165,000

B : Materials 190,000

Accounts Payable 190,000

C : Materials 190,000

Cash 190,000

D : Accounts Payable 190,000

Materials 190,000

Correct Answer : B

124 : Materials purchased on account during the month amounted to $190,000. Materials requisitioned and placed in production totaled $156,000. The journal entry to record the

materials requisitioned by the production department is

A : Materials 156,000

Work in Process 156,000

B : Work in Process 190,000

Materials 190,000

C : Work in Process 156,000

Materials 156,000

D : Work in Process 156,000

Cash 156,000

Correct Answer : C

125 : During the period, labor costs incurred on account amounted to $175,000, including $150,000 for production orders and $25,000 for general factory use (indirect labor). In addition, factory overhead charged to production was $32,000. The journal entry to record the direct labor costs is

A : Work in Process 150,000

Wages Payable 150,000

B : Work in Process 175,000

Wages Payable 175,000

C : Wages Payable 175,000

Work in Process 175,000

D : Wages Payable 150,000

Work in Process 150,000

Correct Answer : A

126 : During the period, labor costs incurred on account amounted to $175,000, including $150,000 for production orders and $25,000 for general factory use. Factory overhead applied to production was $32,000. The journal entry to record the actual factory overhead costs incurred is

A : Accounts Payable 25,000

Factory Overhead 25,000

B : Factory Overhead 32,000

Accounts Payable 32,000

C : Work in Process 25,000

Wages Payable 25,000

D : Factory Overhead 25,000

Wages Payable 25,000

Correct Answer : D

127 : During the period, labor costs incurred on account amounted to $175,000, including $150,000 for production orders and $25,000 for general factory use. Factory overhead applied to production was $23,000. The journal entry to record the factory overhead applied to production is

A : Work in Process 25,000

Factory Overhead 25,000

B : Factory Overhead 23,000

Work in Process 23,000

C : Work in Process 23,000

Factory Overhead 23,000

D : Factory Overhead 25,000

Accounts Payable 25,000

Correct Answer : C

128 : The cost of production of completed and transferred goods during the period amounted to $540,000, and the finished products shipped to customers had total production costs of $375,000. The journal entry to record the transfer of costs from work in process to finished goods is

A : Finished Goods 375,000

Work in Process 375,000

B : Finished Goods 540,000

Work in Process 540,000

C : Work in Process 540,000

Finished Goods 540,000

D : Work in Process 375,000

Finished Goods 375,000

Correct Answer : B

129 : The cost of production of completed and transferred goods during the period amounted to $540,000, and the finished products shipped to customers had production costs of $375,000. The journal entry to record the transfer of costs from finished goods to cost of goods sold is

A : Finished Goods 540,000

Cost of Goods Sold 540,000

B : Finished Goods 375,000

Cost of Goods Sold 375,000

C : Cost of Goods Sold 375,000

Finished Goods 375,000

D : Cost of Goods Sold 540,000

Finished Goods 540,000

Correct Answer : C

130 : Costs that are incurred in generating revenues during the period, but are not involved in the manufacturing process are referred to as
A : period costs
B : conversion costs
C : factory overhead costs
D : product costs

Correct Answer : A

131 : Costs that are treated as assets until the product is sold are
A : product costs
B : period costs
C : conversion costs
D : selling expenses

Correct Answer : A

132 : The period costs of a textbook printer would include
A : wages of a press operator
B : factory insurance costs
C : CEO salary expense
D : paper costs

Correct Answer : C

133 : Which of the following types of inventories does a manufacturing business report on the balance sheet?
A : finished goods inventory and work in process inventory only
B : direct materials inventory and work in process inventory only
C : direct materials inventory, work in process inventory, and finished goods inventory
D : direct materials inventory and finished goods inventory only

Correct Answer : C

134 : For a manufacturing business, products that are in the process of being manufactured are referred to as

A : supplies inventory
B : work in process inventory
C : finished goods inventory
D : direct materials inventory

Correct Answer : B

135 : The journal entry to record the purchase of $45,000 of raw materials is

A : Materials 45,000

Accounts Receivable 45,000

B : Materials

Accounts Payable 45,000

C : Inventory 45,000

Accounts Receivable 45,000

D : Inventory 45,000

Cash 45,000

Correct Answer : B

136 : The journal entry to record the transfer of 1,600 units of Part No. 1177, with a value of $2.50 each, to work in process is

A : Materials 4,000

Work in Process 4,000

B : Work in Process 4,000

Factory Overhead 4,000

C : Work in Process 4,000

Materials 4,000

D : Work in Process 4,000

Cash 4,000

Correct Answer : C

137 : Which of the following represents the factory overhead applied to a product?

A : predetermined factory overhead rate times estimated activity base
B : actual factory overhead rate times estimated activity base
C : predetermined factory overhead rate times actual activity base
D : actual factory overhead rate times actual activity base

Correct Answer : C

138 : Which of the following is the formula to compute the predetermined factory overhead rate?
A : estimated total factory overhead costs divided by estimated activity base
B : actual total factory overhead costs divided by estimated activity base
C : estimated total factory overhead costs divided by actual activity base
D : actual total factory overhead costs divided by actual activity base

Correct Answer : A

139 : Which of the following is the formula to compute the predetermined factory overhead rate?
A : $7.50
B : $13.20
C : $2.20
D : $16.50

Correct Answer : B

140 : A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual factory overhead costs incurred were $377,200, and actual direct labor hours were 36,000. What is the amount of overapplied or underapplied manufacturing overhead at the end of the year?
A : $6,000 overapplied
B : $6,000 underapplied
C : $54,800 overapplied
D : $54,800 underapplied

Correct Answer : C

141 : A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual factory overhead costs incurred were $377,200, and actual direct labor hours were 36,000. What is the amount of overapplied or underapplied manufacturing overhead at the end of the year?
A : 199%
B : 196%
C : $14.92
D : $15.65

Correct Answer : A

142 : A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual manufacturing overhead costs incurred were $377,200, and actual direct labor hours were 36,000. What is the predetermined overhead rate per direct labor hour?
A : $12.00
B : $10.00
C : $12.57
D : $10.48

Correct Answer : A

143 : A manufacturing company applies factory overhead based on direct labor hours. At the

beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual manufacturing overhead costs incurred were $377,200, and actual direct labor hours were 36,000. The journal entry to apply the factory overhead costs for the year would include a
A : debit to Factory Overhead for $360,000
B : credit to Factory Overhead for $432,000
C : debit to Factory Overhead for $377,200
D : credit to Factory Overhead for $360,000

Correct Answer : B

144 : A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual manufacturing overhead costs incurred were $377,200, and actual direct labor hours were 36,000. The journal entry to apply the factory overhead costs for the year would include a
A : $180,000
B : $181,000
C : $172,500
D : $184,000

Correct Answer : C

145 : A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual manufacturing overhead costs incurred were $377,200, and actual direct labor hours were 36,000. The journal entry to apply the factory overhead costs for the year would include a
A : $0
B : $456
C : $3,208
D : $2,752

Correct Answer : B

146 : A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual manufacturing overhead costs incurred were $377,200, and actual direct labor hours were 36,000. The journal entry to apply the factory overhead costs for the year would include a
A : $456
B : $2,685
C : $1,685
D : $685

Correct Answer : C

147 : A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual manufacturing overhead costs incurred were $377,200, and actual direct labor hours were 36,000. The journal entry to apply the factory overhead costs for the year would include a
A : $456

B : $1,067
C : $1,685
D : $2,752

Correct Answer : B

148 : A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual manufacturing overhead costs incurred were $377,200, and actual direct labor hours were 36,000. The journal entry to apply the factory overhead costs for the year would include a
A : $1,685
B : $2,685
C : $1,000
D : $685

Correct Answer : B

149 : A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual manufacturing overhead costs incurred were $377,200, and actual direct labor hours were 36,000. The journal entry to apply the factory overhead costs for the year would include a
A : $1,685
B : $2,685
C : $1,000
D : $685

Correct Answer : C

150 : A separate account for each material is found in a
A : general ledger
B : materials ledger
C : receiving report
D : job cost sheet

Correct Answer : B

151 : The materials requisition is used to
A : release materials from the storeroom to the factory
B : release finished goods to the shipping department
C : record the acquisition of materials from a vendor
D : record and electronically transmit materials data in place of a receiving report

Correct Answer : A

152 : Period costs are
A : found on the balance sheet
B : not involved in the production process
C : classified as direct labor, direct material, or factory overhead
D : found on the job order cost sheets

Correct Answer : B

153 : Cavy Company estimates that the factory overhead for the following year will be $1,250,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 40,000 hours. The machine hours for the month of April for all of the jobs were 4,780. If the actual factory overhead totaled $141,800, determine the over- or underapplied amount for the month.
A : $7,575 underapplied
B : $35,220 underapplied
C : $7,575 overapplied
D : $35,220 overapplied

Correct Answer : C

154 : Period costs are classified as either
A : selling expenses or production expenses
B : administrative expense or production expenses
C : selling expenses or administrative expenses
D : general expenses or selling expenses

Correct Answer : C

155 : Winston Company estimates that the factory overhead for the following year will be $1,250,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 50,000 hours. The total machine hours for the year were 54,300. The actual factory overhead for the year was $1,375,000. Determine the over- or underapplied amount for the year.
A : $17,500 overapplied
B : $17,500 underapplied
C : $118,250 overapplied
D : $118,250 underapplied

Correct Answer : B

156 : Sanders Inc. has applied $567,988 of overhead to jobs. Actual overhead at the end of the year is $575,000. The adjustment for over- or underapplied overhead is
A : $7,012 overapplied, increase Cost of Goods Sold
B : $7,012 underapplied, increase Cost of Goods Sold
C : $7,012 overapplied, decrease Cost of Goods Sold
D : $7,012 underapplied, decrease Cost of Goods Sold

Correct Answer : B

157 : All of the following are true regarding product costs <u>except</u>
A : product costs are found on the balance sheet until they are sold
B : product costs consist of direct labor, direct materials, and factory overhead
C : product costs can be found in three accounts on the balance sheet
D : product costs include sales and administrative expenses

Correct Answer : D

158 : The details concerning the costs incurred on each job order are accumulated in a work in process account and supported by a
A : stock ledger

B : materials ledger
C : cost ledger
D : creditors ledger

Correct Answer : C

159 : Each document in the cost ledger is called a
A : finished goods sheet
B : stock record
C : materials requisition
D : job cost sheet

Correct Answer : D

160 : Which of the following would not be found in the accounting system of a service provider?
A : cost ledger
B : finished goods ledger
C : deferred revenue account
D : job cost sheets

Correct Answer : B

161 : Which of the following entries would not be found on the books of a service provider?
A : a debit to Work in Process and a credit to Materials
B : a debit to Work in Process and a credit to Wages Payable
C : a debit to Work in Process and a credit to Overhead
D : a debit to Cost of Services and a credit to Work in Process

Correct Answer : A

162 : In a job order cost accounting system used by a service business, which of the following items would normally not be included as part of overhead?
A : materials
B : direct labor
C : rent
D : supplies

Correct Answer : B

163 : The direct labor and overhead costs of providing services to clients are accumulated in
A : Finished Services Expense
B : Work in Process
C : Administrative Salaries Expense
D : Overhead

Correct Answer : B

164 : When a job is completed in a service organization, the job costs are transferred to the
A : work in process account
B : cost of services account
C : finished goods account
D : cost of goods sold account

Correct Answer : B

165 : A difference in quantity of materials used on two comparable jobs may be caused by
A : inadequately trained employees
B : poor quality materials
C : incorrect instructions attached to the job
D : all of these choices

Correct Answer : D

166 : A difference in quantity of materials used on two comparable jobs may be caused by
A : Production processes are becoming more efficient.
B : Increased production efficiencies are exactly offsetting increased labor costs.
C : Increased labor costs are outweighing increases in production efficiencies.
D : In the wake of increasing labor costs, management needs to address production inefficiencies.

Correct Answer : A

MATCHING

167 : Match each of the following phrases with the term (a–g) that it most closely describes.?

A : A system that uses a different overhead rate for each activity	A : Job order cost system
B : A subsidiary ledger that maintains a separate account for each type of material	B : Process cost system
C : Applied overhead is more than actual overhead incurred	C : Activity-based costing
D : Typically used by companies that make custom products	D : Underapplied overhead
E : Typically used by companies whose products are indistinguishable from each other	E : Overapplied overhead
F : Stock ledger	F : Finished goods ledger
G : Applied overhead is less than actual overhead incurred	G : Materials ledger

Correct Answer :
A : C

B : G

C : E

D : A

E : B

F : F

G : D

168 : Match the costs that follow to the type of product cost (a–c) or designate as not a product cost (d).

A : Factory depreciation	A : Direct labor
B : President's salary	B : Direct materials
C : Salespersons' commissions	C : Factory overhead
D : Wood	D : Not a product cost
E : Factory supervisor's salary	
F : Assembler's wages	
G : Plastic parts	
H : Machine operator's wages	
I : Maintenance supplies	

Correct Answer :

A : C

B : D

C : D

D : B

E : C

F : A

G : B

H : A

I : C

169 : Match each of the following phrases with the term (a–e) that most closely describes it. Each term will be used only once.?

A : Process by which factory overhead is assigned to a cost object	A : Job cost sheets
B : These make up the work in process subsidiary ledger	B : Materials requisitions
C : Serves as the basis for recording direct labor on a job cost sheet	C : Receiving report
D : Prepared when materials that have been ordered are received and inspected	D : Time tickets
E : Serves as the basis for recording materials used	E : Cost allocation

Correct Answer :

A : E

B : A

C : D

D : C

E : B

170 : Match each of the following costs with the appropriate classification (a–e).?

A : Telephone cable for a telephone company	A : Product cost – direct materials
B : Membership fees for a health club for executives	B : Product cost – direct labor
C : Salary of the director of internal auditing	C : Product cost – factory overhead
D : Long-distance telephone bill for calls made by salespersons	D : Period cost – selling expense
E : Carrying cases for a manufacturer of video camcorders	E : Period cost – administrative expense
F : Cotton for a textile manufacturer of blue jeans	
G : Bandages for the emergency room of a hospital	
H : Cost of company holiday party	
I : Electricity used to operate factory machinery	
J : State unemployment compensation taxes for factory workers	
K : Gloves for factory machine operators	
L : Fees paid for lawn service for office grounds	
M : Salary of secretary to vice president of finance	
N : Salary of secretary to vice president of marketing	
O : Production supervisor's salary	
P : Engine oil for manufacturer and distributor of motorcycles	
Q : Oil lubricants for factory plant and equipment	
R : Cost of a radio commercial	
S : Depreciation on factory equipment	
T : Wages of checkout clerk in company-owned retail outlet	
U : Maintenance and repair costs for factory equipment	
V : Depreciation on office equipment	
W : Bonuses paid to salespersons	
X : Insurance on factory building	
Y : Training for accounting personnel on use of microcomputer	
Z : Steel for a construction contractor	

Correct Answer :

A : A

B : E

C : E

D : D

E : A

F : A

G : A

H : E

I : C

J : B

K : C

L : E

M : E

N : D

O : C

P : A

Q : C

R : D

S : C

T : D

U : C

V : E

W : D

X : C

Y : E

Z : A