

<b>Second Semester 2021 Third Year</b>		<b>Assiut University Faculty of Commerce English Program</b>
<b>"Cost Accounting"</b>		
	<b>"Test Bank"</b>	

### **Multiple Choice Questions:**

1. The term "conversion costs" refers to:
  - a. Manufacturing costs incurred to produce units of output.
  - b. All costs associated with manufacturing other than direct labor costs and raw material costs.
  - c. Costs which are associated with marketing, shipping, warehousing, and billing activities.
  - d. The sum of direct labor costs and all factory overhead costs.
  - e. The sum of raw material costs and direct labor costs.
  
2. The term "prime costs" refers to:
  - a. Manufacturing costs incurred to produce units of output.
  - b. All costs associated with manufacturing other than direct labor costs and raw material costs.
  - c. Costs which are predetermined and should be attained.
  - d. The sum of direct labor costs and all factory overhead costs.
  - e. The sum of raw material costs and direct labor costs.
  
3. Costs which are inventorable are:
  - a. Manufacturing costs incurred to produce units of output.
  - b. All costs associated with manufacturing other than direct labor costs and raw material costs.
  - c. Costs which are associated with marketing, shipping, warehousing, and billing activities.
  - d. The sum of direct labor costs and all factory overhead costs.
  - e. The sum of raw material costs and direct labor costs.

4. **The term "variable costs" refers to:**
  - a. **All costs which are likely to respond to the amount of attention devoted to them by a specified manager.**
  - b. **All costs which are associated with marketing, shipping, warehousing, and billing activities.**
  - c. **All costs which do not change in total for a given period of time and relevant range but which become progressively smaller on a per unit basis as volume increases.**
  - d. **All manufacturing costs incurred to produce units of output.**
  - e. **All costs which fluctuate in total in response to small changes in the rate of utilization of capacity.**
  
5. **The term "committed costs" refers to those:**
  - a. **Costs which management decides to incur in the current period to enable the company to achieve objectives other than the filling of orders placed by customers.**
  - b. **Costs which are likely to respond to the amount of attention devoted to them by a specified manager.**
  - c. **Costs which are governed mainly by past decisions that established the present levels of operating and organizational capacity and which only change slowly in response to small changes in capacity.**
  - d. **Costs which fluctuate in total in response to small changes in the rate of utilization of capacity.**
  - e. **Costs amortized which were capitalized in previous periods.**
  
6. **The term "discretionary costs" refers to those:**
  - a. **Costs which management decides to incur in the current period to enable the company to achieve objectives other than the filling of orders placed by customers.**
  - b. **Costs which are likely to respond to the amount of attention devoted to them by a specified manager.**
  - c. **Costs which are governed mainly by past decisions that established the present levels of operating and organizational capacity and which only change slowly in response to small changes in capacity.**

- d. **Costs amortized which were capitalized in previous periods.**
- e. **Costs which will be unaffected by current managerial decisions.**

**7. Those costs referred to as "controllable costs" are:**

- a. **Costs which management decides to incur in the current period to enable the company to achieve objectives other than the filling of orders placed by customers.**
- b. **Costs which are likely to respond to the amount of attention devoted to them by a specified manager.**
- c. **Costs which are governed mainly by past decisions that established the present levels of operating and organizational capacity and which only change slowly in response to small changes in capacity.**
- d. **Costs which fluctuate in total in response to small changes in the rate of utilization of capacity.**
- e. **Costs which will be unaffected by current managerial decisions.**

**8. The term "cost" refers to:**

- a. **An asset that has given benefit and is now expired.**
- b. **The price of products sold or services rendered.**
- c. **The value of the sacrifice made to acquire goods or services.**
- d. **An asset that has not given benefit and is now expired.**
- e. **The present value of future benefits.**

**9. Step costs are classified as a:**

- a. **Variable costs.**
- b. **Fixed cost.**
- c. **Prime cost.**
- d. **Conversion cost.**
- e. **Mixed cost.**

10. The term "sunk costs" refers to:
  - a. Past costs that are now irrevocable.
  - b. Costs that are directly influenced by unit managers.
  - c. Costs that should be incurred in a particular production process.
  - d. Costs that may be eliminated if some economic activity is changed or deleted.
  - e. Benefits lost from rejecting the next best alternative.
  
11. The management of Whopper Dorfman's Pickle Factory budgeted production of 700,000 units at a cost of \$1,450,000. If actual production was 700,000 units at a cost of \$1,490,000, then Whopper Dorfman's production supervisor was:
  - a. Effective.
  - b. Efficient.
  - c. Both effective and efficient.
  - d. Neither effective nor efficient.
  
12. Goal congruence:
  - a. Occurs when the goals of upper-level management positively coincide with the goals of lower - and middle-level management.
  - b. Is a simple concept that can be applied easily in practice for positive results.
  - c. involves the alignment of an organization's overall goals with the individual manager's personal goals.
  - d. Includes all of the above.
  
13. Which statement is incorrect?
  - a. Within the relevant range, variable costs change on a per unit basis.
  - b. Middle-level management is primarily responsible for fixed costs.

- c. **Direct labor is an element of both prime costs and conversion costs.**
  - d. **The work of a plant supervisor would be considered direct labor.**
14. **Captain Ahab's shipbuilding company constructs huge sailing vessels. Captain Ahab's accountant would consider the inexpensive stain used only on the wood of the captain's wheel of a vessel to be:**
- a. **A direct material.**
  - b. **A direct material as well as a prime cost.**
  - c. **A prime cost.**
  - d. **A conversion cost.**
15. **Ready Corporation purchased a factory that has fixed costs of \$180,000 per year. The factory has the capacity to produce 70,000 units of product 1 per year. (Left-over capacity can be used for the production of another product). However, for every unit produced, variable costs increase by \$8. Assuming that Ready Corporation can sell all its production for \$3.50 over variable cost, at what level should Ready Corporation produce?**
- a. **Ready Corporation should not produce because it will be unprofitable; it should sell the factory.**
  - b. **Ready corporation should produce product 1 at an approximate level of 35,000 units because this will keep variable costs down and another product can be produced with the left-over capacity.**
  - c. **Ready Corporation should produce at a level of 70,000 units because this will reduce the fixed cost per unit to its lowest amount.**
  - d. **Ready Corporation should produce at any level it desires because it will, within the relevant range, be able to make a \$3.50 profit over variable costs.**

16. Which one of the following costs would be most representative of a semivariable cost?
- a. Equipment rentals.
  - b. Electricity for machinery.
  - c. Supervisor salaries.
  - d. Plant insurance.
17. Which type of cost is not recorded in the accounting records?
- a. Irrelevant costs.
  - b. Opportunity costs.
  - c. Sunk costs.
  - d. Noncontrollable costs.
18. A step cost:
- a. Contains only fixed characteristics, whereas a semivariable cost contains both fixed and variable characteristics over various relevant ranges of operation.
  - b. Has a fixed portion which changes abruptly at various activity levels.
  - c. Is similar to a mixed cost within a very small relevant range.
  - d. Will usually be converted into a semivariable cost sound bookkeeping purposes.
19. The cost of goods manufactured, under a periodic cost accumulation system, is equal to the:
- a. Beginning finished goods inventory plus purchases.
  - b. Beginning work-in-process plus cost of goods in process during the year.
  - c. Cost of goods put into production plus beginning work-in-process less ending work-in-process.
  - d. Cost of goods sold less beginning work-in-process.

- 20. The cost of goods sold under a periodic cost accumulation system is equal to the:**
- a. Cost of goods available for sale less ending finished goods inventory.**
  - b. Cost of goods available for sale plus beginning finished goods inventory.**
  - c. Cost of goods manufactured plus beginning finished goods inventory.**
  - d. Cost of goods manufactured less beginning finished goods inventory.**
- 21. Under a perpetual cost accumulation system, the cost of direct materials, direct labor, and factory overhead must first flow through the:**
- a. Finished goods account.**
  - b. Cost of goods sold account.**
  - c. Work-in-process account.**
  - d. Cost of goods manufactured account.**
- 22. A job order cost accumulation system is most suitable where:**
- a. Mass production techniques are used.**
  - b. Continuous processing is performed.**
  - c. Homogeneous products are produced.**
  - d. Customized products are produced.**
- 23. In a process cost system, the unit cost is computed for a:**
- a. Job.**
  - b. Department.**
  - c. Batch of goods.**
  - d. Category of goods.**

24. The process of charging factory overhead to work-in-process on the basis of a predetermined application rate multiplied by actual input is known as:
- Normal costing.
  - Actual costing.
  - Standard costing.
  - Product costing.
25. Which of the following is a cost behavior-oriented approach to product costing?
- Absorption costing.
  - Direct costing.
  - Process costing.
  - Job order costing.
26. Because the unit cost of a product cannot be determined until the end of the period, periodic cost accumulation systems generally record only:
- Standard costs.
  - Normal costs.
  - Process costs.
  - Actual costs.
27. Which of the following is not an example of a normally issued external financial statement?
- Statement of financial position.
  - Statement of results of operations.
  - Statement of performance evaluation.
  - Statement of retained earnings.



- 28. The amount of cost of goods manufactured appearing on the bottom of the cost of goods manufactured statement also appears on the:**
- a. Statement of financial position.**
  - b. Statement of results of operations.**
  - c. Statement of performance evaluation.**
  - d. Statement of retained earnings.**
- 29. Internal reports:**
- a. May as a basis of valuation use any monetary or physical measurement basis.**
  - b. Must adhere to generally accepted accounting principles.**
  - c. Usually adopt a company-wide perspective.**
  - d. Are directly regulated.**
- 30. A written order sent to inform the purchasing department of a need for materials is called a:**
- a. Purchase order.**
  - b. Purchase requisition.**
  - c. Receiving report.**
  - d. Materials requisition form.**
- 31. Written request to a supplier for specified goods at an agreed-upon price is called a:**
- a. Purchase order.**
  - b. Purchase requisition.**
  - c. Receiving report.**
  - d. Materials requisition form.**

32. Which of the following forms must be filed out when inventory is to be removed from the materials inventory to be placed into production?
- Purchase order.
  - Purchase requisition.
  - Receiving report.
  - Materials requisition form.
33. Under a periodic inventory system, the purchase of materials is recorded in an account entitled:
- Cost of Goods Sold.
  - Purchases of Raw Materials.
  - Materials Inventory.
  - Work-in-Process Inventory.
34. Under a perpetual inventory system, the purchase of materials is recorded in an account entitled:
- Cost of Goods Sold.
  - Purchases of Raw Materials.
  - Materials Inventory.
  - Work-in-Process Inventory.
35. The total of the materials ledger inventory cards must be equal to the amount in the following account:
- Cost of Goods Sold.
  - Purchases of Raw Materials.
  - Materials Inventory.
  - Work-in-Process Inventory.
36. Which of the following is usually prepared daily by employees for each job worked on?
- Labor job ticket.
  - Time card.
  - Punch card.
  - Cost Control Card.

37. The cost of idle time incurred by employees that is considered normal for the production process should be charged to:
- Work-in-process inventory.
  - Direct labor.
  - Administrative expense.
  - Factory overhead.
38. Depreciation based on the number of units produced would be classified as what type of cost?
- Out-of-pocket.
  - Marginal.
  - Variable.
  - Fixed.
39. The variable factory overhead application rate under the normal, practical, and expected activity levels would be the same:
- Except for normal volume.
  - Except for practical capacity.
  - Except for expected activity.
  - For all three activity levels.
40. Factory overhead application rates best reflect anticipated fluctuations in sales over several years when the rates are computed using figures based on:
- Maximum capacity.
  - Normal capacity.
  - Practical capacity.
  - Expected capacity.

## Solution

<b>1</b>	<b>D</b>
<b>2</b>	<b>E</b>
<b>3</b>	<b>A</b>
<b>4</b>	<b>E</b>
<b>5</b>	<b>C</b>
<b>6</b>	<b>A</b>
<b>7</b>	<b>B</b>
<b>8</b>	<b>C</b>
<b>9</b>	<b>E</b>
<b>10</b>	<b>A</b>
<b>11</b>	<b>A</b>
<b>12</b>	<b>C</b>
<b>13</b>	<b>D</b>
<b>14</b>	<b>D</b>
<b>15</b>	<b>C</b>
<b>16</b>	<b>A</b>
<b>17</b>	<b>B</b>
<b>18</b>	<b>B</b>
<b>19</b>	<b>C</b>
<b>20</b>	<b>A</b>

<b>21</b>	<b>C</b>
<b>22</b>	<b>D</b>
<b>23</b>	<b>B</b>
<b>24</b>	<b>A</b>
<b>25</b>	<b>B</b>
<b>26</b>	<b>D</b>
<b>27</b>	<b>C</b>
<b>28</b>	<b>B</b>
<b>29</b>	<b>A</b>
<b>30</b>	<b>B</b>
<b>31</b>	<b>A</b>
<b>32</b>	<b>D</b>
<b>33</b>	<b>B</b>
<b>34</b>	<b>C</b>
<b>35</b>	<b>C</b>
<b>36</b>	<b>A</b>
<b>37</b>	<b>D</b>
<b>38</b>	<b>C</b>
<b>39</b>	<b>D</b>
<b>40</b>	<b>B</b>