Managerial Accounting for Undergraduates
2nd Edition
by Christensen, Hobson, Matthews and Wallace

PRACTICE QUIZ

Chapter 9: Planning and Budgeting

1. What is true regarding continuous budgets?

a. The oldest month or quarter is not removed from the budget.
b. The oldest month or quarter is removed from the budget.
c. Regardless of the time of year, it always covers 12 months or four quarters.
d. Answers b and c

2. Which of the following statements is false regarding zero-based budgeting?

a. Many organizations use zero-based budgets to address issues with increases in their annual operating budgets.
b. Zero-based budgets are prepared from the ground up, starting with zero for every item.
c. Zero-based budgets are prepared from the top down, starting with last year's budget.
d. None of the above are false.

3. Which of the following is not included in the master budget?

a. Sales budget
b. Cash budget
c. Budgeted Income Statement
d. All of the above are included in the master budget

4. A company is in the process of preparing their annual budgets. The company should start with which budget?

a. Master budget
b. Sales budget
c. Budgeted Income Statement
d. Production budget

5. Material purchases on account would most likely be included in which budget?

a. Direct labor budget
b. Selling and administrative budget
c. Cash budget
d. None of the above

6. Out of the Park socks produce socks for sports fans. The socks come in two sizes: Medium and Large. Out of the Park anticipates the following sales volumes and prices for the coming period:

Size	Sales Volume	Selling Price
Medium	8,000 socks	$4.00 each
Large	10,000 socks	$5.00 each

What is the budgeted level of revenue for the coming period?

a. $50,000
b. $72,000
c. $82,000
d. $90,000

7. Out of the Park is projecting the following sales for January and February. Their policy is to maintain ending inventories at 5% of what is expected for the next month.

	Expected Sales	
Style	**January**	**February**
Medium	1,000 units	1,800 units
Large	1,200 units	2,000 units

What is the budgeted level of production for both styles for January?

a. Medium: 1,040; Large: 1,240
b. Medium: 2,040; Large: 1,310
c. Medium: 2,240; Large: 1,440
d. None of the above

Reference the following information for Questions 8 and 9.

Olu's African Sculptures is preparing their budgeted financial statements for the coming year, and has accumulated the following data:

Beginning-of-period balances:	
Cash:	$65,000
Accounts Receivable:	$40,000
Raw Materials Inventory:	$30,000
Work in Process Inventory:	$150,000
Finished Goods Inventory:	$30,000
Equipment (historical value):	$275,000
Accumulated Depreciation:	$125,000
Accounts Payable:	$45,000
Estimates for end-of-period balances:	
Accounts Receivable:	$20,000
Raw Materials Inventory:	$12,500
Work in Process Inventory:	$90,000
Finished Goods Inventory:	$8,000
Accumulated Depreciation:	$115,000
Accounts Payable:	$27,000
Budgeted activity levels for the period:	
Sales (# units at a sales price of $205/unit):	20,000 units
Purchases of Direct Materials:	$290,000
Direct Labor Wages:	$170,000
Manufacturing Overhead:	$210,000
Selling and Administrative Expenses:	$775,000

8. What is the budgeted cash received from customers?

a. $4,100,000
b. $4,120,000
c. $4,220,000
d. $4,320,000

9. What is the budgeted Cost of Goods Sold for the period?

a. $447,500
b. $547,500
c. $747,500
d. $769,500

10. Aspen Inc. manufactures snowmobiles. The snowmobiles come in two types: Regular and Turbo. Aspen Inc. anticipates the following sales volumes for the coming period:

Regular:	4,500 snowmobiles
Turbo:	2,200 snowmobiles

If total budgeted revenue for the period is $6,020,000 and the sales price for the Regular snowmobile is $800, what is the budgeted sales price for the Turbo snowmobile?

a. $875
b. $900
c. $1,075
d. $1,100

SOLUTIONS

Chapter 9: Planning and Budgeting

1. d

2. c

3. d

4. b

5. d

6. c

7. a

8. b

9. d

10. d