Acct 2301 (Spring 2006) - Exam 3

Student: ____

1. During 2005, Truman Company incurred manufacturing costs of $40,000 to work on and complete 10,000 gizmos. The company sold 8,000 of the gizmos during the year. What was the balance in finished goods at 12/31/05?

   A. $32,000

   B. $10,000

   C. $8,000

   D. $0

   E. None of the above

2. Newsome Company uses a job order cost system. During the month of September, the company worked on three jobs. The job order cost sheets for the three jobs contained the following information at the end of September:

	Job A	Job B	Job C
Beg. Balances	$2,000	$1,500	$3,000
Direct Material	$ 500	$ 800	$1,000
Direct Labor	$1,200	$2,300	$ 900

   The company applies overhead at 120% of direct labor cost. During September Job B was completed and was sold in October. At the end of September the total cost in Work in Process was

   A. $18,480.

   B. $13,200.

   C. $11,120.

   D. $ 7,360

   E. None of the above

3. The Westerveldt Corporation was started on January 1, 2005. The company incurred the following transactions during the year (Assume all transactions involve cash):
   1.) Acquired $1,000 of capital from the owners.
   2.) Purchased $300 of direct raw materials.
   3.) Used $200 of these direct raw materials in the production process.
   4.) Paid production workers $400 cash.
   5.) Paid $200 for manufacturing overhead (applied and actual overhead are the same).
   6.) Started and completed 200 units of inventory.
   7.) Sold 50 units at a price of $6 each.
   8.) Paid $40 for selling and administrative expenses.
   The amount of cost of goods sold would be

   A. $1,000.
   B. $ 900
   C. $ 800
   D. $ 200
   E. None of the above

4. Pierre Manufacturing is working on two jobs. Cost is accumulated under a job order cost system and overhead is applied on the basis of direct labor hours. The company estimated that overhead would be $32,000 and 10,000 direct labor hours would be worked. Both projects were started and completed in the current accounting period. The following transactions were completed during the period:
   (1) Used $5,000 of direct material on Project I and $3,400 of direct material on Project II.
   (2) Labor costs for the two jobs amounted to the following: Project I, $12,000 (2,000 hours); Project II, $22,000 (6,000 hours).
   (3) Project II was sold during the period for $60,000.
   The ending balance in Finished Goods would have been

   A. $66,800
   B. $44,600
   C. $23,400
   D. $0
   E. None of the above

5. Dunder Industries estimated manufacturing overhead for the year at $290,000. Manufacturing overhead for the year was underapplied by $10,000. The company applied $235,000 to work in process. The amount of actual overhead would have been

   A. $235,000.
   B. $225,000.
   C. $245,000.
   D. $300,000
   E. None of the above.

6. The credit entry to the finished goods account represents

A. cost of goods available for sale.
B. cost of goods manufactured.
C. cost of materials used.
D. cost of goods sold.
E. None of the above.

7. Country Farmer Grocery has decided to invest in a pizza stand for its store. The investment will cost the store $200,000. The company expects to sell 25,000 slices of pizza per year for $2.40 per slice. The variable costs for the pizza stand will be $0.80 per slice, and the stand will have fixed cost of $12,000 per year. What is the store's return on this investment?

A. 30%
B. 24%
C. 20%
D. 14%
E. There is not enough information.

8. Henderson Company has two investment opportunities. Both investments cost $5,000 and will provide the same total future cash inflows. The cash receipt schedule for each investment is given below:

	Investment I	Investment II
Period 1	$1,000	$1,000
Period 2	1,000	2,000
Period 3	2,000	3,000
Period 4	4,000	2,000
Total	$8,000	$8,000

The net present value of Investment II assuming a 10% minimum rate of return would be which of the following amounts? (round to nearest whole dollar)

A. $6,182
B. $3,415
C. $1,182
D. ($3,415)
E. None of the above

9. Megan projects that she can get $50,000 cash per year for the next 6 years on a restaurant investment project. If Megan wants to earn a rate of return of 12%, what should she pay for the investment? (rounded to the nearest dollar)

   A. $25,332
   B. $205,570
   C. $189,539
   D. $180,239
   E. $228,188

10. Adler Company had no beginning inventory. Its total manufacturing costs for the year were $400,000. If cost of goods manufactured was $250,000 and cost of good sold was $200,000, the amount of ending work in process inventory would have been

   A. $350,000
   B. $250,000
   C. $200,000
   D. $ 50,000
   E. None of the above

11. Cumberland Company had 800 units of product in its work in process inventory at the beginning of the period. During the period 3,000 additional units of product were started. At the end of the period there were 1,500 units of product in the work in process account. The ending work in process inventory was estimated to be 30% complete. The beginning work in process inventory had a balance of $2,000. There were $42,000 of product costs added to work in process during the period. The number of equivalent units in ending work in process is

   A. 450.
   B. 1,500.
   C. 1,945.
   D. 2,300.

12. Doug's Pizzaria purchased a new oven. The pizzaria has income of $160,000 and residual income of $10,000. Doug has a target ROI of 15%. How much did the new oven cost?

   A. $22,500
   B. $24,000
   C. $50,000
   D. $1,000,000
   E. None of the above

13. Mifflin Manufacturing is currently working on two jobs. The job order cost sheets for Job 101 and Job 102 showed the following information:

	Job 101	Job 102
Direct Materials	$10,000	$15,000
Direct Labor	$25,000	$40,000

If overhead is applied to jobs at $.80 per direct labor cost, the amount of total manufacturing cost for Job 102 would be

A. $ 87,000
B. $ 55,000
C. $ 52,000
D. $ 32,000
E. None of the above

14. Schrute Incorporated purchased a new machine for $250,000. The new machine will generate sales of $1,200,000. The company has a 3% margin on sales. What is the amount of operating income generated from the new machine?

A. $3,000
B. $7,500
C. $83,333
D. $4,000,000
E. None of the above

15. During 2005 Grey Company completed 2,000 units of product. Ending inventory consisted of 500 units that were 50% complete. The total dollar value of the inventory is $67,500. The balance in work in process at the end of 2005 would be which of the following? (Round all answers to the nearest whole penny.)

A. $ 2,250
B. $ 7,500
C. $15,000
D. $60,000
E. None of the above

16. During 2005, the Turkleton Company completed 2,000 units of product. Ending work in process inventory consisted of 800 units that were 60% complete. The total dollar value of the inventory is $62,000. The cost per equivalent unit would be which of the following? (Round all answers to the nearest whole penny.)

    A. $22.14
    B. $25.00
    C. $36.90
    D. $40.00
    E. None of the above

17. Murphy Company reported operating income of $320,000 in 2005 from $6,000,000 in sales. The company had a turnover of 3. Based on this information, what is company's return on investment?

    A. 18.75%
    B. 17.78%
    C. 16%
    D. 5.33%
    E. None of the above

18. During 2004, Fields and Company had operating assets of $2,000,000. The company was able to generate $180,000 in income with a 6% margin. What was the company's turnover?

    A. 11
    B. 9
    C. 3
    D. 1.5
    E. None of the above

19. The Pam Poodle Company estimates for the 2006 accounting period that its overhead costs will amount to $1,200,000 and that 60,000 direct labor hours will be worked. If actual overhead costs for the year amounted to $1,425,000 and actual labor hours amounted to 70,000, then overhead would be

    A. overapplied by $25,000.
    B. underapplied by $25,000.
    C. overapplied by $225,000.
    D. underapplied by $225,000.
    E. None of the above

20. The accounting records for Mitzushama Manufacturing Company disclosed the following cost information for 2004:

Direct materials	$30,000
Direct labor	$40,000
Fixed manufacturing overhead	$50,000
Variable manufacturing overhead	$10,000

Assume the company produced 10,000 units of inventory, sold 6,000 of these units in 2004 for $98,000, and that there was no beginning inventory. Using absorption costing, cost of goods sold would be

A. $48,000
B. $52,000
C. $78,000
D. $130,000
E. None of the above

21. Jim and Associates purchased a new machine for $80,000. The machine has a useful life of 10 years and a $2,000 salvage value. The machine will generate additional cash flow of $12,000 per year. Jim has a desired rate of return of 8%. The net present value of this investment is which of the following? (if necessary round to the nearest whole dollar)

A. $81,447
B. $1,447
C. $80,521
D. $521
E. None of the above

22. Carie's real estate firm desires to have a return on all investment projects of 25%. Carie has been approached about a new venture. The venture promises to have sales revenue of $30,000, expenses of $12,000, and a turnover of 0.50. Based on this information, which of the following is true?

A. Based on ROI, Carie should accept the project.
B. Based on ROI, Carie should reject the project.
C. Carie's company will have a return on this project less that what is desired.
D. Both B & C are correct.
E. Both A & C are correct.

23. Barney's Bagels invested in a new oven for $15,000. The oven reduced the amount of time for baking which increased production and sales for five years by the following amounts of cash inflow:

Year 1	Year 2	Year 3	Year 4	Year 5
$8,000	$6,000	$5,000	$6,000	$5,000

Using the incremental approach, the payback period for the investment in the oven would be:

A. 2.0 years
B. 2.2 years
C. 2.5 years
D. 3.0 years
E. None of the above

24. The entry to dispose of overapplied manufacturing overhead will include a

A. debit to cost of goods sold and a credit to manufacturing overhead.
B. debit to cost of goods sold and a credit to finished goods.
C. debit to manufacturing overhead and a credit to cost of goods sold.
D. debit to finished goods and a credit to manufacturing overhead.
E. None of the above

25. Brian is the manager of the South Division. His division currently has operating assets of $2,000,000 that are generating an ROI of 18%. The company's target return is 14%. Brian has been approached about a new investment worth $1,000,000. The new investment will have an ROI of 16%. What will be the South Division's residual income if they accept the new investment?

A. $540,000
B. $100,000
C. $80,000
D. $20,000
E. None of the above