

### Question 1

If the Fair Value Adjustment account for trading investments has a debit balance, \_\_\_\_\_.

- A) it is subtracted from the Fixed Asset account to determine carrying value
- B) it is added to the Fixed Asset account to determine carrying value
- C) it is subtracted from the Short-term Investment–Trading account to determine carrying value
- D) it is added to the Short-term Investment–Trading account to determine carrying value

Answer: <https://biology-forums.com/index.php?topic=460284>

### Question 2

The predetermined overhead allocation rate is calculated by dividing \_\_\_\_\_.

- A) the actual overhead costs by actual amount of the cost driver or allocation base
- B) the estimated amount of cost driver by actual total overhead costs
- C) the estimated overhead costs by total estimated quantity of the overhead allocation base
- D) the total estimated overhead costs by total number of days in a year

Answer: <https://biology-forums.com/index.php?topic=462720>

### Question 3

Which of the following would be included as indirect manufacturing costs for a manufacturing company?

- A) wages of the assembly line workers
- B) fuel and maintenance for delivery vehicles
- C) sales commissions
- D) wages of the factory manager

Answer: <https://biology-forums.com/index.php?topic=462561>

### Question 4

Operating income is gross profit minus operating expenses.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=459484>

### Question 5

Steve Coleman has just won the state lottery and has the following three payout options for after-tax prize money:

1. \$166,000 per year at the end of each of the next six years
2. \$306,000 (lump sum) now
3. \$518,000 (lump sum) six years from now

The annual discount rate is 9%. Compute the present value of the second option. (Round to nearest whole dollar.)

Present value of \$1:

- 8% 9% 10%
- |   |       |       |       |
|---|-------|-------|-------|
| 1 | 0.926 | 0.917 | 0.909 |
| 2 | 0.857 | 0.842 | 0.826 |
| 3 | 0.794 | 0.772 | 0.751 |
| 4 | 0.735 | 0.708 | 0.683 |
| 5 | 0.681 | 0.650 | 0.621 |
| 6 | 0.630 | 0.596 | 0.564 |
| 7 | 0.583 | 0.547 | 0.513 |

- A) \$684,000
- B) \$103,600
- C) \$306,000
- D) \$414,400

Answer: <https://biology-forums.com/index.php?topic=468935>

### Question 6

Total variable costs change in direct proportion to changes in the volume of production.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=465931>

### Question 7

An annuity is a stream of equal cash payments made at equal time intervals.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=468913>

### Question 8

What is the acid-test ratio for a merchant with the following account balances? (Round your answer to two decimal places.)

- Cash \$22,000
  - Short-term investments 41,000
  - Net current receivables 50,000
  - Merchandise inventory 93,000
  - Total current liabilities 275,000
- A) 0.60
  - B) 0.75
  - C) 0.41
  - D) 0.81

Answer: <https://biology-forums.com/index.php?topic=459618>

### Question 9

Emerald Marine Stores Company manufactures special metallic materials and decorative fittings for luxury yachts that require highly skilled labor. Emerald uses standard costs to prepare its flexible budget. For the first quarter of the year, direct materials and direct labor standards for one of their popular products were as follows:

- Direct materials: 4 pounds per unit; \$6 per pound
- Direct labor: 2 hours per unit; \$17 per hour

During the first quarter, Emerald produced 4,000 units of this product. Actual direct materials and direct labor costs were \$65,000 and \$329,000, respectively.

For the purpose of preparing the flexible budget, calculate the total standard direct materials cost at a production volume of 4,000 units.

- A) \$16,000
- B) \$65,000
- C) \$96,000
- D) \$24,000

Answer: <https://biology-forums.com/index.php?topic=468355>

### Question 10

Melita Sailboats Company manufactures 100 luxury yachts per month. A compact media center is included in each yacht. Melita Sailboats manufactures the media center in-house but is considering the possibility of outsourcing this function. At present, the variable cost per unit is \$280, and the fixed costs are \$40,000 per month. If it outsources the media centers, fixed costs could be reduced by half, and the vacant facilities could be rented out to earn \$4,000 per month of rental income. At what contract cost would outsourcing pay off for Melita?

- A) \$400 per unit
- B) \$520 per unit
- C) \$280 per unit
- D) \$480 per unit

Answer: <https://biology-forums.com/index.php?topic=468817>

### Question 11

Blair Stationery Company is a price-taker and uses target pricing. The company has just done an analysis of its revenues, costs, and desired profits and has calculated its target full product cost. Assume all products produced are sold. Refer to the following information:

- Target full product cost \$510,000 per year
- Actual fixed cost \$260,000 per year
- Actual variable cost \$3 per unit
- Production volume 152,000 units per year

Actual costs are currently higher than target full product cost. Assuming that fixed costs cannot be reduced, what are the target total variable costs?

- A) \$510,000
- B) \$250,000
- C) \$260,000
- D) \$456,000

Answer: <https://biology-forums.com/index.php?topic=468699>

### Question 12

Accounting starts with economic activities that accountants review and evaluate using critical thinking and judgment to create useful information that helps individuals make good decisions.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=458215>

### Question 13

In order to keep accurate records about the collection of cash for a previously written off account, collection of cash for a previously written off account, a business should re-establish the Accounts Receivable by debiting the receivable account.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=459454>

### Question 14

Haskins Products sells 2,100 kayaks per year at a sales price of \$450 per unit. Haskins sells in a highly competitive market and uses target pricing. The company has calculated its target full product cost at \$740,000 per year. Total variable costs are \$330,000 per year and cannot be reduced. Assume all products produced are sold. What are the target fixed costs?

- A) \$205,000
- B) \$330,000
- C) \$410,000
- D) \$945,000

Answer: <https://biology-forums.com/index.php?topic=468705>

### Question 15

City Golf Center reported actual operating income for the current year as \$65,000. The flexible budget operating income for actual volume is \$58,000, while the static budget operating income is \$59,000. What is the flexible budget variance for operating income?

- A) \$7,000 unfavorable
- B) \$7,000 favorable
- C) \$1,000 unfavorable
- D) \$1,000 favorable

Answer: <https://biology-forums.com/index.php?topic=468315>

### Question 16

According to Generally Accepted Accounting Principles, if the fair value of goodwill decreases below its book value, an impairment loss must be recorded.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=459707>

### Question 17

A company uses a balanced scorecard and has established a key performance indicator for product quality. If the actual warranty claims are higher than expected, there is an indication that the quality standards have been met.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=468553>

### Question 18

Firewood, Inc. signed a three-year note payable for \$59,000 at 7% annual interest. What is the interest expense for 2017 if the note was signed on August 1, 2017? (Do not round any intermediate calculations, and round your final answer to the nearest dollar.)

- A) \$4,130
- B) \$2,065
- C) \$1,721
- D) \$12,390

Answer: <https://biology-forums.com/index.php?topic=460425>

**Question 19**

A business purchases equipment by paying \$9,087 in cash and issuing a note payable of \$13,264. Which of the following occurs?

- A) Cash is credited for \$9,087, Equipment is credited for \$22,351, and Notes Payable is debited for \$13,264.
- B) Cash is debited for \$9,087, Equipment is debited for \$13,264, and Notes Payable is credited for \$22,351.
- C) Cash is credited for \$9,087, Equipment is debited for \$22,351, and Notes Payable is credited for \$13,264.
- D) Cash is debited for \$9,087, Equipment is credited for \$13,264, and Notes Payable is debited for \$4,177.

Answer: <https://biology-forums.com/index.php?topic=458957>