

1) A well-designed activity-based costing system starts with \_\_\_\_\_.

- A. **analyzing the activities performed to manufacture a product**
- B. assigning manufacturing overhead costs for each activity cost pool to products
- C. computing the activity-based overhead rate
- D. identifying the activity-cost pools

2) "Generally accepted" in the phrase generally accepted accounting principles means that the principles \_\_\_\_\_.

- A. have been approved for use by the managements of business firms
- B. have been approved by the Internal Revenue Service
- C. **have substantial authoritative support**
- D. are proven theories of accounting

3) The income statement and balance sheet columns of Pine Company's worksheet reflects the following totals:

	Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.
Totals		\$58,000	\$48,000	\$34,000      \$44,000

The net income (or loss) for the period is \_\_\_\_\_.

- A. not determinable
- B. **\$10,000 loss**
- C. \$10,000 income
- D. \$48,000 income

4) These are selected account balances on December 31, 2008.

Land (location of the corporation's office building)	\$150,000
Land (held for future use)	225,000
Corporate Office Building	900,000
Inventory	300,000
Equipment	675,000
Office Furniture	150,000
Accumulated Depreciation	450,000

What is the net amount of property, plant, and equipment that will appear on the balance sheet?

- A. **\$1,425,000**
- B. \$1,950,000
- C. \$2,400,000
- D. \$1,650,000

5) The first step in activity-based costing is to \_\_\_\_\_.

- A. identify the cost driver that has a strong correlation to the activity cost pool
- B. assign manufacturing overhead costs for each activity cost pool to products
- C. **identify and classify the major activities involved in the manufacture of specific products**
- D. compute the activity-based overhead rate per cost driver

6) Hess, Inc. sells a single product with a contribution margin of \$12 per unit and fixed costs of \$74,400 and sales for the current year of \$100,000. How much is Hess's break even point?

- A. 2,133 units
- B. 4,600 units
- C. **6,200 units**
- D. \$25,600

7) Sam's Used Cars uses the specific identification method of costing inventory. During March, Sam purchased three cars for \$6,000, \$7,500, and \$9,750, respectively. During March, two cars are sold for \$9,000 each. Sam determines that at March 31, the \$9,750 car is still on hand. What is Sam's gross profit for March?

- A. \$8,250
- B. \$5,250
- C. \$750
- D. \$4,500**

8) These are selected account balances on December 31, 2008.

Land (location of the corporation's office building)	\$100,000
Land (held for future use)	150,000
Corporate Office Building	600,000
Inventory	200,000
Equipment	450,000
Office Furniture	100,000
Accumulated Depreciation	300,000

What is the net amount of property, plant, and equipment that will appear on the balance sheet?

- A. \$950,000**
- B. \$1,300,000
- C. \$1,600,000
- D. \$1,100,000

9) The income statement and balance sheet columns of Pine Company's worksheet reflects the following totals:

	Income Statement		Balance Sheet			
	Dr.	Cr.	Dr.	Cr.		
Totals		\$58,000	\$48,000		\$34,000	\$44,000

Closing entries are necessary for \_\_\_\_\_.

- A. permanent or real accounts only
- B. permanent accounts only
- C. both permanent and temporary accounts
- D. temporary accounts only**

10) As Plant Controller, you are trying to determine which costs over which you have the most control on a day to day basis. Your goal is to achieve better profitability. The Plant Operations Manager suggests that overhead is the easiest area to directly reduce costs. Which of the following items would be classified as manufacturing overhead?

- A. The western division's vice president's salary
- B. Factory janitor**
- C. Cost of landscaping the corporate office
- D. General corporate liability insurance

11) The cost of an asset and its fair market value are \_\_\_\_\_.

- A. the same on the date of acquisition**
- B. never the same
- C. the same when the asset is sold
- D. irrelevant when the asset is used by the business in its operations

- 12) One of Astro Company's activity cost pools is machine setups, with estimated overhead of \$150,000. Astro produces sparklers (400 setups) and lighters (600 setups). How much of the machine setup cost pool should be assigned to sparklers?
- A. \$90,000
  - B. \$150,000
  - C. \$60,000**
  - D. \$75,000
- 13) The cost principle is the basis for preparing financial statements because it is \_\_\_\_\_.
- A. the most accurate measure of purchasing power
  - B. a conservative value
  - C. relevant and objectively measured, and verifiable**
  - D. an international accounting standard
- 14) Which one of the following items is not generally used in preparing a statement of cash flows?
- A. Additional information
  - B. Adjusted trial balance**
  - C. Comparative balance sheets
  - D. Current income statement
- 15) To move the allocation of resources closer to the social optimum, policymakers should typically try to induce firms in an oligopoly to \_\_\_\_\_.
- A. cooperate rather than compete with each other
  - B. collude with each other
  - C. form various degrees of cartels
  - D. compete rather than cooperate with each other**
- 16) Assume oligopoly firms are profit maximizers, they do not form a cartel, and they take other firms' production levels as given. Then in equilibrium the output effect \_\_\_\_\_.
- A. can be larger or smaller than the price effect
  - B. must dominate the price effect
  - C. must be smaller than the price effect
  - D. must balance with the price effect**
- 17) The price of a good that prevails in a world market is called the \_\_\_\_\_.
- A. world price.**
  - B. absolute price.
  - C. relative price.
  - D. comparative price.
- 18) A country's consumption possibilities frontier can be outside its production possibilities frontier if \_\_\_\_\_.
- A. the country imports more than it exports
  - B. the country's technology is superior to the technologies of other countries
  - C. the citizens of the country have a greater desire to consume goods and services than do the citizens of other countries
  - D. the country engages in trade**
- 19) When, in a particular market, the law of demand and the law of supply both apply, the imposition of a binding price ceiling in that market causes quantity demanded to be \_\_\_\_\_.
- A. double the quantity supplied