

***Managerial Accounting for Undergraduates***  
2nd Edition  
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**PRACTICE QUIZ**

**Chapter 2: Managerial Accounting Concepts and Cost Flows**

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1. Which of the following is never an element of product cost?
  - a. Depreciation
  - b. Sales commissions
  - c. Rent
  - d. Property taxes
  
2. Which of the following is an element of manufacturing overhead?
  - a. Indirect labor
  - b. Advertising
  - c. Professional fees
  - d. Company president's salary
  
3. Cost of goods manufactured plus beginning finished goods inventory less ending finished goods inventory equals:
  - a. Total manufacturing cost
  - b. Cost of goods sold
  - c. Work-in-process inventory
  - d. Gross profit
  
4. Which one of the following refers to a cost that decreases as the volume of activity increases within the relevant range?
  - a. Average cost per unit
  - b. Variable cost per unit
  - c. Fixed cost per unit
  - d. Total variable cost
  
5. Which of the following would be considered a direct cost of a manufacturing plant?
  - a. Sales manager's salary
  - b. General liability insurance premium
  - c. Auditing fee
  - d. Production line depreciation

6. Prime cost is:
- a. Materials cost
  - b. Labor cost
  - c. Manufacturing overhead cost
  - d. Both a and b
  - e. Both b and c
  - f. Both a and c
7. The journal entry to record the distribution of the indirect materials requires:
- a. A debit to work-in-process inventory
  - b. A credit to work-in-process inventory
  - c. A debit to manufacturing overhead
  - d. A debit to materials inventory
8. An engineering consulting firm reported beginning work-in-process inventory of \$45,000 and ending work-in-process inventory of \$75,000. If the firm recorded direct labor of \$120,000 and cost of services of \$425,000, how much overhead did the firm apply during the period?
- a. \$275,000
  - b. \$335,000
  - c. \$515,000
  - d. \$545,000
9. If beginning and ending finished goods inventory were \$100,000 and \$80,000, respectively, and cost of goods sold was \$695,000 for the period, what was the cost of goods manufactured?
- a. \$675,000
  - b. \$700,000
  - c. \$715,000
  - d. Cannot be determined from the information provided
10. The journal entry to record the completion of units of product for sale would include:
- a. A credit to finished goods
  - b. A credit to raw materials inventory
  - c. A debit to work-in-process inventory
  - d. A credit to work-in-process inventory

## SOLUTIONS

### Chapter 2: Managerial Accounting Concepts and Cost Flows

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1. b
2. a
3. b
4. c
5. d
6. d
7. c
8. b
9. a
10. d