

ACCT 2301 Summer I 2006 Final Exam

Student: _____

1. Cardinal Company makes a product that is expected to require the use of 3 hours of labor per unit of product. The standard cost of labor is \$8.00. Cardinal actually used 3.1 hours of labor per unit of product. The actual cost of labor was \$8.40 per hour. Cardinal actually made 2,000 units of product during the period. Based on this information alone, what is the labor price (rate) variance for the period?
- A. \$2,400 favorable
 - B. \$2,480 favorable
 - C. \$2,400 unfavorable
 - D. \$2,480 unfavorable
 - E. There is not enough information to determine the labor price (rate) variance.

2. The following balance sheet information is provided for Hurricane Company:

Assets	<u>2003</u>	<u>2002</u>
Cash	\$ 2,250	\$ 1,500
Accounts receivable	\$15,000	\$13,000
Inventory	\$24,500	\$32,000

Assuming cost of goods sold is \$140,000, what is the company's days in inventory? (rounded to one decimal place)

- A. 73.6 days
 - B. 83.4 days
 - C. 5.0 days
 - D. 63.9 days
3. Which of the following is an accurate description for a favorable fixed overhead volume variance?
- A. The amount of fixed overhead applied exceeds the amount of fixed overhead budgeted.
 - B. The amount of fixed overhead budgeted exceeds the amount of fixed overhead applied.
 - C. The amount of fixed overhead applied exceeds the amount of fixed overhead actually incurred.
 - D. The amount of fixed overhead actually incurred exceeds the amount of fixed overhead applied.

4. Lobo Company's work in process account decreased by \$2,000 while its finished goods account increased by \$800. Assuming total manufacturing costs were \$6,000, what was the company's cost of goods sold amount?
- A. \$8,800
 - B. \$8,000
 - C. \$7,200
 - D. \$5,800
5. Some costs that possibly could be traced directly to cost objects are nonetheless classified as indirect costs. Why?
- A. because such practice results in a more accurate accumulated cost for the object
 - B. because such costs cannot be traced to objects in a cost-effective manner
 - C. because it is less expensive to account for indirect costs
 - D. All of the above
 - E. None of the above
6. The work in process account for Hoosier Company contained the following entries:
- Work in Process Account**
No beginning balance Debit of \$48,000 for direct raw materials
Debit of \$51,000 for direct labor
Debit of \$28,000 for manufacturing overhead applied
Ending balance, \$37,000 associated with Job 1
- The company uses a job order cost system. Work was only performed on two jobs during the period. What amount would be reported as a debit to finished goods for cost of goods manufactured?
- A. \$37,000
 - B. \$42,000
 - C. \$90,000
 - D. \$127,000
 - E. None of the above
7. Which of the following should **not** be recorded as an expense?
- A. Office salaries
 - B. Product advertising costs
 - C. Utilities for the sales office
 - D. Sales commissions
 - E. All of the above should be recorded as an expense

8. Bruins Company reported the following income for 2003:

Sales	\$ 130,000
Cost of goods sold	<u>80,000</u>
Gross margin	\$ 50,000
Selling and administrative expense	<u>15,000</u>
Operating income	\$ 35,000
Interest expense	<u>5,000</u>
Income before taxes	\$ 30,000
Income tax expense	<u>10,000</u>
Net income	<u>\$ 20,000</u>

What is the company's times interest earned ratio?

- A. 3.00
- B. 4.00
- C. 6.00
- D. 7.00
- E. None of the above

9. Huskies Tools produces a variety of scissors and other cutting instruments at its City-State manufacturing plant. The plant is highly automated and uses an activity-based costing system to allocate overhead costs to its various product lines. The company expects to produce 20,000 total units during the current period. The costs and cost drivers associated with four activity cost pools are given below:

<u>ACTIVITIES:</u>	<u>UNIT</u> <u>LEVEL</u>	<u>BATCH</u> <u>LEVEL</u>	<u>PRODUCT</u> <u>LEVEL</u>	<u>FACILITY</u> <u>LEVEL</u>
Cost	\$50,000	?	\$10,000	\$120,000
Cost Driver	4,000 labor hrs	100 set ups	% of use	24,000 units

Production of 1,200 units of a pipe-cutting tool required 500 labor hours, 10 setups, and consumed 25% of the product sustaining activities and resulted in an overhead allocation of \$18,000. What amount of batch-level overhead costs must have been expected during the period?

- A. \$18,000
- B. \$32,500
- C. \$180,000
- D. None of the above

10. In a process cost system, the output of Department One becomes an input to Department Two. What is this input generally referred to as?

- A. raw material cost
- B. direct material cost
- C. conversion cost
- D. transferred-in cost

11. Golden Bears Company allocates overhead on the basis of direct labor hours. It allocates overhead costs of \$10,800 to two different jobs as follows:
Job 1: (8 hours) = \$5,400 Job 2: (8 hours) = \$5,400
The production process for Job 1 is automated. Now Job 1 requires only two hours of direct labor but four hours of mechanical processing. As a result, total overhead increases to \$14,600. Select the correct statement from the following.
- A. The amount of overhead assigned to each job will increase.
 - B. The amount of overhead assigned to Job 2 will increase.
 - C. The amount of overhead assigned to each job will decrease.
 - D. The amount of overhead assigned to Job 1 will increase.
12. Which of the following accurately describes the theme that was used in deciding company names for this exam?
- A. States of the Union
 - B. Birds from the Southwestern US
 - C. Common Names for My Little Ponies
 - D. College Sports Mascots
13. During its first year of operations, Buckeye Company paid \$17,000 for direct materials, paid production employees \$4,000 and paid general, selling, and administrative expenses of \$6,000. If the average manufacturing cost per unit was \$14 and 2,000 units were produced during the period, how much overhead was applied?
- A. \$1,000
 - B. \$3,000
 - C. \$5,000
 - D. \$7,000
 - E. None of the above
14. The Dons Company reported net income of \$140,000 on 22,000 outstanding common shares. Preferred dividends total \$20,000. On the most recent trading day, the preferred shares sold at \$40 and the common shares sold at \$70. What is this company's current price-earnings ratio?
- A. 12.83
 - B. 11.00
 - C. 7.33
 - D. 5.46

15. Gators Cleaning Service cleans and waxes floors for commercial customers. The company is presently working under capacity with equipment and men at times idle. The company recently received an order from a nonregular customer outside the company's normal geographical service region for a price of \$84,000. The size of the proposed job is 21,000 square feet. The company's normal service costs are as follows:

Unit-level materials	\$1.75 per square foot
Unit-level labor	\$2.25 per square foot
Unit-level variable overhead	\$.50 per square foot
Product-level advertising costs	Allocated at \$1.50 a square foot
Facility-level overhead	Allocated at \$3 per square foot

Which of the following statements would be true if the company accepts the special offer?

- A. the company will profit \$84,000 on the job
 - B. the company will exactly break even on the job
 - C. the company will lose \$10,500 on the job
 - D. the company will lose \$42,000 on the job
 - E. the company will lose \$105,000 on the job
16. The cost that is avoided when you eliminate a single item of a product or service is sometimes referred to as a what?
- A. a facility-level cost
 - B. a product-level cost
 - C. a batch-level cost
 - D. a unit-level cost
17. Runnin' Utes, Inc. has not reported a profit in five years. This year the company would like to narrow its loss to \$15,000. Assuming its selling price is \$35 per unit and its variable costs per unit are \$23, how many units must be sold to achieve its target given that total fixed costs are \$48,000?
- A. 1,371
 - B. 2,750
 - C. 4,000
 - D. 5,250

18. Select the correct statement regarding vertical analysis.

- A. Vertical analysis of the income statement involves showing each item as a percentage of sales.
- B. Vertical analysis of the balance sheet involves showing each asset as a percentage of total assets.
- C. Vertical analysis is different from horizontal analysis in that horizontal analysis examines one item over many time periods, while vertical analysis examines many items in the same interval of time.
- D. All of the above are correct.
- E. None of the above are correct.

19. Stinky Dunghorn Company earns annual cash revenues of \$45,000 for 7 years on an investment in a new machine that cost \$170,000 cash. The machine is depreciated \$10,000 each year and the business pays an income tax rate of 35%. Annual cash operating expenses other than depreciation on the machine are \$2,000. At the end of the 7th year the machine is sold for \$50,000. Assuming a desired rate of return of 14%, what is the net present value of the investment? (round to the nearest dollar)

- A. < \$15,151 >
- B. < \$30,160 >
- C. < \$58,034 >
- D. \$ 179,282

20. Based on the income statements shown below, which division has the highest leveraged cost structure?

	<u>Chips</u>	<u>Crackers</u>	<u>Snacks</u>
Revenue	\$50,000	\$50,000	\$50,000
Variable Cost	<u>(10,000)</u>	<u>(30,000)</u>	<u>(5,000)</u>
Cont. Margin	40,000	20,000	45,000
Fixed Cost	<u>(30,000)</u>	<u>(10,000)</u>	<u>(40,000)</u>
Net Income	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 5,000</u>

- A. Chips
- B. Crackers
- C. Snacks
- D. Chips and Crackers share the same highest leveraged cost structure.
- E. The three divisions have identical cost structures.

21. Wildcats, Inc. budgeted the following transactions for April 2004, its first month of sales activity:

Sales (75% collected in month of sale)	\$200,000
Cash Operating Expenses	105,000
Cash Purchases of Capital Investments	75,000
Cash Payment of Debt	20,000
Depreciation on Operating Assets	15,000

The beginning cash balance was \$40,000. The company desires to have a \$30,000 ending cash balance. What is the expected amount of the cash borrowing or repayment for April 2004?

- A. \$80,000 borrowing
 - B. \$55,000 borrowing
 - C. \$40,000 borrowing
 - D. \$10,000 borrowing
 - E. \$10,000 repayment
22. For which responsibility center would contribution margin be the most important variable in evaluating performance?
- A. profit center
 - B. cost center
 - C. inventory center
 - D. organizational center
23. Crimson Tide Arcades has invested in snack bars for their locations where individual pizza slices will be prepared and sold. The investment cost the company \$60,000. The company expects a sales volume for the new product to be 15,000 pizza slices a year. Variable materials, preparation, and marketing costs are expected to be \$1.75 per unit and fixed costs are estimated at \$20,000 per year. Based on a desired 10% ROI, what should CTA charge as the selling price per unit for a slice of pizza?
- A. \$2.50
 - B. \$3.08
 - C. \$3.48
 - D. \$4.00

24. Hawkeyes Company expects the following total sales:

<u>Month</u>	<u>Sales</u>
March	\$30,000
April	\$20,000
May	\$30,000
June	\$25,000

The company expects 80% of its sales to be credit sales. Credit sales are collected as follows: 20% in the month of sale, 76% in the month following the sale with the remainder being uncollectible and written off in the month following the sale. What is the amount of expected total collections on credit sales accounts receivable during April?

- A. \$18,240
- B. \$21,440
- C. \$22,800
- D. \$26,800
- E. None of the above

25. Select the correct statement regarding fixed costs.

- A. There is a contradiction between the term "fixed cost per unit" and the behavior pattern implied by the term.
- B. Fixed cost per unit is not fixed.
- C. Total fixed cost remains constant when volume changes.
- D. All of the above are correct statements.
- E. None of the above are correct statements.

26. Wolfpack Inc. had no beginning inventory of fully completed or partially completed product units. Its total manufacturing costs for the period were \$825,000. If the amount of ending work in process inventory is \$210,000 and cost of good sold was \$470,000, what would the ending finished goods inventory balance be (in dollars)?

- A. \$155,000
- B. \$210,000
- C. \$470,000
- D. \$615,000
- E. None of the above

27. Sooner Manufacturing Co. produces two products. The products' identified costs are as follows:

	<u>Product A</u>	<u>Product B</u>
Direct Materials	\$18,000	\$16,000
Direct Labor	\$14,000	\$28,000

The company's overhead costs of \$60,900 are allocated based on direct labor cost. Assume 6,000 units of product A are produced and 3,000 units of Product B are produced. What amount of average cost per unit would be associated with Product B?

- A. \$21.43
 - B. \$24.22
 - C. \$28.20
 - D. \$34.97
28. Saluki Company has a contribution margin ratio of 35%. The company is considering a proposal that will increase sales by \$140,000. What increase in profit can be expected assuming total fixed costs increase by \$10,000?
- A. \$0
 - B. \$39,000
 - C. \$81,000
 - D. \$150,000
 - E. None of the above
29. Bulldog Billy has \$800,000 to invest in a 6 year annuity. Assuming the time value of money is 8%, what yearly amount will Bulldog Billy receive in cash each year? (rounded to the nearest dollar)
- A. \$1,269,499
 - B. \$173,052
 - C. \$144,000
 - D. \$133,333
30. Minutemen Corp has cash of \$12,000, accounts receivable of \$18,000, inventory of \$15,000, and equipment of \$70,000. If current liabilities are \$26,000 and long-term bonds payable are \$120,000, what is the company's current ratio?
- A. 0.308
 - B. 0.788
 - C. 1.154
 - D. 1.731
 - E. 4.423

ACCT 2301 Summer I 2006 Final Exam **Key**

1. Cardinal Company makes a product that is expected to require the use of 3 hours of labor per unit of product. The standard cost of labor is \$8.00. Cardinal actually used 3.1 hours of labor per unit of product. The actual cost of labor was \$8.40 per hour. Cardinal actually made 2,000 units of product during the period. Based on this information alone, what is the labor price (rate) variance for the period?
- a. \$2,400 favorable
 - b. \$2,480 favorable
 - c. \$2,400 unfavorable
 - D.** \$2,480 unfavorable
 - e. There is not enough information to determine the labor price (rate) variance.

2. The following balance sheet information is provided for Hurricane Company:

Assets	<u>2003</u>	<u>2002</u>
Cash	\$ 2,250	\$ 1,500
Accounts receivable	\$15,000	\$13,000
Inventory	\$24,500	\$32,000

Assuming cost of goods sold is \$140,000, what is the company's days in inventory? (rounded to one decimal place)

- A.** 73.6 days
 - b. 83.4 days
 - c. 5.0 days
 - d. 63.9 days
3. Which of the following is an accurate description for a favorable fixed overhead volume variance?
- A.** The amount of fixed overhead applied exceeds the amount of fixed overhead budgeted.
 - b. The amount of fixed overhead budgeted exceeds the amount of fixed overhead applied.
 - c. The amount of fixed overhead applied exceeds the amount of fixed overhead actually incurred.
 - d. The amount of fixed overhead actually incurred exceeds the amount of fixed overhead applied.

4. Lobo Company's work in process account decreased by \$2,000 while its finished goods account increased by \$800. Assuming total manufacturing costs were \$6,000, what was the company's cost of goods sold amount?
- a. \$8,800
 - b. \$8,000
 - C.** \$7,200
 - d. \$5,800
5. Some costs that possibly could be traced directly to cost objects are nonetheless classified as indirect costs. Why?
- a. because such practice results in a more accurate accumulated cost for the object
 - B.** because such costs cannot be traced to objects in a cost-effective manner
 - c. because it is less expensive to account for indirect costs
 - d. All of the above
 - e. None of the above
6. The work in process account for Hoosier Company contained the following entries:
- Work in Process Account**
No beginning balance Debit of \$48,000 for direct raw materials
Debit of \$51,000 for direct labor
Debit of \$28,000 for manufacturing overhead applied
Ending balance, \$37,000 associated with Job 1
- The company uses a job order cost system. Work was only performed on two jobs during the period. What amount would be reported as a debit to finished goods for cost of goods manufactured?
- a. \$37,000
 - b. \$42,000
 - C.** \$90,000
 - d. \$127,000
 - e. None of the above
7. Which of the following should **not** be recorded as an expense?
- a. Office salaries
 - b. Product advertising costs
 - c. Utilities for the sales office
 - d. Sales commissions
 - E.** All of the above should be recorded as an expense

8. Bruins Company reported the following income for 2003:

Sales	\$ 130,000
Cost of goods sold	<u>80,000</u>
Gross margin	\$ 50,000
Selling and administrative expense	<u>15,000</u>
Operating income	\$ 35,000
Interest expense	<u>5,000</u>
Income before taxes	\$ 30,000
Income tax expense	<u>10,000</u>
Net income	<u>\$ 20,000</u>

What is the company's times interest earned ratio?

a. 3.00

b. 4.00

c. 6.00

D. 7.00

e. None of the above

9. Huskies Tools produces a variety of scissors and other cutting instruments at its City-State manufacturing plant. The plant is highly automated and uses an activity-based costing system to allocate overhead costs to its various product lines. The company expects to produce 20,000 total units during the current period. The costs and cost drivers associated with four activity cost pools are given below:

<u>ACTIVITIES:</u>	<u>UNIT</u>	<u>BATCH</u>	<u>PRODUCT</u>	<u>FACILITY</u>
	<u>LEVEL</u>	<u>LEVEL</u>	<u>LEVEL</u>	<u>LEVEL</u>
Cost	\$50,000	?	\$10,000	\$120,000
Cost Driver	4,000 labor hrs	100 set ups	% of use	24,000 units

Production of 1,200 units of a pipe-cutting tool required 500 labor hours, 10 setups, and consumed 25% of the product sustaining activities and resulted in an overhead allocation of \$18,000. What amount of batch-level overhead costs must have been expected during the period?

a. \$18,000

B. \$32,500

c. \$180,000

d. None of the above

10. In a process cost system, the output of Department One becomes an input to Department Two. What is this input generally referred to as?
- a. raw material cost
 - b. direct material cost
 - c. conversion cost
 - D.** transferred-in cost
11. Golden Bears Company allocates overhead on the basis of direct labor hours. It allocates overhead costs of \$10,800 to two different jobs as follows:
Job 1: (8 hours) = \$5,400 Job 2: (8 hours) = \$5,400
The production process for Job 1 is automated. Now Job 1 requires only two hours of direct labor but four hours of mechanical processing. As a result, total overhead increases to \$14,600. Select the correct statement from the following.
- a. The amount of overhead assigned to each job will increase.
 - B.** The amount of overhead assigned to Job 2 will increase.
 - c. The amount of overhead assigned to each job will decrease.
 - d. The amount of overhead assigned to Job 1 will increase.
12. Which of the following accurately describes the theme that was used in deciding company names for this exam?
- a. States of the Union
 - b. Birds from the Southwestern US
 - c. Common Names for My Little Ponies
 - D.** College Sports Mascots
13. During its first year of operations, Buckeye Company paid \$17,000 for direct materials, paid production employees \$4,000 and paid general, selling, and administrative expenses of \$6,000. If the average manufacturing cost per unit was \$14 and 2,000 units were produced during the period, how much overhead was applied?
- a. \$1,000
 - b. \$3,000
 - c. \$5,000
 - D.** \$7,000
 - e. None of the above

14. The Dons Company reported net income of \$140,000 on 22,000 outstanding common shares. Preferred dividends total \$20,000. On the most recent trading day, the preferred shares sold at \$40 and the common shares sold at \$70. What is this company's current price-earnings ratio?

- A.** 12.83
- b. 11.00
- c. 7.33
- d. 5.46

15. Gators Cleaning Service cleans and waxes floors for commercial customers. The company is presently working under capacity with equipment and men at times idle. The company recently received an order from a nonregular customer outside the company's normal geographical service region for a price of \$84,000. The size of the proposed job is 21,000 square feet. The company's normal service costs are as follows:

Unit-level materials	\$1.75 per square foot
Unit-level labor	\$2.25 per square foot
Unit-level variable overhead	\$.50 per square foot
Product-level advertising costs	Allocated at \$1.50 a square foot
Facility-level overhead	Allocated at \$3 per square foot

Which of the following statements would be true if the company accepts the special offer?

- a. the company will profit \$84,000 on the job
- b. the company will exactly break even on the job
- C.** the company will lose \$10,500 on the job
- d. the company will lose \$42,000 on the job
- e. the company will lose \$105,000 on the job

16. The cost that is avoided when you eliminate a single item of a product or service is sometimes referred to as a what?

- a. a facility-level cost
- b. a product-level cost
- c. a batch-level cost
- D.** a unit-level cost

17. Runnin' Utes, Inc. has not reported a profit in five years. This year the company would like to narrow its loss to \$15,000. Assuming its selling price is \$35 per unit and its variable costs per unit are \$23, how many units must be sold to achieve its target given that total fixed costs are \$48,000?

- a. 1,371
- B.** 2,750
- c. 4,000
- d. 5,250

18. Select the correct statement regarding vertical analysis.

- a. Vertical analysis of the income statement involves showing each item as a percentage of sales.
- b. Vertical analysis of the balance sheet involves showing each asset as a percentage of total assets.
- c. Vertical analysis is different from horizontal analysis in that horizontal analysis examines one item over many time periods, while vertical analysis examines many items in the same interval of time.
- D.** All of the above are correct.
- e. None of the above are correct.

19. Stinky Dunghorn Company earns annual cash revenues of \$45,000 for 7 years on an investment in a new machine that cost \$170,000 cash. The machine is depreciated \$10,000 each year and the business pays an income tax rate of 35%. Annual cash operating expenses other than depreciation on the machine are \$2,000. At the end of the 7th year the machine is sold for \$50,000. Assuming a desired rate of return of 14%, what is the net present value of the investment? (round to the nearest dollar)

- A.** < \$15,151 >
- b. < \$30,160 >
- c. < \$58,034 >
- d. \$ 179,282

20. Based on the income statements shown below, which division has the highest leveraged cost structure?

	<u>Chips</u>	<u>Crackers</u>	<u>Snacks</u>
Revenue	\$50,000	\$50,000	\$50,000
Variable Cost	<u>(10,000)</u>	<u>(30,000)</u>	<u>(5,000)</u>
Cont. Margin	40,000	20,000	45,000
Fixed Cost	<u>(30,000)</u>	<u>(10,000)</u>	<u>(40,000)</u>
Net Income	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 5,000</u>

- a. Chips
- b. Crackers
- C.** Snacks
- d. Chips and Crackers share the same highest leveraged cost structure.
- e. The three divisions have identical cost structures.

21. Wildcats, Inc. budgeted the following transactions for April 2004, its first month of sales activity:

Sales (75% collected in month of sale)	\$200,000
Cash Operating Expenses	105,000
Cash Purchases of Capital Investments	75,000
Cash Payment of Debt	20,000
Depreciation on Operating Assets	15,000

The beginning cash balance was \$40,000. The company desires to have a \$30,000 ending cash balance. What is the expected amount of the cash borrowing or repayment for April 2004?

- a. \$80,000 borrowing
 - b. \$55,000 borrowing
 - C.** \$40,000 borrowing
 - d. \$10,000 borrowing
 - e. \$10,000 repayment
22. For which responsibility center would contribution margin be the most important variable in evaluating performance?
- A.** profit center
 - b. cost center
 - c. inventory center
 - d. organizational center
23. Crimson Tide Arcades has invested in snack bars for their locations where individual pizza slices will be prepared and sold. The investment cost the company \$60,000. The company expects a sales volume for the new product to be 15,000 pizza slices a year. Variable materials, preparation, and marketing costs are expected to be \$1.75 per unit and fixed costs are estimated at \$20,000 per year. Based on a desired 10% ROI, what should CTA charge as the selling price per unit for a slice of pizza?
- a. \$2.50
 - b. \$3.08
 - C.** \$3.48
 - d. \$4.00

24. Hawkeyes Company expects the following total sales:

<u>Month</u>	<u>Sales</u>
March	\$30,000
April	\$20,000
May	\$30,000
June	\$25,000

The company expects 80% of its sales to be credit sales. Credit sales are collected as follows: 20% in the month of sale, 76% in the month following the sale with the remainder being uncollectible and written off in the month following the sale. What is the amount of expected total collections on credit sales accounts receivable during April?

- a. \$18,240
- B.** \$21,440
- c. \$22,800
- d. \$26,800
- e. None of the above

25. Select the correct statement regarding fixed costs.

- a. There is a contradiction between the term "fixed cost per unit" and the behavior pattern implied by the term.
- b. Fixed cost per unit is not fixed.
- c. Total fixed cost remains constant when volume changes.
- D.** All of the above are correct statements.
- e. None of the above are correct statements.

26. Wolfpack Inc. had no beginning inventory of fully completed or partially completed product units. Its total manufacturing costs for the period were \$825,000. If the amount of ending work in process inventory is \$210,000 and cost of good sold was \$470,000, what would the ending finished goods inventory balance be (in dollars)?

- a. \$155,000
- b. \$210,000
- c. \$470,000
- d. \$615,000
- E.** None of the above

27. Sooner Manufacturing Co. produces two products. The products' identified costs are as follows:

	<u>Product A</u>	<u>Product B</u>
Direct Materials	\$18,000	\$16,000
Direct Labor	\$14,000	\$28,000

The company's overhead costs of \$60,900 are allocated based on direct labor cost. Assume 6,000 units of product A are produced and 3,000 units of Product B are produced. What amount of average cost per unit would be associated with Product B?

- a. \$21.43
 - b. \$24.22
 - C.** \$28.20
 - d. \$34.97
28. Saluki Company has a contribution margin ratio of 35%. The company is considering a proposal that will increase sales by \$140,000. What increase in profit can be expected assuming total fixed costs increase by \$10,000?
- a. \$0
 - B.** \$39,000
 - c. \$81,000
 - d. \$150,000
 - e. None of the above
29. Bulldog Billy has \$800,000 to invest in a 6 year annuity. Assuming the time value of money is 8%, what yearly amount will Bulldog Billy receive in cash each year? (rounded to the nearest dollar)
- a. \$1,269,499
 - B.** \$173,052
 - c. \$144,000
 - d. \$133,333
30. Minutemen Corp has cash of \$12,000, accounts receivable of \$18,000, inventory of \$15,000, and equipment of \$70,000. If current liabilities are \$26,000 and long-term bonds payable are \$120,000, what is the company's current ratio?
- a. 0.308
 - b. 0.788
 - c. 1.154
 - D.** 1.731
 - e. 4.423

