

Ch. 8 Practice Quiz

Use the following to answer questions 1-2:

The TS Company has budgeted sales for the year as follows:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Sales in units	10,000	12,000	14,000	16,000

The ending inventory of finished goods for each quarter should equal 25% of the next quarter's budgeted sales in units. The finished goods inventory at the start of the year is 2,500 units. Four pounds of raw materials are required for each unit produced. Raw materials on hand at the start of the year total 4,200 pounds. The raw materials inventory at the end of each quarter should equal 10% of the next quarter's production needs in material.

1. Scheduled production for the third quarter should be:

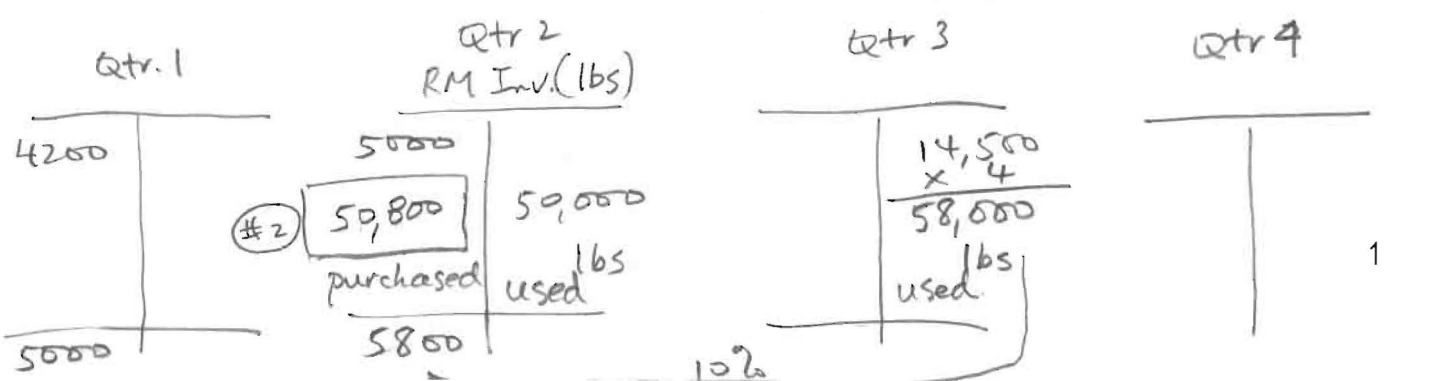
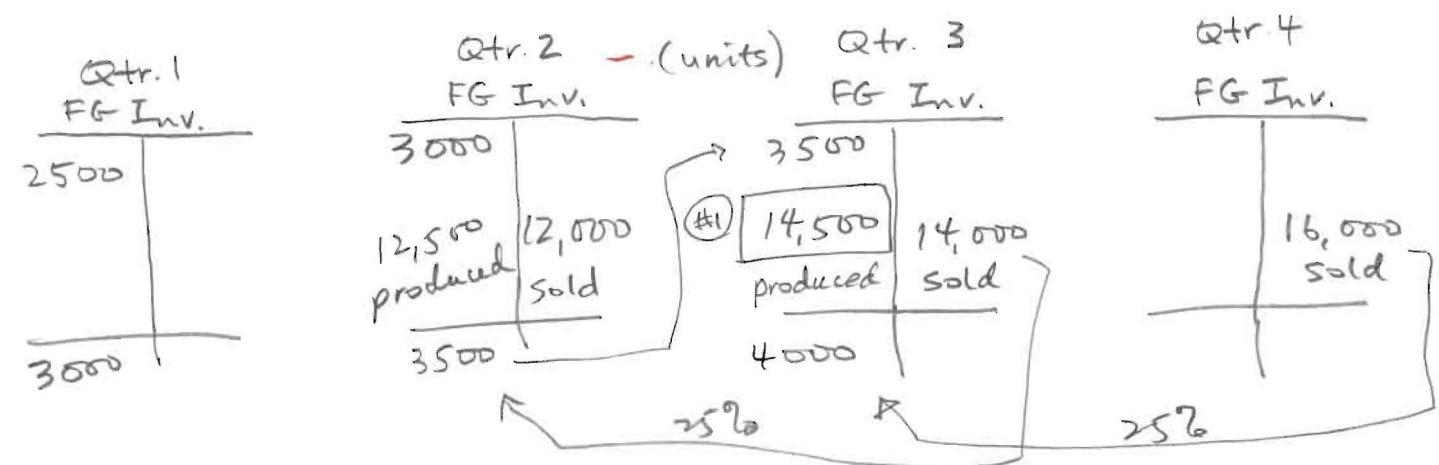
- A) 14,500 units
- B) 18,500 units
- C) 15,500 units
- D) 13,500 units

Answer: A Level: Medium LO: 3

2. Scheduled purchases of raw materials for the second quarter should be:

- A) 50,000 pounds
- B) 55,800 pounds
- C) 50,800 pounds
- D) 55,000 pounds

Answer: C Level: Hard LO: 4



Use the following to answer questions 3-5:

Home Company will open a new store on January 1. Based on experience from its other retail outlets, Home Company is making the following sales projections:

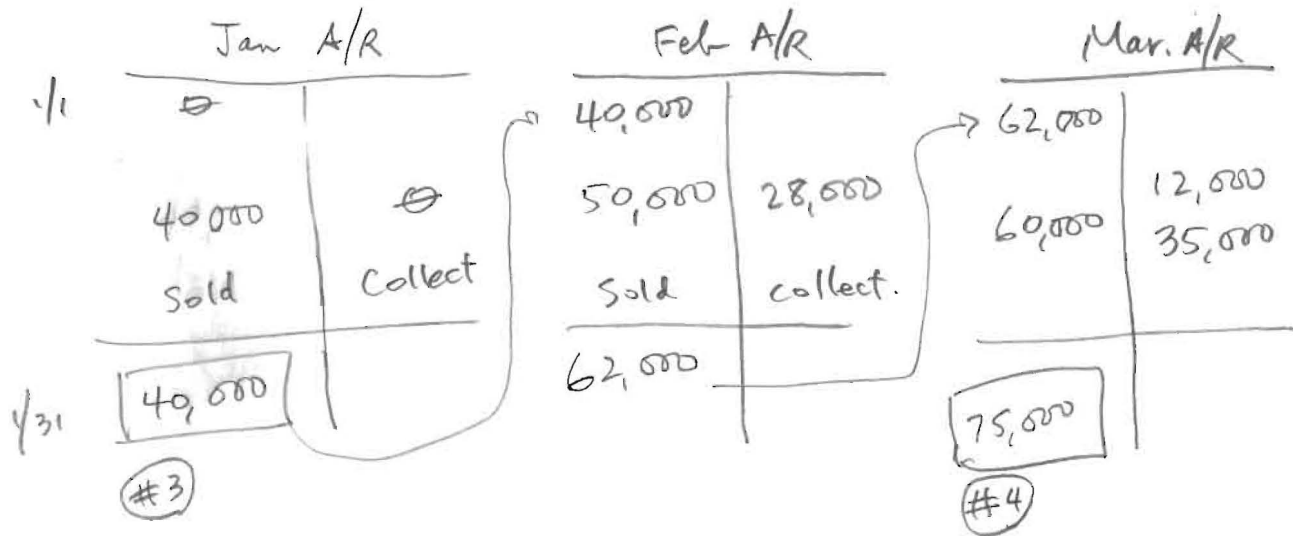
	Cash Sales	Credit Sales
January	\$60,000	\$40,000
February	\$30,000	\$50,000
March	\$40,000	\$60,000
April	\$40,000	\$80,000

Home Company estimates that 70% of the credit sales will be collected in the month following the month of sale, with the balance collected in the second month following the month of sale.

3. Based on these data, the balance in accounts receivable on January 31 will be:

- A) \$40,000
- B) \$28,000
- C) \$12,000
- D) \$58,000

Answer: A Level: Easy LO: 2



4. The March 31 balance in accounts receivable will be:

- A) \$100,000
- B) \$60,000
- C) \$95,000
- D) \$75,000

Answer: D Level: Medium LO: 2

5. In a cash budget for the month of April, the total cash receipts will be:

- A) \$74,000
- B) \$57,000
- C) \$114,000
- D) \$97,000

Answer: D Level: Medium LO: 2

	<u>April</u>
cash	40,000
collect	{ 15,000 (Feb) 42,000 (Mar)
Total cash	<u>97,000</u>

<u>April A/R</u>	
75,000	15,000 (Feb)
80,000	42,000 (Mar)
sold	collect

LFM Corporation makes and sells a product called Product WZ. Each unit of Product WZ requires 3.5 hours of direct labor at the rate of \$16.00 per direct labor-hour. Management would like you to prepare a Direct Labor Budget for June.

6. The company plans to sell 31,000 units of Product WZ in June. The finished goods inventories on June 1 and June 30 are budgeted to be 100 and 600 units, respectively. Budgeted direct labor costs for June would be:

- A) \$1,764,000
- B) \$504,000
- C) \$1,708,000
- D) \$1,736,000

Answer: A Level: Medium LO: 3,5

Davey Corporation is preparing its Manufacturing Overhead Budget for the fourth quarter of the year. The budgeted variable factory overhead rate is \$3.00 per direct labor-hour; the budgeted fixed factory overhead is \$66,000 per month, of which \$10,000 is factory depreciation.

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June

31,500 units

x 3.5 hrs/unit

110,250 hrs.

x \$16/hr.

1,764,000

FG Inv.	
100	
<u>31,500</u>	31,000
produced	sold
600	

VMOH	\$3.00 x 9,000 DLHs	<u>cash</u> \$ 27,000
FMOH	66,000 - 10,000 =	\$ 56,000
cash	deprec.	<u>83,000</u>

7. If the budgeted direct labor time for November is 9,000 hours, then the total budgeted cash disbursements for November must be:

- A) \$56,000
- B) \$83,000
- C) \$37,000
- D) \$93,000

Answer: B Level: Medium LO: 6

Poriss Corporation makes and sells a single product called a Yute. The company is in the process of preparing its Selling and Administrative Expense Budget for the last quarter of the year. The following budget data are available:

	Variable Cost Per Yute Sold	Monthly Fixed Cost
Sales commissions	\$2.10	
Shipping	\$3.90	
Advertising	\$7.40	\$34,000
Executive salaries		\$198,000
Depreciation on office equipment		\$10,000
Other	\$0.60	\$38,000

\$14.00

{ + }
{ }

All of these expenses (except depreciation) are paid in cash in the month they are incurred.

8. If the company has budgeted to sell 19,000 Yutes in November, then the total budgeted variable selling and administrative expenses for November would be:

- A) \$546,000
- B) \$280,000
- C) \$266,000
- D) \$536,000

Answer: A Level: Medium LO: 7

including depreciation.

$$\begin{aligned}
 19,000 \times \$14 &= \$266,000 \text{ V S+A} \\
 &280,000 \text{ F S+A} \\
 \hline
 &\$546,000 \text{ Total S+A}
 \end{aligned}$$

Use the following to answer questions 9-11:

Sipan Retail Company was recently created with a beginning cash balance of \$12,000. The owner expects the following for the first month of operations:

	<u>cash in</u>		<u>cash out</u>
Cash sales to customers	8,000	(8,000)	
Sales on account to customers		(30,000)	
Cash collected from account customers	12,000	(12,000)	
Cost of merchandise purchased		(35,000)	
Cash paid for merchandise purchased		(24,500)	24,500
Cost of merchandise sold		(26,600)	9,600
Cash paid for display cases		(9,600)	
Selling and administrative expenses		(4,000)	-200 = 3,800
	<u>\$ 20,000</u>		<u>\$ 37,900</u>

The display cases above were purchased at the beginning of the month and are being depreciated at a rate of \$200 per month. This amount is included in the selling and administrative expenses figure above. All other selling and administrative expenses are paid as incurred. Sipan wants to maintain a cash balance of \$10,000. Any amount below this can be borrowed from a local bank as needed in increments of \$1,000. All borrowings are made at month end.

9. In Sipan's cash budget for this first month, how much money will Sipan need to borrow at month end?

- A) \$7,000
- B) \$16,000**
- C) \$17,000
- D) \$28,000

Answer: B Level: Hard LO: 8

BB	12,000	
cash in	20,000	
cash out	(37,900)	
Deficit	(5,900)	
Borrow	+ 5,900	}
	+ 10,000	
		15,900 => <u>16,000</u>
EB	10,000	

10. In Sipan's budgeted income statement for this first month, what will net income (loss) be for this first month?

- A) \$(1,000)
- B) \$(2,000)
- C) \$7,400
- D) \$9,500

Answer: C Level: Medium LO: 9

11. In Sipan's budgeted balance sheet at the end of this first month, at what amount will accounts receivable be shown?

- A) \$0
- B) \$9,600
- C) \$18,000
- D) \$26,000

Answer: C Level: Medium LO: 10

Cash Sales 8,000
 Credit Sales 30,000
Total Sales 38,000

Expenses:

CGS

26,600

GM

11,400

S+A

4,000

NI

7,400

		AR	
BB	0		
	30,000		12,000
	credit sales		collect
EB	18,000		
	AR		

38,000