

MANAGERIAL ACCOUNTING (135) —Post-secondary— REGIONAL – 2018

Multiple Choice & Short Answer Section:

Multiple Choice (20 @ 2 points each) _____ (40 points)

Short Answer (25 @ 3 points each) _____ (75 points)

Production Portion:

Job 1: Production Cost Report _____ (100 points)

Job 2: Process Costing Journal Entries _____ (108 points)

TOTAL POINTS _____ ***(323 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

Property of Business Professionals of America.
May be reproduced only for use in the Business Professionals of America
Workplace Skills Assessment Program competition.

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.

Unless otherwise instructed, round all answers to 2 decimal places.

MULTIPLE CHOICE

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

- 1) McGarry, Inc. produces a product that has a variable cost of \$6.00 per unit. The company's fixed costs are \$30,000. The product sells for \$10.00 a unit and the company desires to earn a \$20,000 profit. What is the breakeven in units?
 - a) 5,000
 - b) 7,500
 - c) 8,333
 - d) 12,500

- 2) Which of the following costs is *most* likely to be directly traceable to a specific department in a retail-clothing store?
 - a) The cost of heating and air conditioning the department
 - b) The cost of supplies
 - c) The cost of commissions paid to the sales staff
 - d) All of the above

- 3) All of the following are features of managerial accounting *except* _____.
 - a) Information is historically based, and usually reported annually.
 - b) Information includes economic and non-financial data as well as financial data.
 - c) Information is provided primarily to insiders such as managers.
 - d) Information is reported continuously with a present or future orientation.

- 4) Bartlet Cafe operates a chain of coffee shops. The company pays rent of \$24,000 per year for each shop. Supplies (napkins, bags and condiments) are purchased as needed. The managers of each shop are paid a salary of \$3,000 per month and all other employees are paid on an hourly basis. The cost of rent is which kind of cost?
 - a) Fixed cost
 - b) Variable cost
 - c) Mixed cost
 - d) Relevant cost

- 5) Which of the following costs can usually be traced *directly*?
 - a) Indirect materials
 - b) Assembly labor
 - c) Overhead costs
 - d) A and B

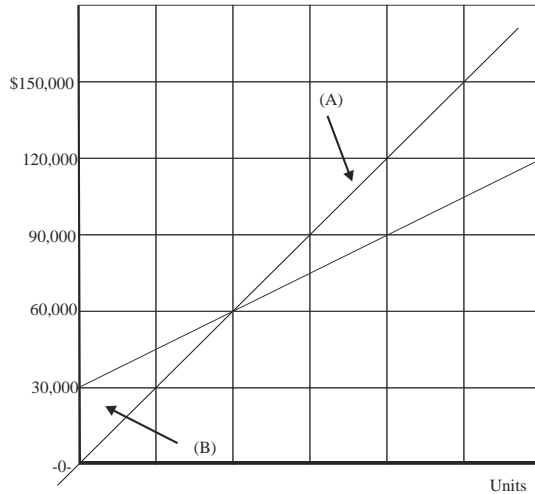
- 6) Ziegler Company produces a product that has a selling price of \$10.00 and a variable cost of \$6.00 per unit. The company's fixed costs are \$80,000. What is the breakeven point in sales dollars?
 - a) \$ 60,000
 - b) \$100,000
 - c) \$120,000
 - d) \$200,000

- 7) Some costs that possibly could be traced directly to cost objects are nonetheless classified as indirect costs because _____.
- a) such practice results in a more accurate accumulated cost for the object
 - b) such costs cannot be traced to objects in a cost-effective manner
 - c) it make the product less expensive
 - d) all of the above
- 8) Which of the following is a product cost for a construction company?
- a) Cost of transporting raw materials to the job site
 - b) Selling costs
 - c) Wages paid to the company's office manager.
 - d) All of the above
- 9) Donnatella, Inc. produces a product that has a variable cost of \$17.00 per unit. The company's fixed costs are \$60,000. The product is sold for \$37.00 per unit and the company desires to earn a target profit of \$40,000. What is the amount of sales that will be necessary to earn the desired profit?
- a) \$85,000
 - b) \$74,000
 - c) \$111,000
 - d) \$185,000
- 10) Cregg Bottling Company pays its production managers a salary of \$5,000 a month. Salespersons, however, are paid strictly on commission at \$2.00 for each case of product sold. The production managers' salaries are an example of which of the following cost behaviors?
- a) Variable
 - b) Fixed
 - c) Mixed
 - d) None of the above
- 11) Once sales reach the breakeven point, each additional unit sold will _____.
- a) increase fixed cost by a proportionate amount
 - b) reduce the margin of safety
 - c) increase profit by an amount equal to the per unit contribution margin
 - d) increase the company's operating leverage

12) The three costs of producing a product include all of the following *except*_____.

- a) Direct material costs
- b) Direct labor costs
- c) R&D costs
- d) Overhead costs

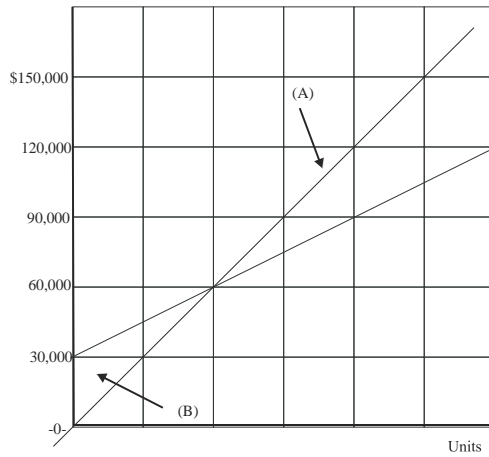
13) Consider the following graph:



The line designated by the letter (A) represents which of the following?

- a) Variable cost
 - b) Breakeven
 - c) Total revenue
 - d) Total cost
- 14) Manufacturing costs that *cannot* be traced to specific units of product in a cost-effective manner are called which of the following?
- a) Manufacturing overhead costs
 - b) General, selling, and administrative costs
 - c) Indirect costs
 - d) Both A and C

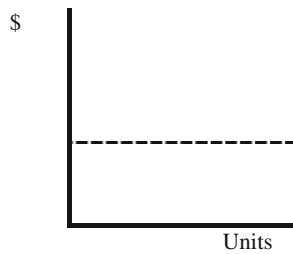
15) Consider the following cost-volume-profit graph:



What is the approximate amount of fixed costs in this organization?

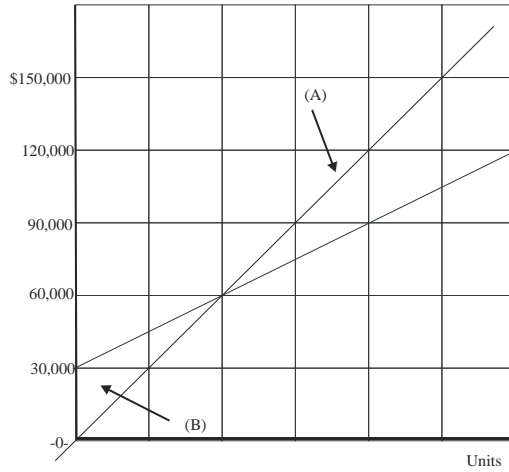
- a) \$0
- b) \$25,000
- c) \$30,000
- d) \$45,000

16) The dotted line in the graph below depicts which type of total cost?



- a) Fixed cost
- b) Variable cost
- c) Mixed cost
- d) None of the above

17) Consider the following graph:



Based on the information in the graph, the breakeven point in sales dollars is approximately equal to:

- a) \$60,000
 - b) \$30,000
 - c) \$50,000
 - d) \$20,000
- 18) Fixed cost *per unit* _____.
- a) Decreases as volume decreases
 - b) Is not affected by changes in the volume
 - c) Increases as production volume increases
 - d) Decreases as production volume increases
- 19) Wyman, Inc. normally produces between 50,000 and 75,000 units each year. Producing more than 75,000 units alters the company's cost structure. For example, fixed costs increase because more space must be rented and additional supervisors must be hired. The production range between 50,000 and 75,000 is called the _____.
- a) Differential range
 - b) Relevant range
 - c) Opportunity range
 - d) Leverage range
- 20) A cost that contains both fixed and variable elements is referred to as a _____.
- a) Variance cost
 - b) Mixed cost
 - c) Half cost
 - d) Semi cost

SHORT ANSWER (3 points each)

Seaborn Co. had the following activities, allocated costs, and allocation bases:

Activities	Allocated Costs	Allocation Base
Account inquiry (hours)	\$68,472	2,700 hours
Account billing (lines)	\$42,480	17,700 lines
Account verification (accounts)	\$12,711	22,300 accounts
Correspondence (letters)	\$12,051	1,300 letters

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

Activities	Northeast Office	Midwest Office
Account inquiry (hours)	120 hours	250 hours
Account billing (lines)	16,000 lines	9,000 lines
Account verification (accounts)	1,100 accounts	650 accounts
Correspondence (letters)	80 letters	150 letters

What is the account inquiry cost per hour? _____

What is the account billing cost per line? _____

What is the account verification cost per line? _____

What is the correspondence cost per line? _____

How much manufacturing overhead will be allocated to the Northeast office? _____

	Classify each cost as either Product (PR) or Period (PE)	Classify each cost as either Direct Materials (DM), Direct Labor (DL), Manufacturing Overhead (MOH), or Neither (N/A)
Wages paid to the corporate accountant		
Wood used by a furniture manufacturer		
Electricity for a factory		
Utilities for the corporate headquarters		
Wages paid to an assembly line worker		
Depreciation on factory equipment		
Sales commissions		
Nails used by a furniture manufacturer		
Depreciation on corporate jet		
Salary for Plant Manager		

Problem 1: Production Cost Report (100 points)

Jonna Co. manufactures puzzles. During the first quarter, the company spent \$28,000 on direct materials, \$40,000 on direct labor, and \$18,260 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 38% 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.

Jonna Co.				
Production Cost Report – Dept. I				
Quarter Ended March 31, 2018				
		Equivalent Units		
Units	Whole Units	Direct Materials	Conversion Costs	Totals
Units accounted for				
Completed & transferred out	32,000			
End WIP				
Total units accounted for				
Costs		Direct Materials	Conversion Costs	
Costs to account for				
Beg WIP				
Costs added during period				
Total costs to account for				
Cost per EUP				
Costs accounted for				
Completed & transferred out				
End WIP				
Total costs accounted for				

