

Financial & Managerial Accounting for Undergraduates
2nd Edition
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PRACTICE QUIZ

Chapter 15: Managerial Accounting Concepts and Cost Flows

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 15: Managerial Accounting Concepts and Cost Flows

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