Chapter 02 Testbank

Student: ____

1. Which of the following statements is false?
i. Qualitative information is not relevant for planning purposes.
ii. Production costs are important for planning purposes, but selling and administration costs are not.
iii. Information on revenues is not important for planning purposes.

A. i
B. iii
C. i and iii
D. i, ii and iii

2. Which of the following statements is true?

A. The word cost has the same meaning in all situations in which it is used.
B. Cost data, once classified and recorded, can be used for any purpose.
C. Different cost concepts and classifications are used for different purposes.
D. None of the given answers

3. Which of the following statements is true? A cost is:

A. always an expense
B. always an asset
C. can be either an expense or an asset
D. always a liability

4. Variable costs:

A. vary indirectly with changes in activity level
B. vary directly with changes in activity level
C. vary on a per unit basis
D. vary indirectly with changes in activity level AND vary on a per unit basis

5. If production increases, variable cost will:

A. remain constant on a per unit basis
B. increase by a variable amount
C. vary on a per unit basis
D. remain unchanged

6. As activity level decreases, unit variable cost:

A. increases proportionately with activity
B. decreases proportionately with activity
C. remains constant
D. decreases by a fixed amount

7. As activity level increases, total variable costs:

A. increase proportionately with activity
B. decrease proportionately with activity
C. increase by a fixed amount
D. decrease by a fixed amount

8. Fixed costs:

A. vary directly with changes in activity level
B. in total remain unchanged as activity levels change
C. vary on a per unit basis
D. B and C

9. Which of the following is not an example of a variable cost?

A. Straight-line depreciation on a machine expected to last 5 years.
B. Wages paid to assembly line workers at a local manufacturing plant.
C. Timber used to make outdoor furniture.
D. Commissions paid to sales personnel.

10. Which of the following statements is false?

A. Costing is common to both conventional and contemporary management accounting.
B. Activity-based costing is common to both conventional and contemporary management accounting.
C. Performance measurement is common to both conventional and contemporary management accounting.
D. Contemporary performance measurement covers a range of critical success factors.

11. Which is the correct order of cost incurrence in the value chain?

A. R & D, Product Design, Manufacturing, Marketing, Distribution, Customer Support
B. R & D, Product Design, Customer Support, Marketing, Distribution, Manufacturing
C. R & D, Product Design, Manufacturing, Distribution, Customer Support, Selling
D. R & D, Product Design, Manufacturing, Distribution, Marketing, Customer Support

12. Costs that can be traced to a particular cost object are called:

A. direct costs
B. indirect costs
C. product costs
D. manufacturing costs

13. Indirect costs:

A. cannot be traced to a particular cost object
B. cannot be economically traced to a particular cost object
C. are always variable costs
D. are always fixed costs

14. Whether a cost is classified as direct or indirect will depend on:

A. the nature of the cost object
B. whether the cost can be economically traced to the cost object
C. whether the organisation is in a manufacturing or service industry
D. the nature of the cost object AND whether the cost can be economically traced to the cost object

15. Costs that can be significantly influenced by a particular manager are:

A. product costs.
B. period costs.
C. controllable costs.
D. administrative costs.

16. Which of the following is not an example of a manufacturing overhead?

A. Assembly line workers' wages
B. Factory rent
C. Depreciation of factory machinery
D. Factory lighting

17. Product costs are:

A. expended as they are incurred
B. inventoriable costs
C. period costs
D. expended as they are incurred AND inventoriable costs

18. Costs that are expended during the period in which the costs are incurred are called:

A. product costs
B. inventoriable costs
C. period costs
D. indirect costs

19. Which of the following costs of a manufactured product is a period cost?

A. Direct material
B. Manufacturing overhead
C. Indirect material
D. Sales commission

20. Which of the following is not a period cost?

A. Marketing costs
B. Administrative costs
C. Research and development
D. Factory overheads

21. Cost of goods purchased includes the:

A. purchase cost
B. transportation inward cost
C. storage cost
D. purchase cost AND transportation inward cost

22. Product costs comprise:

A. direct materials, direct labour and manufacturing overhead
B. direct materials and manufacturing overhead
C. direct labour and manufacturing overhead
D. direct materials and direct labour

23. Refer to the following data.

Direct material used	$150 000
Selling costs	$5000
Indirect labour	$7000
Administrative costs	$10 000
Depreciation on factory equipment	$70 000
Direct labour	$40 000
Overtime premiums paid	$20 000
Indirect materials	$45 000

The prime costs are:

A. $190 000
B. $40 000
C. $150 000
D. $142 000

24. Refer to the following data.

Direct material used	$150 000
Selling costs	$5000
Indirect labour	$7000
Administrative costs	$10 000
Depreciation on factory equipment	$70 000
Direct labour	$40 000
Overtime premiums paid	$20 000
Indirect materials	$45 000

The conversion costs are:

A. $150 000
B. $142 000
C. $182 000
D. $190 000

25. Refer to the following data.

Direct material used	$150 000
Selling costs	$5000
Indirect labour	$7000
Administrative costs	$10 000
Depreciation on factory equipment	$70 000
Direct labour	$40 000
Overtime premiums paid	$20 000
Indirect materials	$45 000

The product costs are:

A. $15 000
B. $182 000
C. $190 000
D. $332 000

26. Refer to the following data.

Direct material used	$150 000
Selling costs	$5000
Indirect labour	$7000
Administrative costs	$10 000
Depreciation on factory equipment	$70 000
Direct labour	$40 000
Overtime premiums paid	$20 000
Indirect materials	$45 000

The period costs are:

A. $15 000
B. $20 000
C. $190 000
D. $372 000

27. Refer to the following data.

Direct material used	$150 000
Selling costs	$5000
Indirect labour	$7000
Administrative costs	$10 000
Depreciation on factory equipment	$70 000
Direct labour	$40 000
Overtime premiums paid	$20 000
Indirect materials	$45 000

The non-manufacturing costs are:

A. $15 000
B. $70 000
C. $182 000
D. $372 000

28. Indirect material, indirect labour and other manufacturing costs that are neither direct labour nor direct material costs are classified as:

A. manufacturing overhead
B. product costs
C. prime costs
D. manufacturing overhead AND product costs

29. Indirect materials include:

A. materials that are incorporated into the finished product
B. materials required for the production process, which do not become an integral part of the finished product
C. direct materials that are so insignificant in cost that it becomes unimportant to trace their costs to specific products
D. materials required for the production process, which do not become an integral part of the finished product AND direct materials that are so insignificant in cost that it becomes unimportant to trace their costs to specific products

30. On-costs on direct labour are classified as:

A. direct labour
B. indirect labour
C. manufacturing overhead
D. either direct labour or indirect labour depending on the decision made by the firm

31. Depreciation of factory equipment would be classified as:

A. indirect material
B. indirect labour
C. manufacturing overhead
D. a sundry expense

32. Idle time is:

A. frequently an avoidable cost
B. classified as overhead
C. caused by events such as equipment breakdown and new set-ups of production runs
D. All of the given answers

33. Unless overtime and idle time are caused by a particular job, they are treated as:

A. a part of direct labour expense
B. a part of manufacturing overhead
C. associated with a particular product
D. a part of manufacturing overhead AND associated with a particular product

34. The flow of manufacturing costs through the system is:

A. raw materials inventory; work in process inventory; finished goods inventory; cost of goods sold
B. raw materials inventory; work in process inventory; cost of goods sold; finished goods inventory
C. work in process inventory; raw materials inventory; finished goods inventory; cost of goods sold
D. raw materials inventory; finished goods inventory; work in process inventory; cost of goods sold

35. The Casual Furniture Company manufactures outdoor furniture and incurred the following costs during the month of January.

Timber	$25 000
Paint	$5000
Glue	$500
Wages—assembly personnel	$20 000
Wages—factory supervisor	$3500
Factory cleaner's wages	$2000
Sales commissions	$10 000
Administrative staff salaries	$4000
Depreciation—factory equipment	$3000
Depreciation—sales office equipment	$1000
Utilities, insurance—factory	$6000
Utilities, insurance—sales office	$2000
Advertising	$8000
Total costs	$90 000

The product costs are:

A. $90 000
B. $83 000
C. $65 000
D. $63 000

36. The Casual Furniture Company manufactures outdoor furniture and incurred the following costs during the month of January.

Timber	$25 000
Paint	$5000
Glue	$500
Wages—assembly personnel	$20 000
Wages—factory supervisor	$3500
Factory cleaner's wages	$2000
Sales commissions	$10 000
Administrative staff salaries	$4000
Depreciation—factory equipment	$3000
Depreciation—sales office equipment	$1000
Utilities, insurance—factory	$6000
Utilities, insurance—sales office	$2000
Advertising	$8000
Total costs	$90 000

The period costs are:

A. $0
B. $7 000
C. $25 000
D. $30 500

37. The Casual Furniture Company manufactures outdoor furniture and incurred the following costs during the month of January.

Timber	$25 000
Paint	$5000
Glue	$500
Wages—assembly personnel	$20 000
Wages—factory supervisor	$3500
Factory cleaner's wages	$2000
Sales commissions	$10 000
Administrative staff salaries	$4000
Depreciation—factory equipment	$3000
Depreciation—sales office equipment	$1000
Utilities, insurance—factory	$6000
Utilities, insurance—sales office	$2000
Advertising	$8000
Total costs	$90 000

The prime costs are:

A. $30 000
B. $50 000
C. $65 000
D. $50 500

38. The Casual Furniture Company manufactures outdoor furniture and incurred the following costs during the month of January.

Timber	$25 000
Paint	$5000
Glue	$500
Wages—assembly personnel	$20 000
Wages—factory supervisor	$3500
Factory cleaner's wages	$2000
Sales commissions	$10 000
Administrative staff salaries	$4000
Depreciation—factory equipment	$3000
Depreciation—sales office equipment	$1000
Utilities, insurance—factory	$6000
Utilities, insurance—sales office	$2000
Advertising	$8000
Total costs	$90 000

The conversion costs are:

A. $34 500
B. $29 500
C. $20 000
D. $35 000

39. The Casual Furniture Company manufactures outdoor furniture and incurred the following costs during the month of January.

Timber	$25 000
Paint	$5000
Glue	$500
Wages—assembly personnel	$20 000
Wages—factory supervisor	$3500
Factory cleaner's wages	$2000
Sales commissions	$10 000
Administrative staff salaries	$4000
Depreciation—factory equipment	$3000
Depreciation—sales office equipment	$1000
Utilities, insurance—factory	$6000
Utilities, insurance—sales office	$2000
Advertising	$8000
Total costs	$90 000

The manufacturing overhead is:

A. $14 500
B. $15 000
C. $9500
D. $9 000

40. In the manufacturing firm, inventories consist of:

A. raw materials, cost of goods manufactured during the period and finished goods
B. raw materials, work in process and finished goods
C. raw materials, finished goods and cost of goods sold
D. cost of goods manufactured and cost of goods sold

41. To calculate the cost of goods sold during the period, you would use which of the following equations?

A. Beginning finished goods + cost of goods manufactured + ending finished goods
B. Ending finished goods + cost of goods manufactured – beginning finished goods
C. Beginning finished goods + cost of goods manufactured – ending finished goods
D. Beginning finished goods + ending finished goods – cost of goods manufactured

42. Work in process inventories are composed of:

A. direct materials
B. direct labour
C. manufacturing overhead
D. All of the given answers

43. Barrett Industries began the month of June with a finished goods inventory of $15 000. The finished goods inventory at the end of June was $10 000 and the cost of goods sold during the month was $20 000.
The cost of goods manufactured during the month of June was:

A. $15 000
B. $25 000
C. $20 000
D. $5000

44. Fairchild Pty Ltd began April with a finished goods inventory of $25 000. The cost of goods manufactured during the month was $40 000 and the cost of goods sold during April was $50 000.
The inventory remaining in finished goods at the end of April was:

A. $35 000
B. $25 000
C. $20 000
D. $15 000

45. Barrister and Company began July with a finished goods inventory of $10 000. The cost of goods manufactured during the month was $85 000 and the ending finished goods inventory was $20 000.
The cost of goods sold during July was:

A. $55 000
B. $75 000
C. $95 000
D. $105 000

46. Lenco Industries has cost of goods manufactured of $65 000 in May. The finished goods inventory at the end of May was $20 000 and the cost of goods sold during May was $75 000.
The inventory in finished goods at the beginning of May was:

A. $5 000
B. $30 000
C. $10 000
D. $20 000

47. As manufacturing companies become more automated, their cost structure will change so that:

A. variable costs increase, fixed costs decrease
B. variable costs decrease, fixed costs decrease
C. variable costs decrease, fixed costs increase
D. there is no change

in the ratio of variable to fixed costs

48. Conventional cost management systems use production volume as the measure of activity. Contemporary systems might use which of the following as activity measures:

A. number of batches
B. number of customers
C. number of product lines
D. All of the given answers

49. Which of the following terms accurately describes all three manufacturing costs (i.e. direct materials, direct labour and manufacturing overhead)?

A. Product costs
B. Variable costs
C. Direct costs
D. Both direct costs and product costs

50. The monthly cost of renting manufacturing equipment is:

A. part of conversion cost and a period cost
B. part of prime cost and an inventoriable cost
C. part of prime cost and a period cost
D. part of conversion cost and an inv

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51. With respect to the flow of manufacturing costs through the accounts, what does the ending balance of work in process account show?

A. The total of costs for completed jobs.
B. The total of costs for incomplete jobs.
C. The amount of costs incurred for the period.
D. The amount of cost to be transferred to cos

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52. Which of the following statements correctly completes this sentence? ‘For a firm that manufactures floor tiles, when the tiles are completed and ready for sale …'

A. there is no change in the value of the firm's assets.
B. the firm's total assets are decreased.
C. the firm's total cost of the goods sold is increased.
D. the firm's work in proces

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53. Which of the following statements is correct in relation to determining whether a cost is direct or indirect?

A. The wider the definition of the cost object the more costs that will be indirect costs.
B. The number of cost items that can be classified as direct costs does not depend

on the definition of cost objects.

C. The narrower the definition of the cost object the more costs that will be direct costs.

D. The wider the definition of the cost object the more cos

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54. Choose the statement that best completes this sentence: ‘Conventional management accounting focuses on …'

A. budgeting systems, financial performance measures and cost control.
B. financial performance measures, external reporting and cost elimination.
C. non-financial perf

ormance measures, external reporting and cost control.

D. external reporting, labour-related activity measures and cost elimination.

55. Eldervale Winery is a producer of premium wine. Which of the following is an example of an upstream cost?

A. The costs associated with storing wine barrels
B. The costs associated with designing the labels on a wine bottle
C. The costs associated with delivering products to cus

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56. Eldervale Winery is a producer of premium wine. Which of the following is NOT an example of an upstream cost?

A. The costs associated with marketing a new range of wine in an international trade fair
B. The costs associated with researching a new variety of grapes
C. The costs

associated with testing a new wine barrel

D. The costs associated with negotiating with and managing farmers who supply the grapes

57. Eldervale Winery is a producer of premium wine. Which of the following is an example of a downstream cost?

A. The costs associated with storing wine for customers
B. The costs associated with designing the labels on a wine bottle
C. The costs associated with researching a ne

w variety of grapes

D. The costs associated with quality testing

58. Eldervale Winery is a producer of premium wine. Which of the following is NOT an example of a downstream cost?

A. The costs associated with random quality check during the wine production process
B. The costs associated with the sales team travelling to a wine show to promot

e Eldervale wine

C. The costs associated with delivering wine to customers
D. The costs associated with answering customer inquiries on the differences between wine varieties

59. Mydas Ltd operates a large factory which manufactures three types of motor vehicles, including family cars, sports cars and motorcycles. If the cost object is a motorcycle, which of the following is a direct cost?

A. The costs of wheels on the motorcycle
B. The salary of the factory general manager
C. The salary of the factory quality inspector
D. The windscreen wipers on a family car

60. Mydas Ltd operates a large factory which manufactures three types of motor vehicles, including family sedans, sports cars and motorcycles. If the cost object is a family car, which of the following is an indirect cost?

A. The costs of wheels on the motorcycle
B. The salary of the factory general manager
C. The wages of the quality inspector whose job is to inspect each family car
D. The

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61. A responsibility centre….

A. refers to a unit of business where all the associated costs are considered as ‘direct costs'
B. refers to a unit of a business where the manager is held accountable for acti

vities and performance

C. is another term for ‘business division'

D. is a term applicable only to manufacturing companies

62. Sally Strong is the production manager of Eldervale Winery. Her role includes overseeing the production and bottling processes of Eldervale Winery's three product lines: sparkling wine, red wine and white wine. Which of the following is most likely an example of an uncontrollable cost for Sally?

A. The costs associated with bottling wine
B. The costs associated with advertising Eldervale wine on national TV
C. The costs associated with moving wine

from the barrels to the bottling area

D. The costs associated with quality testing

63. Sally Strong is the production manager of Eldervale Winery. Her role includes overseeing the production and bottling processes of Eldervale Winery's three product lines: sparkling wine, red wine and white wine. Which of the following is most likely to an example of a controllable cost for Sally?

A. The costs associated with bottling wine
B. The costs associated with advertising Eldervale wine on national TV
C. The costs associated with liaising with distribu

tors to export wine to China

D. The costs associated with obtaining finance from banks

64. Behaviour of fixed and variable costs.
Compare and contrast the behaviour of fixed and variable costs in total and per unit.

65. Describe how the value chain can help a business analyse its cost structures. What is meant by upstream costs and downstream costs? Give examples.

66. Kevin Smith is the production manager of Mydas Ltd, a company that manufactures a range of motor vehicles. His role includes overseeing the entire production process of Mydas Ltd's three product lines: family cars, sports cars, and motor cycles. Once completed, all the cars are shipped to Australia, China and Korea by the company's shipping and transportation department.

Identify two examples of controllable costs and two examples of uncontrollable costs for Kevin. Explain your answer.

67. Only long-term decisions require an understanding of costs.

True False

68. Direct and indirect cost classification is based on cost behaviour in relation to changes in the level of activity.

True False

69. Prime costs is the term given to direct labour and direct materials, as they are the major costs directly associated with the manufacture of a product.

True False

70. Costs that managers cannot significantly influence are classified as uncontrollable costs.

True False

71. A courier company may view kilometres driven as a possible cost driver.

True False

72. In relation to the activities of the value chain of a manufacturing company, primary processes include accounting and legal activities.

True False

73. Manufacturing organisations have four inventory accounts – raw materials, work in process, cost of goods sold and finished goods.

True False

74. Inventoriable costs include direct materials, direct labour, manufacturing overheads and period costs for that accounting period.

True False

75. Fixed costs per unit decrease as activity levels increase.

True False

76. The equation to calculate total manufacturing costs = cost of goods manufactured – beginning work in process + ending work in process.

True False

Chapter 02 Testbank Key

1.
(p. 42)

Which of the following statements is false?
i. Qualitative information is not relevant for planning purposes.
ii. Production costs are important for planning purposes, but selling and administration costs are not.
iii. Information on revenues is not important for planning purposes.

A. i
B. iii
C. i and iii
D. i, ii and iii

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-01 Describe the components of conventional and contemporary management accounting systems

2.
(p. 45)

Which of the following statements is true?

A. The word cost has the same meaning in all situations in which it is used.
B. Cost data, once classified and recorded, can be used for any purpose.
C. Different cost con

concepts and classifications are used for different purposes.

D. None of the given answers

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-03 Explain what is meant by different costs for different purposes

3.
(p. 56)

Which of the following statements is true? A cost is:

A. always an expense
B. always an asset
C. can be either an expense or an asset
D. always a liability

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

4.
(p. 47)

Variable costs:

A. vary indirectly with changes in activity level

B. vary directly with changes in activity level

C. vary on a per unit basis

D. vary indirectly with changes in activity level AND vary on a per unit basis

AACSB: Reflective
Difficulty: Easy
Graduate Attribute: Problem Solving
Learning Objective: 02-04 Classify costs according to their behaviour -- that is, as variable or fixed

5.
(p. 47)

If production increases, variable cost will:

A. remain constant on a per unit basis
B. increase by a variable amount
C. vary on a per unit basis
D. remain unchanged

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-04 Classify costs according to their behaviour -- that is, as variable or fixed

6.
(p. 47)

As activity level decreases, unit variable cost:

A. increases proportionately with activity
B. decreases proportionately with activity
C. remains constant
D. decreases by a fixed amount

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-04 Classify costs according to their behaviour -- that is, as variable or fixed

7.
(p. 47)

As activity level increases, total variable costs:

A. increase proportionately with activity
B. decrease proportionately with activity
C. increase by a fixed amount
D. decrease by a fixed amount

AACSB: Reflective
Difficulty: Easy
Graduate Attribute: Problem Solving
Learning Objective: 02-04 Classify costs according to their behaviour -- that is, as variable or fixed

8.
(p. 47)

Fixed costs:

A. vary directly with changes in activity level
B. in total remain unchanged as activity levels change
C. vary on a per unit basis
D. B and C

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-04 Classify costs according to their behaviour -- that is, as variable or fixed

9.
(p. 47)

Which of the following is not an example of a variable cost?

A. Straight-line depreciation on a machine expected to last 5 years.
B. Wages paid to assembly line workers at a local manufacturing plant.
C. Timber used to make outdoor

furniture.

D. Commissions paid to sales personnel.

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-04 Classify costs according to their behaviour -- that is, as variable or fixed

10.
(p. 42)

Which of the following statements is false?

A. Costing is common to both conventional and contemporary management accounting.

B. Activity-based costing is common to both conventional and contemporary manag ement accounting.

C. Performance measurement is common to both conventional and contemporary management accounting.

D. Contemporary performance measurement covers a range of critical success factors.

AACSB: Reflective
Difficulty: Easy
Graduate Attribute: Problem Solving
Learning Objective: 02-01 Describe the components of conventional and contemporary management accounting systems

11.
(p. 49)

Which is the correct order of cost incurrence in the value chain?

A. R & D, Product Design, Manufacturing, Marketing, Distribution, Customer Support
B. R & D, Product Design, Customer Support, Marketing, Distribution, Manufacturing
C. R &

D, Product Design, Manufacturing, Distribution, Customer Support, Selling

D. R & D, Product Design, Manufacturing, Distribution, Marketing, Customer Support

AACSB: Reflective
Difficulty: Easy
Graduate Attribute: Problem Solving
Learning Objective: 02-07 Classify costs according to the segments of the value chain

12.
(p. 48)

Costs that can be traced to a particular cost object are called:

A. direct costs
B. indirect costs
C. product costs
D. manufacturing costs

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-05 Classify costs as direct or indirect

13.
(p. 48)

Indirect costs:

A. cannot be traced to a particular cost object
B. cannot be economically traced to a particular cost object
C. are always variable costs
D. are always fixed costs

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-05 Classify costs as direct or indirect

14.
(p. 48)

Whether a cost is classified as direct or indirect will depend on:

A. the nature of the cost object
B. whether the cost can be economically traced to the cost object
C. whether the organisation is in a manufacturing or service industry
D. the

nature of the cost object AND whether the cost can be economically traced to the cost object

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-05 Classify costs as direct or indirect

15.
(p. 49)

Costs that can be significantly influenced by a particular manager are:

A. product costs.

B. period costs.

<u>C.</u> controllable costs.

D. administrative costs.

AACSB: Reflective
Difficulty: Easy
Graduate Attribute: Problem Solving
Learning Objective: 02-06 classify costs as controllable or uncontrollable

16.
(p. 52)

Which of the following is not an example of a manufacturing overhead?

A. Assembly line workers' wages
B. Factory rent
C. Depreciation of factory machinery
D. Factory lighting

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

17.
(p. 56)

Product costs are:

A. expended as they are incurred
B. inventoriable costs
C. period costs
D. expended as they are incurred AND inventoriable costs

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

18.
(p. 54)

Costs that are expended during the period in which the costs are incurred are called:

A. product costs
B. inventoriable costs
C. period costs
D. indirect costs

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-09 Explain the different definitions of product cost used in external accounting reports and for decision making

19.
(p. 54)

Which of the following costs of a manufactured product is a period cost?

A. Direct material
B. Manufacturing overhead
C. Indirect material
D. Sales commission

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-09 Explain the different definitions of product cost used in external accounting reports and for decision making

20. *(p. 54)*

Which of the following is not a period cost?

A. Marketing costs
B. Administrative costs
C. Research and development
D. Factory overheads

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-09 Explain the different definitions of product cost used in external accounting reports and for decision making

21.
(p. 54)

Cost of goods purchased includes the:

A. purchase cost
B. transportation inward cost
C. storage cost
D. purchase cost AND transportation inward cost

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-09 Explain the different definitions of product cost used in external accounting reports and for decision making

22.
(p. 52)

Product costs comprise:

<u>A.</u> direct materials, direct labour and manufacturing overhead
B. direct materials and manufacturing overhead
C. direct labour and manufacturing overhead
D. direct materials and

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AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

23.
(p. 52)

Refer to the following data.

Direct material used	$150 000
Selling costs	$5000
Indirect labour	$7000
Administrative costs	$10 000
Depreciation on factory equipment	$70 000
Direct labour	$40 000
Overtime premiums paid	$20 000
Indirect materials	$45 000

The prime costs are:

A. $19
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000
B. $40
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C. $15
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000
D. $14
2
000

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

24.
(p. 52)

Refer to the following data.

Direct material used	$150 000
Selling costs	$5000
Indirect labour	$7000
Administrative costs	$10 000
Depreciation on factory equipment	$70 000
Direct labour	$40 000
Overtime premiums paid	$20 000
Indirect materials	$45 000

The conversion costs are:

A. $150 000
B. $142 000
C. $182 000
D. $190 000

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

25.
(p. 52)

Refer to the following data.

Direct material used	$150 000
Selling costs	$5000
Indirect labour	$7000
Administrative costs	$10 000
Depreciation on factory equipment	$70 000
Direct labour	$40 000
Overtime premiums paid	$20 000
Indirect materials	$45 000

The product costs are:

A. $15 000
B. $182 000
C. $190 000
D. $332 000

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

26.
(p. 54)

Refer to the following data.

Direct material used	$150 000
Selling costs	$5000
Indirect labour	$7000
Administrative costs	$10 000
Depreciation on factory equipment	$70 000
Direct labour	$40 000
Overtime premiums paid	$20 000
Indirect materials	$45 000

The period costs are:

A. $15 000
B. $20 000
C. $190 000
D. $372 000

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-09 Explain the different definitions of product cost used in external accounting reports and for decision making

27.
(p. 52)

Refer to the following data.

Direct material used	$150 000
Selling costs	$5000
Indirect labour	$7000
Administrative costs	$10 000
Depreciation on factory equipment	$70 000
Direct labour	$40 000
Overtime premiums paid	$20 000
Indirect materials	$45 000

The non-manufacturing costs are:

A. $15 000
B. $70 000
C. $182 000
D. $372 000

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

28.
(p. 52)

Indirect material, indirect labour and other manufacturing costs that are neither direct labour nor direct material costs are classified as:

A. manufacturing overhead
B. product costs
C. prime costs
<u>D.</u> manufacturing overhead AND product costs

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

29.
(p. 52)

Indirect materials include:

A. materials that are incorporated into the finished product
B. materials required for the production process, which do not become an integral part of the finished product
C. direct mat

erials that are so insignificant in cost that it becomes unimportant to trace their costs to specific products

D. materials required for the production process, which do not becom e an integral part of the finished product AND direct materials that are so insignificant in cost that it becomes unimportant to trace their costs to specific products

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

30.
(p. 52)

On-costs on direct labour are classified as:

A. direct labour
B. indirect labour
C. manufacturing overhead
D. either direct labour or indirect labour depending on the decision made by the firm

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

31.
(p. 52)

Depreciation of factory equipment would be classified as:

A. indirect material
B. indirect labour
C. manufacturing overhead
D. a sundry expense

AACSB: Reflective
Difficulty: Easy
Graduate Attribute: Problem Solving
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

32.
(p. 52)

Idle time is:

A. frequently an avoidable cost
B. classified as overhead
C. caused by events such as equipment breakdown and new set-ups of production runs
D. All of the given answers

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

33.
(p. 52)

Unless overtime and idle time are caused by a particular job, they are treated as:

A. a part of direct labour expense
B. a part of manufacturing overhead
C. associated with a particular product
D. a part of manufacturing overhead AND associated

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AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

34.
(p. 54)

The flow of manufacturing costs through the system is:

A. raw materials inventory; work in process inventory; finished goods inventory; cost of goods sold

B. raw materials inventory; work in process inventory; cost of goods sold; finished goods inventory

C. work in process inventory; raw materials inventory; finished goods inventory; cost of goods sold

D. raw materials inventory; finished goods inventory; work in process invent ory; cost of goods sold

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-09 Explain the different definitions of product cost used in external accounting reports and for decision making

35. *(p. 52, 54)*

The Casual Furniture Company manufactures outdoor furniture and incurred the following costs during the month of January.

Timber	$25 000
Paint	$5000
Glue	$500
Wages—assembly personnel	$20 000
Wages—factory supervisor	$3500
Factory cleaner's wages	$2000
Sales commissions	$10 000
Administrative staff salaries	$4000
Depreciation—factory equipment	$3000
Depreciation—sales office equipment	$1000
Utilities, insurance—factory	$6000
Utilities, insurance—sales office	$2000
Advertising	$8000
Total costs	$90 000

The product costs are:

A. $90 000
B. $83 000
C. $65 000
D. $63 000

AACSB: Reflective
Difficulty: Difficult
Graduate Attribute: Problem Solving

36.
(p. 52)

The Casual Furniture Company manufactures outdoor furniture and incurred the following costs during the month of January.

Timber	$25 000
Paint	$5000
Glue	$500
Wages—assembly personnel	$20 000
Wages—factory supervisor	$3500
Factory cleaner's wages	$2000
Sales commissions	$10 000
Administrative staff salaries	$4000
Depreciation—factory equipment	$3000
Depreciation—sales office equipment	$1000
Utilities, insurance—factory	$6000
Utilities, insurance—sales office	$2000
Advertising	$8000
Total costs	$90 000

The period costs are:

A. $0
B. $7 000
C. $25 000
D. $30 500

AACSB: Reflective
Difficulty: Difficult
Graduate Attribute: Problem Solving
Learning Objective: 02-09 Explain the different definitions of product cost used in external accounting reports and for decision making

37.
(p. 52)

The Casual Furniture Company manufactures outdoor furniture and incurred the following costs during the month of January.

Timber	$25 000
Paint	$5000
Glue	$500
Wages—assembly personnel	$20 000
Wages—factory supervisor	$3500
Factory cleaner's wages	$2000
Sales commissions	$10 000
Administrative staff salaries	$4000
Depreciation—factory equipment	$3000
Depreciation—sales office equipment	$1000
Utilities, insurance—factory	$6000
Utilities, insurance—sales office	$2000
Advertising	$8000
Total costs	$90 000

The prime costs are:

A. $30 000
B. $50 000
C. $65 000
D. $50 500

AACSB: Reflective
Difficulty: Difficult
Graduate Attribute: Problem Solving
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

38.
(p. 52)

The Casual Furniture Company manufactures outdoor furniture and incurred the following costs during the month of January.

Timber	$25 000
Paint	$5000
Glue	$500
Wages—assembly personnel	$20 000
Wages—factory supervisor	$3500
Factory cleaner's wages	$2000
Sales commissions	$10 000
Administrative staff salaries	$4000
Depreciation—factory equipment	$3000
Depreciation—sales office equipment	$1000
Utilities, insurance—factory	$6000
Utilities, insurance—sales office	$2000
Advertising	$8000
Total costs	$90 000

The conversion costs are:

A. $34 500
B. $29 500
C. $20 000
D. $35 000

AACSB: Reflective
Difficulty: Difficult
Graduate Attribute: Problem Solving
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

39.
(p. 52)

The Casual Furniture Company manufactures outdoor furniture and incurred the following costs during the month of January.

Timber	$25 000
Paint	$5000
Glue	$500
Wages—assembly personnel	$20 000
Wages—factory supervisor	$3500
Factory cleaner's wages	$2000
Sales commissions	$10 000
Administrative staff salaries	$4000
Depreciation—factory equipment	$3000
Depreciation—sales office equipment	$1000
Utilities, insurance—factory	$6000
Utilities, insurance—sales office	$2000
Advertising	$8000
Total costs	$90 000

The manufacturing overhead is:

A. $14 500
B. $15 000
C. $9500
D. $9 000

AACSB: Reflective
Difficulty: Difficult
Graduate Attribute: Problem Solving
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

40.
(p. 52)

In the manufacturing firm, inventories consist of:

A. raw materials, cost of goods manufactured during the period and finished goods
B. raw materials, work in process and finished goods
C. raw materials, finished goods and cost of goods sol

d

D. cost of goods manufactured and cost of goods sold

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-09 Explain the different definitions of product cost used in external accounting reports and for decision making

41.
(p. 56)

To calculate the cost of goods sold during the period, you would use which of the following equations?

A. Beginning finished goods + cost of goods manufactured + ending finished goods
B. Ending finished goods + cost of goods manufactured – beginning finished goods
C. Beginning finis

hed goods + cost of goods manufactured – ending finished goods

D. Beginning finished goods + ending finished goods – cost of goods manufactured

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

42.
(p. 56)

Work in process inventories are composed of:

A. direct materials
B. direct labour
C. manufacturing overhead
D. All of the given answers

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

43.
(p. 56)

Barrett Industries began the month of June with a finished goods inventory of $15 000. The finished goods inventory at the end of June was $10 000 and the cost of goods sold during the month was $20 000.
The cost of goods manufactured during the month of June was:

A. $15 000
B. $25 000
C. $20 000
D. $5000

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of

cost of goods sold and an income statement for a manufacturer

44.
(p. 56)

Fairchild Pty Ltd began April with a finished goods inventory of $25 000. The cost of goods manufactured during the month was $40 000 and the cost of goods sold during April was $50 000.
The inventory remaining in finished goods at the end of April was:

A. $35 000
B. $25 000
C. $20 000
D. $15 000

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

45.
(p. 56)

Barrister and Company began July with a finished goods inventory of $10 000. The cost of goods manufactured during the month was $85 000 and the ending finished goods inventory was $20 000.
The cost of goods sold during July was:

A. $55 000
B. $75 000
C. $95 000
D. $105 000

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

46.
(p. 56)

Lenco Industries has cost of goods manufactured of $65 000 in May. The finished goods inventory at the end of May was $20 000 and the cost of goods sold during May was $75 000.
The inventory in finished goods at the beginning of May was:

A. $5 000
B. $30 000
C. $10 000
D. $20 000

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

47.
(p. 42)

As manufacturing companies become more automated, their cost structure will change so that:

A. variable costs increase, fixed costs decrease
B. variable costs decrease, fixed costs decrease
C. variable costs decrease, fixed costs increase
D. there is no change

in the ratio of variable to fixed costs

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-01 Describe the components of conventional and contemporary management accounting systems

48. *(p. 42)*

Conventional cost management systems use production volume as the measure of activity. Contemporary systems might use which of the following as activity measures:

A. number of batches
B. number of customers
C. number of product lines
D. All of the given answers

AACSB: Reflective

Difficulty: Difficult
Learning Objective: 02-01 Describe the components of conventional and contemporary management accounting systems

49. *(p. 45)*

Which of the following terms accurately describes all three manufacturing costs (i.e. direct materials, direct labour and manufacturing overhead)?

A. Product costs
B. Variable costs
C. Direct costs
D. Both direct costs and product costs

AACSB: Reflective
Difficulty: Difficult
Graduate Attribute: Problem Solving
Learning Objective: 02-03 Explain what is meant by different costs for different purposes

50.
(p. 45)

The monthly cost of renting manufacturing equipment is:

A. part of conversion cost and a period cost
B. part of prime cost and an inventoriable cost
C. part of prime cost and a period cost
D. part of conversion cost and an inv

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AACSB: Reflective
Difficulty: Difficult
Graduate Attribute: Problem Solving
Learning Objective: 02-03 Explain what is meant by different costs for different purposes

51.
(p. 56)

With respect to the flow of manufacturing costs through the accounts, what does the ending balance of work in process account show?

A. The total of costs for completed jobs.
B. The total of costs for incomplete jobs.
C. The amount of costs incurred for the period.
D. The amount of cost to be transferred to cos

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AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

52.
(p. 56)

Which of the following statements correctly completes this sentence? ‘For a firm that manufactures floor tiles, when the tiles are completed and ready for sale …'

A. there is no change in the value of the firm's assets.
B. the firm's total assets are decreased.
C. the firm's total cost of the goods sold is increased.
D. the firm's work in proces

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AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

53.
(p. 48)

Which of the following statements is correct in relation to determining whether a cost is direct or indirect?

A. The wider the definition of the cost object the more costs that will be indirect costs.
B. The number of cost items that can be classified as direct costs does not depend

on the definition of cost objects.

C. The narrower the definition of the cost object the more costs that will be direct costs.

D. The wider the definition of the cost object the more cos

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AACSB: Reflective
Difficulty: Difficult
Graduate Attribute: Problem Solving
Learning Objective: 02-05 Classify costs as direct or indirect

54.
(p. 42)

Choose the statement that best completes this sentence: 'Conventional management accounting focuses on …'

A. budgeting systems, financial performance measures and cost control.
B. financial performance measures, external reporting and cost elimination.
C. non-financial perf

ormance measures, external reporting and cost control.

D. external reporting, labour-related activity measures and cost elimination.

AACSB: Reflective
Difficulty: Medium
Learning Objective: 02-01 Describe the components of conventional and contemporary management accounting systems

55.
(p. 49)

Eldervale Winery is a producer of premium wine. Which of the following is an example of an upstream cost?

A. The costs associated with storing wine barrels

B. The costs associated with designing the labels on a wine bottle

C. The costs associated with delivering products to cus tomers

D. The costs associated with quality inspection

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-07 Classify costs according to the segments of the value chain

56.
(p. 49)

Eldervale Winery is a producer of premium wine. Which of the following is NOT an example of an upstream cost?

A. The costs associated with marketing a new range of wine in an international trade fair
B. The costs associated with researching a new variety of grapes
C. The costs

associated with testing a new wine barrel

D. The costs associated with negotiating with and managing farmers who supply the grapes

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-07 Classify costs according to the segments of the value chain

57.
(p. 49)

Eldervale Winery is a producer of premium wine. Which of the following is an example of a downstream cost?

A. The costs associated with storing wine for customers
B. The costs associated with designing the labels on a wine bottle
C. The costs associated with researching a ne

w variety of grapes

D. The costs associated with quality testing

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-07 Classify costs according to the segments of the value chain

58.
(p. 49)

Eldervale Winery is a producer of premium wine. Which of the following is NOT an example of a downstream cost?

A. The costs associated with random quality check during the wine production process

B. The costs associated with the sales team travelling to a wine show to promot e Eldervale wine

C. The costs associated with delivering wine to customers

D. The costs associated with answering customer inquiries on the differences between wine varieties

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-07 Classify costs according to the segments of the value chain

59.
(p. 48)

Mydas Ltd operates a large factory which manufactures three types of motor vehicles, including family cars, sports cars and motorcycles. If the cost object is a motorcycle, which of the following is a direct cost?

A. The costs of wheels on the motorcycle
B. The salary of the factory general manager
C. The salary of the factory quality inspector
D. The windscreen wipers on a family

car

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-05 Classify costs as direct or indirect

60.
(p. 48)

Mydas Ltd operates a large factory which manufactures three types of motor vehicles, including family sedans, sports cars and motorcycles. If the cost object is a family car, which of the following is an indirect cost?

A. The costs of wheels on the motorcycle

B. The salary of the factory general manager

C. The wages of the quality inspector whose job is to inspect each family car

D. The

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AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-05 Classify costs as direct or indirect

61.
(p. 48)

A responsibility centre….

A. refers to a unit of business where all the associated costs are considered as 'direct costs'

B. refers to a unit of a business where the manager is held accountable for acti activities and performance

C. is another term for 'business division'

D. is a term applicable only to manufacturing companies

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-05 Classify costs as direct or indirect

62.
(p. 48)

Sally Strong is the production manager of Eldervale Winery. Her role includes overseeing the production and bottling processes of Eldervale Winery's three product lines: sparkling wine, red wine and white wine. Which of the following is most likely an example of an uncontrollable cost for Sally?

A. The costs associated with bottling wine

B. The costs associated with advertising Eldervale wine on national TV

C. The costs associated with moving wine from the barrels to the bottling area

D. The costs associated with quality testing

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-05 Classify costs as direct or indirect

63.
(p. 48)

Sally Strong is the production manager of Eldervale Winery. Her role includes overseeing the production and bottling processes of Eldervale Winery's three product lines: sparkling wine, red wine and white wine. Which of the following is most likely to an example of a controllable cost for Sally?

A. The costs associated with bottling wine
B. The costs associated with advertising Eldervale wine on national TV
C. The costs associated with liaising with distribu

tors to export wine to China

D. The costs associated with obtaining finance from banks

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-05 Classify costs as direct or indirect

64. *(p. 48)*

Behaviour of fixed and variable costs.
Compare and contrast the behaviour of fixed and variable costs in total and per unit.

AACSB: Communication
Difficulty: Easy
Graduate Attribute: Communication
Learning Objective: 02-05 Classify costs as direct or indirect

65. *(p. 49)*

Describe how the value chain can help a business analyse its cost structures. What is meant by upstream costs and downstream costs? Give examples.

AACSB: Communication
Difficulty: Medium
Graduate Attribute: Communication
Learning Objective: 02-07 Classify costs according to the segments of the value chain

66.
(p. 48)

Kevin Smith is the production manager of Mydas Ltd, a company that manufactures a range of motor vehicles. His role includes overseeing the entire production process of Mydas Ltd's three product lines: family cars, sports cars, and motor cycles. Once completed, all the cars are shipped to Australia, China and Korea by the company's shipping and transportation department.
Identify two examples of controllable costs and two examples of uncontrollable costs for Kevin. Explain your answer.

AACSB: Communication
AACSB: Reflective
Difficulty: Difficult
Graduate Attribute: Communication
Graduate Attribute: Problem Solving
Learning Objective: 02-05 Classify costs as direct or indirect

67.
(p. 42)

Only long-term decisions require an understanding of costs.

FALSE

AACSB: Analytic
Difficulty: Easy
Graduate Attribute: Problem Solving
Learning Objective: 02-01 Describe the components of conventional and contemporary management accounting systems

68.
(p. 48)

Direct and indirect cost classification is based on cost behaviour in relation to changes in the level of activity.

FALSE

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-05 Classify costs as direct or indirect

69.
(p. 52)

Prime costs is the term given to direct labour and direct materials, as they are the major costs directly associated with the manufacture of a product.

TRUE

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-08 Analyse costs using the classifications commonly used in manufacturing businesses

70.
(p. 49)

Costs that managers cannot significantly influence are classified as uncontrollable costs.

TRUE

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-06 classify costs as controllable or uncontrollable

71.
(p. 48)

A courier company may view kilometres driven as a possible cost driver.

<u>TRUE</u>

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-05 Classify costs as direct or indirect

72.
(p. 49)

In relation to the activities of the value chain of a manufacturing company, primary processes include accounting and legal activities.

<u>FALSE</u>

AACSB: Reflective
Difficulty: Medium
Graduate Attribute: Problem Solving
Learning Objective: 02-05 Classify costs as direct or indirect

73.
(p. 56)

Manufacturing organisations have four inventory accounts – raw materials, work in process, cost of goods sold and finished goods.

<u>FALSE</u>

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

74.
(p. 56)

Inventoriable costs include direct materials, direct labour, manufacturing overheads and period costs for that accounting period.

<u>FALSE</u>

AACSB: Reflective
Difficulty: Easy
Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

75.
(p. 47)

Fixed costs per unit decrease as activity levels increase.

<u>TRUE</u>

AACSB: Reflective
Difficulty: Easy
Graduate Attribute: Problem Solving
Learning Objective: 02-04 Classify costs according to their behaviour -- that is, as variable or fixed

76.
(p. 56)

The equation to calculate total manufacturing costs = cost of goods manufactured – beginning work in process + ending work in process.

<u>TRUE</u>

AACSB: Reflective

Difficulty: Easy

Learning Objective: 02-10 Describe the cost flows in a manufacturing business and prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold and an income statement for a manufacturer

Chapter 02 Testbank Summary

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