Name: ______________________________ Date: ____________

1. A division sold 200,000 calculators during 2011:

Sales		$2,000,000
Variable costs:		
Materials	$380,000	
Order processing	250,000	
Billing labor	110,000	
Selling expenses	60,000	
Total variable costs		800,000
Fixed costs		1,000,000

How much is the contribution margin per unit?
A) $4
B) $6
C) $9
D) $1

2. The CVP income statement classifies costs
A) as variable or fixed and computes contribution margin.
B) by function and computes a contribution margin.
C) as variable or fixed and computes gross margin.
D) by function and computes a gross margin.

3. The financing section of a cash budget is needed if there is a cash deficiency or if the ending cash balance is less than
A) the prior years.
B) the amount needed to avoid a service charge at the bank.
C) the industry average.
D) management's minimum required balance.

4. A variable cost is a cost that
A) may or may not be incurred, depending on management's discretion.
B) varies per unit at every level of activity.
C) varies in total in proportion to changes in the level of activity.
D) occurs at various times during the year.

5. A mixed cost contains
   A) both retailing and manufacturing costs.
   B) a variable element and a fixed element.
   C) both selling and administrative costs.
   D) both operating and nonoperating costs.

6. The contribution margin ratio is
   A) sales divided by contribution margin.
   B) sales divided by variable expenses.
   C) contribution margin divided by sales.
   D) sales divided by fixed expenses.

7. Contribution margin
   A) is always the same as gross profit margin.
   B) excludes variable selling costs from its calculation.
   C) is calculated by subtracting total manufacturing costs per unit from sales revenue per unit.
   D) equals sales revenue minus variable costs.

8. A budget period should be
   A) monthly.
   B) long enough to provide an obtainable goal under normal business conditions.
   C) for a year or more.
   D) long-term.

9. Which of the following is not a financial budget?
   A) Budgeted balance sheet
   B) Capital expenditure budget
   C) Manufacturing overhead budget
   D) Cash budget

10. A cost which remains constant per unit at various levels of activity is a
    A) mixed cost.
    B) fixed cost.
    C) manufacturing cost.
    D) variable cost.

11. Long-range planning usually encompasses a period of at least
   A) 1 year.
   B) 10 years.
   C) 5 years.
   D) six months.

12. Firms operating at 100% capacity
   A) are common.
   B) are the exception rather than the rule.
   C) have no fixed costs.
   D) have no variable costs.

13. If contribution margin is $100,000, sales is $300,000, and net income is $40,000, then variable and fixed expenses are

	Variable	Fixed
A)	$400,000	$260,000
B)	$200,000	$260,000
C)	$60,000	$200,000
D)	$200,000	$60,000

14. A sales forecast
   A) shows a forecast for the industry only.
   B) shows forecasts for the industry and for the firm.
   C) shows a forecast for the firm only.
   D) plays a minor role in the development of the master budget.

15. If a firm increases its activity level,
   A) costs should remain the same.
   B) most costs will rise.
   C) no costs will remain the same.
   D) some costs will change, others will remain the same.

16. Why are budgets useful in the planning process?
   A) They help communicate goals and provide a basis for evaluation.
   B) They guarantee the company will be profitable if it meets its objectives.
   C) They provide management with information about the company's past performance.
   D) They enable the budget committee to earn their paycheck.

17. It is important that budgets be accepted by
    A) department heads.
    B) supervisors.
    C) division managers.
    D) all of these.

18. The starting point in preparing a master budget is the preparation of the
    A) sales budget.
    B) personnel budget.
    C) purchasing budget.
    D) production budget.

19. The direct materials budget details
    1. the quantity of direct materials to be purchased.
    2. the cost of direct materials to be purchased.
    A) 2
    B) both 1 and 2
    C) 1
    D) neither 1 nor 2

20. Cost behavior analysis is a study of how a firm's costs
    A) relate to competitors' costs.
    B) respond to changes in the level of business activity.
    C) respond to changes in the gross national product.
    D) relate to general price level changes.

21. The most common budget period is
    A) one month.
    B) three months.
    C) six months.
    D) one year.

22. The break-even point is where
    A) total sales equal total variable costs.
    B) contribution margin equals total fixed costs.
    C) total variable costs equal total fixed costs.
    D) total sales equal total fixed costs.

23. Margin of safety in dollars is
    A) expected sales less break-even sales.
    B) expected sales less actual sales.
    C) actual sales less expected sales.
    D) expected sales divided by break-even sales.

24. Cost structure
    A) refers to the relative proportion of fixed versus variable costs that a company incurs.
    B) generally has little impact on profitability.
    C) cannot be significantly changed by companies.
    D) refers to the relative proportion of operating versus nonoperating costs that a company incurs.

25. Net income under absorption costing is gross profit less
    A) cost of goods sold.
    B) fixed manufacturing overhead and fixed selling and administrative expenses.
    C) fixed manufacturing overhead and variable manufacturing overhead.
    D) variable selling and administrative expenses and fixed selling and administrative expenses.

26. In using the high-low method, the fixed cost
    A) is determined before the total variable cost.
    B) may be determined by subtracting the total variable cost from either the total cost at the low or high activity level.
    C) is determined by subtracting the total cost at the high level of activity from the total cost at the low activity level.
    D) is determined by adding the total variable cost to the total cost at the low activity level.

27. In applying the high-low method, what is the unit variable cost?

Month	Miles	Total Cost
January	80,000	$ 96,000
February	50,000	80,000
March	70,000	94,000
April	90,000	140,000

    A) $1.44
    B) $1.50
    C) $1.60
    D) Cannot be determined from the information given.

28. A budget
    A) is an aid to management.
    B) is a substitute for management.
    C) is the responsibility of the accounting department.
    D) can operate or enforce itself.

29. CVP analysis does *not* consider
    A) variable cost per unit.
    B) sales mix.
    C) level of activity.
    D) fixed cost per unit.

30. For an activity base to be useful in cost behavior analysis,
    A) the activity should always be stated in dollars.
    B) there should be a correlation between changes in the level of activity and changes in costs.
    C) the activity should always be stated in terms of units.
    D) the activity level should be constant over a period of time.

31. Net income under absorption costing is higher than net income under variable costing
    A) when units produced equal units sold.
    B) when units produced are less than units sold.
    C) when units produced exceed units sold.
    D) regardless of the relationship between units produced and units sold.

32. If there were 60,000 pounds of raw materials on hand on January 1, 120,000 pounds are desired for inventory at January 31, and 360,000 pounds are required for January production, how many pounds of raw materials should be purchased in January?
    A) 300,000 pounds
    B) 240,000 pounds
    C) 420,000 pounds
    D) 480,000 pounds

33. The direct materials budget shows:

Units to be produced	3,000
Total pounds needed for production	12,000
Total materials required	13,200

What are the direct materials per unit?

A) 4.4 pounds
B) Cannot be determined from the data provided.
C) .44 pounds
D) 4.0 pounds