

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

**Chapter 3: Cost Accounting Systems: Job Order Costing**

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1. Which product costing system would most likely be used to account for an electric utility?
  - a. Job order costing
  - b. Process costing
  - c. Normal costing
  - d. Standard costing
  
2. A manufacturer budgets \$300,000 in overhead and 5,000 direct labor hours. Actual overhead for the period was \$286,700 and employees worked 4,700 hours. Overhead is applied on the basis of direct labor hours.

What was the predetermined overhead rate and the amount of applied overhead for the period?

  - a. Rate: \$57.34 per labor hour; Applied overhead: \$269,498
  - b. Rate: \$60 per labor hour; Applied overhead: \$282,000
  - c. Rate: \$60 per labor hour; Applied overhead: \$286,700
  - d. Rate: \$60 per labor hour; Applied overhead: \$300,000
  
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 good 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**

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