

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

**Chapter 17: Cost Accounting Systems: Process Costing**

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1. Process costing is most likely to be used by which company:
  - a. An aircraft company that manufacturers unique and custom planes
  - b. A service company that ships out online orders
  - c. A dairy company that bottles and ships out various types of dairy products
  - d. A pencil manufacturer that mass produces the same type of wood used to make pencils
  
2. Assume that all direct materials are added at the beginning of the manufacturing process. If 72,100 units are completed and transferred in respect to direct materials, however, the process is 90% complete in respect to conversion costs, calculate the number of equivalent units in respect to direct materials.
  - a. 64,890
  - b. 72,100
  - c. 7,210
  - d. None of the above
  
3. Assume that 72,100 units have been completed and transferred out. Ending inventory consists of 2,100 units that are 20% complete in terms of conversion costs. Calculate the number of equivalent units in respect to conversion costs.
  - a. 72,100
  - b. 2,100
  - c. 74,200
  - d. 72,520
  
4. The calculation of equivalent units of production requires accountants to:
  - a. Compute the units that were transferred-in last period and sold this period
  - b. Track the actual quantity of products at each stage of production
  - c. Estimate the average amount of work completed on each unit of product in terms of conversion costs and direct material costs
  - d. Both b and c are correct.
  
5. The major difference between the weighted average and FIFO cost flow assumption is that:
  - a. Weighted average method mixes inventory layers, whereas the FIFO method keeps inventory layers based on the last ones added.
  - b. Weighted average method mixes inventory layers, whereas the FIFO method keeps inventory layers separate.
  - c. Both a and b are correct.
  - d. None of the above

6. If the total amount of costs to account for equals \$20,420,890 and there are 72,100 equivalent units, calculate the average cost per unit.
- a. You can't calculate the average cost per unit when using the weighted average method.
  - b. \$289.23 per unit
  - c. \$283.23 per unit
  - d. You can't calculate the average cost per unit when using the FIFO method.
7. What's *true* about calculating the Cost of Goods Manufactured?
- a. Cost of Goods Sold and Cost of Goods Manufactured is the same thing.
  - b. Cost of Goods Manufactured will be the same every month when using the FIFO method.
  - c. Cost of Goods Manufactured are calculated at the end of the month and are transferred to finished goods inventory.
  - d. Cost of Goods Manufactured are calculated at the end of the month and are transferred to direct materials inventory.
8. The journal entry to illustrate the transferring of product costs from the processing department to Finished Goods (the amount of Cost of Goods Manufactured) will include:
- a. A Debit to Work in Process and a Credit to Direct Materials
  - b. A Debit to Finished Goods and a Credit to Work in Process
  - c. A Debit to Cost of Goods Sold and a Credit to Cost of Goods Manufactured
  - d. A Debit to Finished Goods and a Credit to Direct Materials
9. For companies with multiple production processes, what is *true* of their Costs of Goods Manufactured and Ending Inventory?
- a. Their unit costs will be much smaller.
  - b. Their unit costs will be much larger.
  - c. They will not incur any transferred-in costs if they use the weighted average method.
  - d. They will incur transferred-in costs from the department transferring the units.
10. Favors Incorporated noticed rising unit costs. Their production manager suddenly quit and no one knows which method is being used to calculate unit costs. They want to know costs incurred this period. Which method should they use to track these costs?
- a. FIFO
  - b. Weighted Average
  - c. LIFO
  - d. Both b and c will accurately track costs incurred this period.

## **SOLUTIONS**

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