

# Exam 1 Chapters 1-3 Key

1. Which of the following should NOT be included as part of manufacturing overhead at a company that makes office furniture?

- A.** Sheet steel in a file cabinet made by the company.
- B. Manufacturing equipment depreciation.
- C. Idle time for direct labor.
- D. Taxes on a factory building.

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Comprehension*

*Garrison - Chapter 02 #34*

*Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories*

*Level: Medium*

2. The cost of leasing production equipment is classified as:

	Prime cost	Product cost
A)	No	Yes
B)	No	No
C)	Yes	No
D)	Yes	Yes

**A.** Option A

B. Option B

C. Option C

D. Option D

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Comprehension*

*Garrison - Chapter 02 #31*

*Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories*

*Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each*

*Level: Medium*

3. The wages of factory maintenance personnel would usually be considered to be:

	Indirect labor	Manufacturing overhead
A)	No	Yes
B)	Yes	No
C)	Yes	Yes
D)	No	No

A. Option A

B. Option B

**C. Option C**

D. Option D

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Comprehension*

*Garrison - Chapter 02 #32*

*Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories*

*Learning Objective: 02-06 Understand the differences between direct and indirect costs*

*Level: Medium*

4. Which of the following costs is an example of a period rather than a product cost?

A. Depreciation on production equipment.

**B. Wages of salespersons.**

C. Wages of production machine operators.

D. Insurance on production equipment.

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Knowledge*

*Garrison - Chapter 02 #39*

*Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each*

*Level: Easy*

5. The salary of the president of a manufacturing company would be classified as which of the following?

A. Product cost

**B. Period cost**

C. Manufacturing overhead

D. Direct labor

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Knowledge*

*Garrison - Chapter 02 #42*

*Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each*

*Level: Easy*

6. Last month, when 10,000 units of a product were manufactured, the cost per unit was \$60. At this level of activity, variable costs are 50% of total unit costs. If 10,500 units are manufactured next month and cost behavior patterns remain unchanged the:

- A. total variable cost will remain unchanged.
- B. fixed costs will increase in total.
- C. variable cost per unit will increase.
- D. total cost per unit will decrease.**

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Comprehension*

*Garrison - Chapter 02 #44*

*Learning Objective: 02-03 Understand cost behavior patterns including variable costs; fixed costs; and mixed costs*

*Level: Hard*

7. Variable cost:

- A. increases on a per unit basis as the number of units produced increases.
- B. remains constant on a per unit basis as the number of units produced increases.**
- C. remains the same in total as production increases.
- D. decreases on a per unit basis as the number of units produced increases.

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Knowledge*

*Garrison - Chapter 02 #45*

*Learning Objective: 02-03 Understand cost behavior patterns including variable costs; fixed costs; and mixed costs*

*Level: Medium*

8. Within the relevant range, variable cost per unit will:

- A. increase as the level of activity increases.
- B. remain constant.**
- C. decrease as the level of activity increases.
- D. none of these.

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Comprehension*

*Garrison - Chapter 02 #48*

*Learning Objective: 02-03 Understand cost behavior patterns including variable costs; fixed costs; and mixed costs*

*Level: Easy*

9. An example of a committed fixed cost is:

- A. a training program for salespersons.
- B. executive travel expenses.
- C. property taxes on the factory building.**
- D. new product research and development.

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Knowledge*

*Garrison - Chapter 02 #50*

*Learning Objective: 02-03 Understand cost behavior patterns including variable costs; fixed costs; and mixed costs*

*Level: Easy*

10. The term differential cost refers to:

- A. a difference in cost which results from selecting one alternative instead of another.**
- B. the benefit forgone by selecting one alternative instead of another.
- C. a cost which does not involve any dollar outlay but which is relevant to the decision-making process.
- D. a cost which continues to be incurred even though there is no activity.

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Decision Making*

*Blooms: Comprehension*

*Garrison - Chapter 02 #53*

*Learning Objective: 02-07 Understand cost classifications used in making decisions: differential costs; opportunity costs; and sunk costs*

*Level: Medium*

11. Which of the following costs is often important in decision making, but is omitted from conventional accounting records?

- A. Fixed cost.
- B. Sunk cost.
- C. Opportunity cost.**
- D. Indirect cost.

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Decision Making*

*Blooms: Knowledge*

*Garrison - Chapter 02 #54*

*Learning Objective: 02-07 Understand cost classifications used in making decisions: differential costs; opportunity costs; and sunk costs*

*Level: Easy*

12. The following costs were incurred in September:

Direct materials .....	\$38,000
Direct labor .....	\$29,000
Manufacturing overhead .....	\$21,000
Selling expenses .....	\$17,000
Administrative expenses .....	\$32,000

Conversion costs during the month totaled:

- A.** \$50,000
- B. \$59,000
- C. \$137,000
- D. \$67,000

$$\begin{aligned} \text{Conversion cost} &= \text{Direct labor} + \text{Manufacturing overhead} \\ &= \$29,000 + \$21,000 \\ &= \$50,000 \end{aligned}$$

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Application*

*Garrison - Chapter 02 #56*

*Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories*

*Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each*

*Level: Medium*

13. The following costs were incurred in September:

Direct materials .....	\$39,000
Direct labor .....	\$23,000
Manufacturing overhead .....	\$17,000
Selling expenses .....	\$14,000
Administrative expenses .....	\$27,000

Prime costs during the month totaled:

- A. \$79,000
- B. \$120,000
- C.** \$62,000
- D. \$40,000

$$\begin{aligned} \text{Prime cost} &= \text{Direct materials} + \text{Direct labor} \\ &= \$39,000 + \$23,000 = \$62,000 \end{aligned}$$

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Application*

*Garrison - Chapter 02 #57*

*Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories*

*Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each*

*Level: Medium*

14. In September direct labor was 40% of conversion cost. If the manufacturing overhead for the month was \$66,000 and the direct materials cost was \$20,000, the direct labor cost was:

- A. \$13,333
- B. \$44,000**
- C. \$99,000
- D. \$30,000

Givens:

Direct labor =  $0.40 \times$  Conversion cost

Manufacturing overhead = \$66,000

Conversion cost = Direct labor + Manufacturing overhead

Conversion cost = Direct labor + \$66,000

Conversion cost =  $0.40 \times$  Conversion cost + \$66,000

$0.60 \times$  Conversion cost = \$66,000

Conversion cost =  $\$66,000 \div 0.60$

Conversion cost = \$110,000

Direct labor =  $0.40 \times$  Conversion cost =  $0.40 \times \$110,000 = \$44,000$

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Application*

*Garrison - Chapter 02 #58*

*Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories*

*Level: Hard*

15. A manufacturing company prepays its insurance coverage for a three-year period. The premium for the three years is \$2,700 and is paid at the beginning of the first year. Eighty percent of the premium applies to manufacturing operations and 20% applies to selling and administrative activities. What amounts should be considered product and period costs respectively for the first year of coverage?

	Product	Period
A)	\$2,700	\$0
B)	\$2,160	\$540
C)	\$1,440	\$360
D)	\$720	\$180

- A. Option A
- B. Option B
- C. Option C
- D. Option D**

Annual insurance expense =  $\$2,700 \div 3 = \$900$

Portion applicable to product cost =  $0.80 \times \$900 = (0.80) \times \$900 = \$720$

Portion applicable to period cost =  $0.20 \times \$900 = \$180$

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Application*

*Garrison - Chapter 02 #61*

*Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each*

*Level: Medium*

16. Which of the following methods of analyzing mixed costs can be used to estimate an equation for the mixed cost?

	High-Low	Least-Squares
A)	Yes	Yes
B)	Yes	No
C)	No	Yes
D)	No	No

- A. Option A**
- B. Option B
- C. Option C
- D. Option D

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Knowledge*

*Garrison - Chapter 02 #4*

*Learning Objective: 02A-04 Analyze a mixed cost using a scattergraph plot and the high-low method*

*Learning Objective: 02A-08 Analyze a mixed cost using a scattergraph plot and the least-squares regression method*

*Level: Easy*

17. The management of Ferry Corporation would like for you to analyze their repair costs, which are listed below:

	Machine-Hours	Repair Costs
February.....	2,131	\$33,085
March.....	2,160	\$33,103
April.....	2,117	\$33,070
May.....	2,180	\$33,137
June.....	2,102	\$33,013
July.....	2,196	\$33,167
August.....	2,128	\$33,054
September.....	2,191	\$33,140

Management believes that repair cost is a mixed cost that depends on the number of machine-hours. Using the least-squares regression method, the estimates of the variable and fixed components of repair cost would be closest to:

- A. \$1.64 per machine-hour plus \$29,566 per month
- B. \$0.92 per machine-hour plus \$31,132 per month
- C. \$1.37 per machine-hour plus \$30,157 per month**
- D. \$15.39 per machine-hour plus \$33,096 per month

Using Microsoft Excel, the solution is:

Intercept.....	\$30,157	Fixed cost
Slope .....	\$1.37	Variable cost
RSQ .....	0.93	

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Application*

*Garrison - Chapter 02 #6*

*Learning Objective: 02A-08 Analyze a mixed cost using a scattergraph plot and the least-squares regression method*

*Level: Hard*

18. Faraz Corporation has provided the following production and total cost data for two levels of monthly production volume. The company produces a single product.

Production volume .....	5,000 units	6,000 units
Direct materials .....	\$70,500	\$84,600
Direct labor .....	\$130,500	\$156,600
Manufacturing overhead .....	\$802,000	\$824,400

The best estimate of the total cost to manufacture 5,300 units is closest to:

- A. \$1,002,230
- B. \$1,021,780**
- C. \$1,063,180
- D. \$941,280

Direct materials is a variable cost, so it can be computed as follows:

Direct materials cost per unit =  $\$70,500 / 5,000 \text{ units} = \$14.10 \text{ per unit}$

Direct labor could also be computed the same way, but just to make sure it is purely a variable cost, we'll use the high-low method:

Variable direct labor cost per unit =  $\text{Change in cost} \div \text{Change in activity}$   
 $= (\$156,600 - \$130,500) \div (6,000 \text{ units} - 5,000 \text{ units})$   
 $= \$26,100 \div 1,000 \text{ units}$   
 $= \$26.10 \text{ per unit}$

Direct labor fixed cost element =  $\text{Total cost} - \text{Variable cost element}$   
 $= \$156,600 - (\$26.10 \text{ per unit} \times 6,000 \text{ units})$   
 $= \$156,600 - (\$156,600) = \$0$

Variable manufacturing overhead cost per unit =  $\text{Change in cost} \div \text{Change in activity}$   
 $= (\$824,400 - \$802,000) \div (6,000 \text{ units} - 5,000 \text{ units})$   
 $= \$22,400 \div 1,000 \text{ units}$   
 $= \$22.40 \text{ per unit}$

Manufacturing overhead fixed cost element =  $\text{Total cost} - \text{Variable cost element}$   
 $= \$824,400 - (\$22.40 \text{ per unit} \times 6,000 \text{ units})$   
 $= \$824,400 - (\$134,400) = \$690,000$

Total variable cost =  $\text{Direct materials} + \text{Direct labor} + \text{Variable manufacturing overhead}$   
 $= \$14.10 \text{ per unit} + \$26.10 \text{ per unit} + \$22.40 \text{ per unit}$   
 $= \$62.60 \text{ per unit}$

Total fixed overhead cost =  $\$690,000$

Total cost to manufacture 5,300 units =  $\text{Total fixed cost} + \text{Total variable cost}$   
 $= \$690,000 + (\$62.60 \text{ per unit} \times 5,300 \text{ units})$   
 $= \$690,000 + (\$331,780)$   
 $= \$1,021,780$

*AACSB: Analytic*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Blooms: Application*  
*Garrison - Chapter 02 #69*  
*Learning Objective: 02-03 Understand cost behavior patterns including variable costs; fixed costs; and mixed costs*  
*Learning Objective: 02-04 Analyze a mixed cost using a scattergraph plot and the high-low method*  
*Level: Medium*

19. In computing its predetermined overhead rate, Marple Company inadvertently left its indirect labor costs out of the computation. This oversight will cause:
- A. Manufacturing Overhead to be overapplied.
  - B. The Cost of Goods Manufactured to be understated.**
  - C. The debits to the Manufacturing Overhead account to be understated.
  - D. The ending balance in Work in Process to be overstated.

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Blooms: Comprehension*  
*Garrison - Chapter 03 #14*  
*Learning Objective: 03-01 Compute a predetermined overhead rate*  
*Learning Objective: 03-05 Use T-accounts to show the flow of costs in a job-order costing system*  
*Level: Hard*

20. Which of the following is the correct formula to compute the predetermined overhead rate?
- A. Estimated total units in the allocation base divided by estimated total manufacturing overhead costs.
  - B. Estimated total manufacturing overhead costs divided by estimated total units in the allocation base.**
  - C. Actual total manufacturing overhead costs divided by estimated total units in the allocation base.
  - D. Estimated total manufacturing overhead costs divided by actual total units in the allocation base.

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Blooms: Knowledge*  
*Garrison - Chapter 03 #15*  
*Learning Objective: 03-01 Compute a predetermined overhead rate*  
*Level: Easy*

21. Which of the following would probably be the least appropriate allocation base for allocating overhead in a highly automated manufacturer of specialty valves?
- A. Machine-hours
  - B. Power consumption
  - C. Direct labor-hours**
  - D. Machine setups

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Blooms: Knowledge*  
*Garrison - Chapter 03 #16*  
*Learning Objective: 03-01 Compute a predetermined overhead rate*  
*Level: Hard*

22. Cost of Goods Sold XXX  
 Work in Process XXX
- A. Cost of Goods Sold XXX  
 Manufacturing Overhead XXX
- B. Cost of Goods Sold XXX  
 Finished Goods XXX
- C. Manufacturing Overhead XXX  
 Cost of Goods Sold XXX

**D.**

AACSB: Reflective Thinking  
 AICPA BB: Critical Thinking  
 AICPA FN: Measurement  
 Blooms: Comprehension  
 Garrison - Chapter 03 #18

Learning Objective: 03-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs  
 Learning Objective: 03-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts  
 Level: Medium

23. In a job-order costing system, direct labor cost is ordinarily debited to:

- A. Manufacturing Overhead.  
 B. Cost of Goods Sold.  
 C. Finished Goods.  
**D.** Work in Process.

AACSB: Reflective Thinking  
 AICPA BB: Critical Thinking  
 AICPA FN: Measurement  
 Blooms: Comprehension  
 Garrison - Chapter 03 #19

Learning Objective: 03-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs  
 Level: Medium

24. The journal entry to record the incurrence of indirect labor costs is:

- A. Wages Payable XXX  
 Manufacturing Overhead XXX
- B. Work In Process XXX  
 Wages Payable XXX
- C. Manufacturing Overhead XXX  
 Wages Payable XXX
- D. Wages Payable XXX  
 Work In Process XXX

AACSB: Reflective Thinking  
 AICPA BB: Critical Thinking  
 AICPA FN: Measurement  
 Blooms: Knowledge  
 Garrison - Chapter 03 #21

Learning Objective: 03-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs  
 Level: Easy

25. The balance in the Work in Process account equals:
- A. the balance in the Finished Goods inventory account.
  - B. the balance in the Cost of Goods Sold account.
  - C.** the balances on the job cost sheets of uncompleted jobs.
  - D. the balance in the Manufacturing Overhead account.

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*

*Blooms: Knowledge*

*Garrison - Chapter 03 #23*

*Learning Objective: 03-05 Use T-accounts to show the flow of costs in a job-order costing system*

*Level: Easy*

26. In a job-order costing system, indirect materials that have been previously purchased and that are used in production are recorded as a debit to:
- A. Work in Process inventory.
  - B.** Manufacturing Overhead.
  - C. Finished Goods inventory.
  - D. Raw Materials inventory.

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Blooms: Knowledge*

*Garrison - Chapter 03 #24*

*Learning Objective: 03-05 Use T-accounts to show the flow of costs in a job-order costing system*

*Level: Easy*

27. Which terms will make the following statement true? When manufacturing overhead is overapplied, the Manufacturing Overhead account has a \_\_\_\_\_ balance and applied manufacturing overhead is greater than \_\_\_\_\_ manufacturing overhead.
- A. debit, actual
  - B.** credit, actual
  - C. debit, estimated
  - D. credit, estimated

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Blooms: Comprehension*

*Garrison - Chapter 03 #26*

*Learning Objective: 03-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts*

*Level: Medium*

28. Daguio Corporation uses direct labor-hours in its predetermined overhead rate. At the beginning of the year, the total estimated manufacturing overhead was \$224,580. At the end of the year, actual direct labor-hours for the year were 18,200 hours, manufacturing overhead for the year was underapplied by \$12,100, and the actual manufacturing overhead was \$219,580. The predetermined overhead rate for the year must have been closest to:

- A.** \$11.40 per machine-hour
- B. \$12.34 per machine-hour
- C. \$12.06 per machine-hour
- D. \$10.53 per machine-hour

$$\begin{aligned}\text{Manufacturing overhead applied} &= \text{Actual overhead} - \text{Underapplied overhead} \\ &= \$219,580 - \$12,100 \\ &= \$207,480\end{aligned}$$

$$\begin{aligned}\text{Predetermined overhead rate} &= \text{Estimated total manufacturing overhead} \div \text{Estimated total amount of the} \\ \text{allocation base} &= \$207,480 \div 18,200 \text{ direct labor-hours} = \$11.40 \text{ per direct labor-hour}\end{aligned}$$

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Application*

*Garrison - Chapter 03 #29*

*Learning Objective: 03-01 Compute a predetermined overhead rate*

*Learning Objective: 03-02 Apply overhead cost to jobs using a predetermined overhead rate*

*Learning Objective: 03-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts*

*Level: Hard*

29. Wert Corporation uses a predetermined overhead rate based on direct labor cost to apply manufacturing overhead to jobs. Last year, the company's estimated manufacturing overhead was \$1,200,000 and its estimated level of activity was 50,000 direct labor-hours. The company's direct labor wage rate is \$12 per hour. Actual manufacturing overhead amounted to \$1,240,000, with actual direct labor cost of \$650,000. For the year, manufacturing overhead was:

- A.** overapplied by \$60,000
- B. underapplied by \$60,000
- C. overapplied by \$40,000
- D. underapplied by \$44,000

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = \$1,200,000 ÷ 50,000 direct labor-hours  
 = \$24.00 per direct labor-hour

Wage rate per hour = Actual direct labor cost ÷ Actual direct labor-hours  
 Actual direct labor-hours = Actual direct labor cost ÷ Wage rate per hour  
 = \$650,000 ÷ \$12.00 per direct labor-hour  
 = 54,166.67 direct labor-hours

Manufacturing overhead applied = Predetermined overhead rate × Actual direct labor-hours  
 = \$24.00 per direct labor-hour × 54,166.67 direct labor-hours  
 = \$1,300,000

Manufacturing overhead incurred .....	\$1,240,000
Manufacturing overhead applied .....	<u>1,300,000</u>
Manufacturing overhead overapplied .....	<u>\$ 60,000</u>

*AACSB: Analytic*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Blooms: Application*  
*Garrison - Chapter 03 #30*  
*Level: Medium*

30. Job 731 was recently completed. The following data have been recorded on its job cost sheet:

Direct materials .....	\$2,391	
Direct labor-hours.....	69	labor-hours
Direct labor wage rate.....	\$13	per labor-hour
Machine-hours.....	129	machine-hours

The company applies manufacturing overhead on the basis of machine-hours. The predetermined overhead rate is \$14 per machine-hour. The total cost that would be recorded on the job cost sheet for Job 731 would be:

- A. \$3,288
- B. \$5,094**
- C. \$4,254
- D. \$2,418

Direct materials .....	\$2,391
Direct labor (69 direct labor-hours × \$13.00 per direct labor-hour) .....	897
Overhead (129 machine-hours × \$14.00 per machine-hour) .....	1,806
<b>Total manufacturing cost for Job 731 .....</b>	<b><u>\$5,094</u></b>

*AACSB: Analytic*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Blooms: Application*  
*Garrison - Chapter 03 #46*  
*Learning Objective: 03-02 Apply overhead cost to jobs using a predetermined overhead rate*  
*Learning Objective: 03-03 Compute the total cost and average cost per unit of a job*  
*Level: Easy*

31. During December at Ingrim Corporation, \$74,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled \$6,000. The journal entry to record the requisition from the storeroom would include a:

- A. debit to Raw Materials of \$74,000
- B. debit to Work in Process of \$68,000**
- C. credit to Manufacturing Overhead of \$6,000
- D. debit to Work in Process of \$74,000

<b>Work in Process</b>	<b>\$68,000</b>	
<b>Manufacturing Overhead</b>	<b>\$6,000</b>	
<b>Raw Materials</b>		<b>\$74,000</b>

*AACSB: Analytic*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Blooms: Application*  
*Garrison - Chapter 03 #52*  
*Learning Objective: 03-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs*  
*Level: Easy*

32. During February, Degan Inc. transferred \$60,000 from Work in Process to Finished Goods and recorded a Cost of Goods Sold of \$65,000. The journal entries to record these transactions would include a:

- A. debit to Finished Goods of \$65,000
- B. credit to Cost of Goods Sold of \$65,000
- C. credit to Work in Process of \$60,000**
- D. credit to Finished Goods of \$60,000

<b>Finished Goods</b>	<b>\$60,000</b>	
<b>Work in Process</b>		<b>\$60,000</b>

<b>Cost of Goods Sold</b>	<b>\$65,000</b>	
<b>Finished Goods</b>		<b>\$65,000</b>

*AACSB: Analytic*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Blooms: Application*

*Garrison - Chapter 03 #56*

*Learning Objective: 03-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs*

*Level: Easy*

# Exam 1 Chapters 1-3 Summary

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Blooms: Comprehension	1
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Learning Objective: 02-07 Understand cost classifications used in making decisions: differential costs; opportunity costs; and sunk costs	2

Learning Objective: 02A-04 Analyze a mixed cost using a scattergraph plot and the high-low method	1
Learning Objective: 02A-08 Analyze a mixed cost using a scattergraph plot and the least-squares regression method	2
Learning Objective: 03-01 Compute a predetermined overhead rate	4
Learning Objective: 03-02 Apply overhead cost to jobs using a predetermined overhead rate	2
Learning Objective: 03-03 Compute the total cost and average cost per unit of a job	1
Learning Objective: 03-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs	5
Learning Objective: 03-05 Use T-accounts to show the flow of costs in a job-order costing system	3
Learning Objective: 03-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts	3
Level: Easy	13
Level: Hard	6
Level: Medium	13