

# MANAGERIAL ACCOUNTING (135) —Post-secondary— REGIONAL – 2017

**Multiple Choice & Short Answer Section:**

Multiple Choice (20 @ 2 points each) \_\_\_\_\_ (40 points)

Short Answers (11 @ 4 points each) \_\_\_\_\_ (44 points)

**Production Portion:**

Job 1: Production Cost Report \_\_\_\_\_ (88 points)

Job 2: Cost of Goods Manufactured Schedule \_\_\_\_\_ (80 points)

***TOTAL POINTS*** \_\_\_\_\_ (***252 points***)

**Failure to adhere to any of the following rules will result in disqualification:**

- 1. Contestant must hand in this test booklet and all printouts. Failure to do so will result in disqualification.**
- 2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.**
- 3. Electronic devices will be monitored according to ACT standards.**

No more than ten (10) minutes orientation  
No more than ninety (90) minutes testing time  
No more than ten (10) minutes wrap-up

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## General Instructions

You have been hired as a Financial Assistant and will be keeping the accounting records for Professional Business Associates, located at 5454 Cleveland Avenue, Columbus, Ohio 43231. Professional Business Associates provides accounting and other financial services for clients. You will complete jobs for Professional Business Associates' own accounting records, as well as for clients.

You will have 90 minutes to complete your work. The test is divided into two parts. The multiple choice and short answer questions should be completed first, and then the accounting problems may be completed in any order.

Your name and/or school name should *NOT* appear on any work you submit for grading. Write your contestant number in the provided space. Staple all pages in order before you turn in your test.

Assumptions to make when taking this assessment:

- Round answers to 2 decimal places

**Multiple Choice**

Identify the letter of the choice that best completes the statement or answers the question.

- 1) Which of the following is an objective of managerial accounting?
  - a) to generate a company's financial statements for tax reporting
  - b) to provide information to shareholders to assist them with their investment decisions
  - c) to provide information to business managers to assist them in controlling their business
  - d) to ensure that the reports produced for internal and external business purposes are GAAP compliant
  
- 2) STAR Labs has received a bulk order from an overseas client. As a result, the reported earnings of this year are expected to be significantly higher than the estimates of financial analysts. Harrison Wells, an accountant at STAR Labs, tells this to one of his friends. Which of the IMA standards has Wells violated?
  - a) Technicality
  - b) Confidentiality
  - c) Objectivity
  - d) Competence
  
- 3) Product costs are expensed \_\_\_\_\_.
  - a) when the products are transferred to the Work-in-Process Inventory account
  - b) when the products are sold
  - c) when the accounting period in which they are incurred comes to an end
  - d) when the market value of products goes above the recorded value
  
- 4) Goods that have been started in the manufacturing process but are *not* yet complete are included in the \_\_\_\_\_.
  - a) Work-in-Process Inventory account
  - b) Finished Goods Inventory account
  - c) Raw Materials Inventory account
  - d) Cost of Goods Sold account
  
- 5) Which of the following is an *example* of direct labor cost in a factory?
  - a) salary of vice president of production
  - b) wages of factory security guard
  - c) salary of production manager
  - d) wages of assembly line personnel
  
- 6) Goods that are produced by a manufacturing company and are ready to sell are recorded in the \_\_\_\_\_ account.
  - a) Work-in-Process Inventory
  - b) Raw Materials Inventory
  - c) Manufacturing Overhead
  - d) Finished Goods Inventory

- 7) Which of the following businesses is *most* likely to use a process costing system?
- a) a legal service provider
  - b) an audit service provider
  - c) a baker producing cakes to order
  - d) a candy manufacturer
- 8) Conversion costs include \_\_\_\_\_.
- a) direct material and direct labor costs
  - b) direct labor and manufacturing overhead costs
  - c) product and period costs
  - d) direct material, direct labor, and manufacturing overhead costs
- 9) Appraisal costs are costs incurred \_\_\_\_\_.
- a) when the company corrects poor-quality goods or services before delivery to customers
  - b) after the company delivers poor-quality goods or services to customers and then has to make things right with the customer
  - c) to detect poor-quality materials, goods, or services
  - d) to avoid poor-quality goods or services
- 10) Internal failure costs are costs incurred \_\_\_\_\_.
- a) when the company corrects poor-quality goods or services before delivery to customers
  - b) after the company delivers poor-quality goods or services to customers and then has to make things right with the customer
  - c) to avoid poor-quality goods or services
  - d) to detect poor-quality materials, goods, or services
- 11) Which of the following costs would a computer manufacturer include in manufacturing overhead?
- a) the cost of disk drives
  - b) the wages earned by computer assemblers
  - c) the cost of the memory chips
  - d) depreciation on testing equipment
- 12) Indirect labor is a:
- a) nonmanufacturing cost
  - b) raw material cost
  - c) product cost
  - d) period cost
- 13) Which of the following costs are classified as a period cost?
- a) wages paid to a factory custodian
  - b) wages paid to a production department supervisor
  - c) wages paid to a cost accounting department supervisor
  - d) wages paid to an assembly worker

- 14) The primary users of managerial accounting information are:
- internal
  - external
  - same as for financial accounting
  - no one uses managerial accounting information
- 15) In accumulating raw materials inventory, companies debit the cost of raw materials purchased in a perpetual system to:
- Manufacturing Overhead
  - Raw Materials Inventory
  - Purchases
  - Work In Process
- 16) The entry when direct factory labor is assigned to a job is a *debit* to:
- Work in Process Inventory
  - Manufacturing Overhead
  - Finished Goods Inventory
  - Wage Expense
- 17) The individual job cost sheets serve as the \_\_\_\_\_ to the control account, Work in Process.
- back-up work
  - subsidiary ledgers
  - special journals
  - verification
- 18) At the end of the year, Barry's Forensic Lab has a \$1,200 debit balance in Manufacturing Overhead. The company \_\_\_\_\_.
- makes an adjusting entry by debiting Manufacturing Overhead Applied for \$1,200 and crediting Manufacturing Overhead for \$1,200
  - makes an adjusting entry by debiting Manufacturing Overhead Expense for \$1,200 and crediting Manufacturing Overhead for \$1,200
  - makes an adjusting entry by debiting Cost of Goods Sold for \$1,200 and crediting Manufacturing Overhead for \$1,200
  - makes no adjusting entry because differences between actual overhead and the amount applied are a normal part of job order costing and will average out over the next year
- 19) Manufacturing overhead is underapplied if \_\_\_\_\_.
- actual overhead is less than applied
  - actual overhead is greater than applied
  - the predetermined rate equals the actual rate
  - actual overhead equals applied overhead

20) In January, The Vibe requisitions materials for production as follows: Job 1 \$900, Job 2 \$700 and general factory use \$600. The summary journal entry to record raw materials used includes \_\_\_\_\_.

- a) a credit to manufacturing overhead for \$600
- b) a debit to finished goods inventory for \$2,200
- c) a credit to raw materials for \$1600
- d) a debit to work in process for \$1600

**Short Answer (4 points each)**

1) Jitters is a large manufacturer of coffee. Jitters has provided the following information:

Sales Revenue	\$75,000
Beginning Finished Goods Inventory	28,000
Cost of Goods Sold	36,500
Cost of Goods Manufactured	43,000

Calculate the amount of ending Finished Goods Inventory reported on Jitters' balance sheet.

\_\_\_\_\_

2) The following information relates to Firestorm, Inc.:

Advertising Costs	\$10,400
Sales Salary	13,800
Sales Revenue	630,000
President's Salary	52,000
Office Rent	67,000
Manufacturing Equipment Depreciation	3,000
Indirect Materials Used	6,600
Indirect Labor	13,300
Factory Repair and Maintenance	820
Direct Materials Used	31,070
Direct Labor	31,900
Delivery Vehicle Depreciation	810
Administrative Salaries	24,700

How much was Firestorm's manufacturing overhead? \_\_\_\_\_

3) The following information was obtained from Snow, Inc.:

Advertising Costs	\$9,900
Indirect Labor	53,000
CEO's Salary	620,000
Direct Labor	40,000
Indirect Materials Used	7,500
Direct Materials Used	65,000
Factory Utilities	760
Factory Janitorial Costs	1,200
Manufacturing Equipment Depreciation	3,100
Delivery Vehicle Depreciation	1,000
Administrative Wages and Salaries	24,000

Calculate Snow's total product costs. \_\_\_\_\_

4) At the beginning of the year, Iris Inc.'s Work-in-Process Inventory account had a balance of \$124,000. During the year, \$250,000 of direct materials were used in production, \$72,000 of direct labor costs were incurred, and \$832,000 of manufacturing overhead was allocated. The cost of goods manufactured was \$676,000. What is the balance in the Work-in-Process Inventory account on December 31?

\_\_\_\_\_

5) West, Inc. uses a predetermined overhead allocation rate to allocate manufacturing overhead costs to jobs. The company recently completed Job 300X. This job used 11 machine hours and 5 direct labor hours. The predetermined overhead allocation rate is calculated to be \$43 per machine hour. What is the amount of manufacturing overhead allocated to Job 300X using machine hours as the allocation base?

\_\_\_\_\_

6) Spivot, Inc. completed Job 12 on November 30. The details of Job 12 are given below:

Direct labor cost	\$890
Direct materials cost	\$1,100
Machine hours	8 hours
Direct labor hours	21 hours
Predetermined overhead allocation rate	\$60 per machine hour

What is the total cost of Job 12? \_\_\_\_\_

7) J. Garrett Company, a manufacturer of personal tech items, had the following activities, allocated costs, and allocation bases:

Activities	Allocated Costs	Allocation Base
Account inquiry (hours)	\$61,000	2,400 hours
Account billing (lines)	\$35,000	17,000 lines
Account verification (accounts)	\$13,000	20,000 accounts
Correspondence (letters)	\$11,000	1,000 letters

The above activities are carried out at two of its regional offices.

Activities	Central City Office	Starling City Office
Account inquiry (hours)	120 hours	250 hours
Account billing (lines)	16,000 lines	9,000 lines
Account verification (accounts)	1,500 accounts	600 accounts
Correspondence (letters)	70 letters	150 letters

How much of the account inquiry cost will be assigned to the Central City Office? (Round all calculations to two decimal places.)

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8) Cisco Inc. makes three types of earpieces —Model A, Model B, and Model C. Manufacturing overhead costs are significant, and Cisco has adopted an activity-based costing system.

Cisco has three activities—assembly, materials management, and testing. Total costs and production volumes for the year were estimated as follows:

	Total cost	Allocation Base	Cost Driver
Assembly	\$792,000	123,750	Machine hours
Materials management	\$136,000	80,000	Parts
Testing	\$23,000	5,750	Units

The Model A radio requires 20 machine hours and 12 parts. What is the manufacturing cost to make one unit of Model A? (Round all calculations to the nearest cent.)

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9) For the year, Raymond & Stein have cost of goods manufactured of \$60,000, beginning finished goods inventory of \$10,000, and ending finished goods inventory of \$25,000. What is the cost of goods sold?

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10) Kid Flash's predetermined overhead rate is 80% of direct labor cost. During the month, Kid Flash incurs \$210,000 of factory labor costs, of which \$180,000 is direct labor and \$30,000 is indirect labor. Actual overhead incurred was \$200,000. What amount of overhead should be debited to Work In Process Inventory?

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11) Killer Frost estimated that annual overhead costs will be \$80,000 and direct labor hours will be 50,000. Actual overhead was \$88,000 and direct labor hours were 40,000. What is the predetermined overhead rate?

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**Problem 1: Production Cost Report (88 points)**

Flash Inc. manufactures running shoes. During the month, Flash spent \$120,000 on direct materials, \$26,920 on direct labor, and \$45,000 on manufacturing overhead to start 50,000 units into production and complete 32,000 units. There was no beginning inventory, and the ending inventory was 22% complete with respect to conversion costs and 100% complete with respect to materials. Using the weighted-average method, prepare the production cost report for the assembly department by completing the shaded portions of the table below.

<b>Flash Inc.</b>			
<b>Production Cost Report – Assembly Dept.</b>			
<b>Month Ended January 31, 2017</b>			
<b>Units</b>	<b>Whole Units</b>	<b>Equivalent Units</b>	
		<b>Direct Materials</b>	<b>Conversion Costs</b>
<b>Units accounted for</b>			
<b>Completed &amp; transferred out</b>	32,000		
<b>End WIP</b>			
<b>Total units accounted for</b>			
<b>Costs</b>		<b>Direct Materials</b>	<b>Conversion Costs</b>
<b>Costs to account for</b>			
<b>Beg WIP</b>			
<b>Costs added during period</b>			
<b>Total costs to account for</b>			
<b>Divided by Total EUP</b>			
<b>Cost per EUP</b>			
<b>Costs accounted for</b>			
<b>Completed &amp; transferred out</b>			
<b>End WIP</b>			
<b>Total costs accounted for</b>			

