1. Cost accounting involves the measuring, recording, and reporting of:
   - A. product costs.
   - B. future costs.
   - C. manufacturing processes.
   - D. managerial accounting decisions.

2. In accumulating raw materials costs, companies debit the cost of raw materials purchased in a perpetual system to:
   - A. Raw Materials Purchases.
   - B. Raw Materials Inventory.
   - C. Purchases.
   - D. Work in Process.

3. When incurred, factory labor costs are debited to:
   - B. Factory Wages Expense.
   - C. Factory Labor.
   - D. Factory Wages Payable.

4. The source documents for assigning costs to job cost sheets are:
   - A. invoices, time tickets, and the predetermined overhead rate.
   - B. materials requisition slips, time tickets, and the actual overhead costs.
   - C. materials requisition slips, payroll register, and the predetermined overhead rate.
   - D. materials requisition slips, time tickets, and the predetermined overhead rate.

5. In recording the issuance of raw materials in a job order cost system, it would be incorrect to:
6. The entry when direct factory labor is assigned to jobs is a debit to:
   - A. Work in Process Inventory and a credit to Factory Labor.
   - B. Manufacturing Overhead and a credit to Factory Labor.
   - C. Factory Labor and a credit to Manufacturing Overhead.
   - D. Factory Labor and a credit to Work in Process Inventory.

7. The formula for computing the predetermined manufacturing overhead rate is estimated annual overhead costs divided by an expected annual operating activity, expressed as:
   - A. direct labor cost.
   - B. direct labor hours.
   - C. machine hours.
   - D. any of the above.

8. In Crawford Company, the predetermined overhead rate is 80% of direct labor cost. During the month, Crawford incurs $210,000 of factory labor costs, of which $180,000 is direct labor and $30,000 is indirect labor. Actual overhead incurred was $200,000. The amount of overhead debited to Work in Process Inventory should be:
   - A. $120,000.
   - B. $144,000.
   - C. $168,000.
   - D. $160,000.
9. Mynex Company completes Job No. 26 at a cost of $4,500 and later sells it for $7,000 cash. A correct entry is:
   A. Debit Finished Goods Inventory $7,000 and credit Work in Process Inventory $7,000.
   B. Debit Cost of Goods Sold $7,000 and credit Finished Goods Inventory $7,000.
   C. Debit Finished Goods Inventory $4,500 and credit Work in Process Inventory $4,500.
   D. Debit Accounts Receivable $7,000 and credit Sales $7,000.

10. Manufacturing overhead is underapplied if:
    A. Actual overhead is less than applied.
    B. Actual overhead is greater than applied.
    C. The predetermined rate equals the actual rate.
    D. Actual overhead equals applied overhead.

This is the end of the test. When you have completed all the questions and reviewed your answers, press the button below to grade the test.

Grade the Test

0% (0 out of 10 correct)
2. In accumulating raw materials costs, companies debit the cost of raw materials purchased in a perpetual system to:
☐ A. Raw Materials Purchases.
✿ B. Raw Materials Inventory.
☐ C. Purchases.
☐ D. Work in Process.

3. When incurred, factory labor costs are debited to:
☐ A. Work in Process.
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✿ D. materials requisition slips, time tickets, and the predetermined overhead rate.

5. In recording the issuance of raw materials in a job order cost system, it would be incorrect to:
☐ A. debit Work in Process Inventory.
✿ B. debit Finished Goods Inventory.
☐ C. debit Manufacturing Overhead.
☐ D. credit Raw Materials Inventory.

6. The entry when direct factory labor is assigned to jobs is a debit to:
✿ A. Work in Process Inventory and a credit to Factory Labor.
☐ B. Manufacturing Overhead and a credit to Factory Labor.
☐ C. Factory Labor and a credit to Manufacturing Overhead.
☐ D. Factory Labor and a credit to Work in Process Inventory.
7. The formula for computing the predetermined manufacturing overhead rate is estimated annual overhead costs divided by an expected annual operating activity, expressed as:
   □ A. direct labor cost.
   □ B. direct labor hours.
   □ C. machine hours.
   ➔ D. any of the above.

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   □ C. Debit Finished Goods Inventory $4,500 and credit Work in Process Inventory $4,500.
   □ D. Debit Accounts Receivable $7,000 and credit Sales $7,000.

10. Manufacturing overhead is underapplied if:
    □ A. Actual overhead is less than applied.
    ➔ B. Actual overhead is greater than applied.
    □ C. The predetermined rate equals the actual rate.
    □ D. Actual overhead equals applied overhead.
1. Under a job order cost system, costs are assigned to each job or to each batch of goods.
   □ A. True
   □ B. False

2. A process cost system is used when a company manufactures a large volume of unique products.
   □ A. True
   □ B. False

3. Two major steps in the job order cost flow are accumulating the manufacturing costs incurred and assigning the accumulated costs to the work done.
   □ A. True
   □ B. False

4. Labor costs are debited to Work in Process Inventory when they are incurred.
   □ A. True
   □ B. False

5. Each entry to Work in Process Inventory must be accompanied by a corresponding posting to one or more job cost sheets.
   □ A. True
   □ B. False

6. Requisitions for direct materials are posted monthly to the individual job cost sheets.
   □ A. True
   □ B. False
7. The predetermined overhead rate is based on the relationship between actual annual overhead costs and expected annual operating activity.

A. True  
B. False

8. Finished Goods Inventory is a control account that controls individual finished goods records in a finished goods subsidiary ledger.

A. True  
B. False

9. The cost of goods manufactured schedule shows actual overhead costs rather than applied manufacturing overhead.

A. True  
B. False

10. Underapplied overhead means that the overhead assigned to work in process is less than the overhead incurred.

A. True  
B. False

11. Cost accounting involves each of the following except the:

A. measuring of product costs.  
B. recording of product costs.  
C. reporting of product costs.  
D. processing of product costs.

12. A process cost system would be used for all of the following except the:
A. manufacture of cereal.

B. refining of petroleum.

C. printing of wedding invitations.

D. production of automobiles.

13. When a job is completed in a job order cost accounting system, the cost of the job is transferred to:
   - B. Finished Goods Inventory.
   - C. Manufacturing Overhead.
   - D. Work in Process Inventory.

14. In a manufacturing company, the cost of factory labor consists of all of the following except:
   - A. employer payroll taxes.
   - B. fringe benefits incurred by the employer.
   - C. net earnings of factory workers.
   - D. gross earnings of factory workers.

15. Assigning manufacturing costs to work in process results in credits to all of the following except:
   - A. Raw Materials Inventory.
   - B. Manufacturing Overhead.
   - C. Finished Goods Inventory.
   - D. Factory Labor.
16. Job cost sheets constitute the subsidiary ledger for:
   A. Cost of Goods Sold.
   B. Finished Goods Inventory.
   C. Manufacturing Overhead.
   D. Work in Process Inventory.

17. When the company assigns factory labor costs to jobs, the direct labor cost is debited to:
   A. Direct Labor.
   B. Factory Labor.
   C. Manufacturing Overhead.
   D. Work in Process Inventory.

18. Companies assign manufacturing overhead to work in process on an estimated basis through the use of a(n):
    A. actual overhead rate.
    B. previous year's overhead rate.
    C. assigned overhead rate.
    D. predetermined overhead rate.

19. The predetermined overhead rate may be based on any of the following bases except:
    A. direct labor costs.
    B. direct labor hours.
    C. machine hours.
    D. Any of the options may be used.

20. In recent years, as production has become more automated, there has been a significant
trend toward use of _______________ as the activity base in assigning overhead.

☐ A. direct labor costs.

☐ B. direct labor hours.

☐ C. machine hours.

☐ D. units produced.

21. When a completed job is sold an entry is made crediting:

☐ A. Work in Process Inventory.

☐ B. Finished Goods Inventory.

☐ C. Cost of Goods Sold.

☐ D. Accounts Receivable.

22. All of the following are control accounts except:

☐ A. Finished Goods Inventory.

☐ B. Raw Materials Inventory.

☐ C. Work in Process Inventory.

☐ D. All of the options are control accounts.

23. Work in Process Inventory is debited for all of the following except:

☐ A. direct materials used.

☐ B. manufacturing overhead incurred.

☐ C. manufacturing overhead applied.

☐ D. direct labor used.

24. Companies debit underapplied overhead to:
A. Cost of Goods Sold.
B. Finished Goods Inventory.
C. Manufacturing Overhead.
D. Work in Process Inventory.

25. Usually, under- or overapplied overhead is considered to be an adjustment to:
A. work in process.
B. finished goods.
C. finished goods and cost of goods sold.
D. cost of goods sold.

This is the end of the test. When you have completed all the questions and reviewed your answers, press the button below to grade the test.

Grade the Test

0% (0 out of 25 correct)

1. Under a job order cost system, costs are assigned to each job or to each batch of goods.
   - A. True
   - B. False

2. A process cost system is used when a company manufactures a large volume of unique products.
   - A. True
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3. Two major steps in the job order cost flow are accumulating the manufacturing costs incurred and assigning the accumulated costs to the work done.
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8. Finished Goods Inventory is a control account that controls individual finished goods records in a finished goods subsidiary ledger.
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   B. False

9. The cost of goods manufactured schedule shows actual overhead costs rather than applied manufacturing overhead.
   A. True
10. Underapplied overhead means that the overhead assigned to work in process is less than the overhead incurred.
   ➔ A. True
   ➔ B. False

11. Cost accounting involves each of the following except the:
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20. In recent years, as production has become more automated, there has been a significant trend toward use of _______________ as the activity base in assigning overhead.
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   - B. direct labor hours.
   - C. machine hours.
   - D. units produced.

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   - C. Cost of Goods Sold.
   - D. Accounts Receivable.

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   - A. Finished Goods Inventory.
   - B. Raw Materials Inventory.
   - C. Work in Process Inventory.
   - D. All of the options are control accounts.

23. Work in Process Inventory is debited for all of the following except:
   - A. direct materials used.
   - B. manufacturing overhead incurred.
   - C. manufacturing overhead applied.
   - D. direct labor used.

24. Companies debit underapplied overhead to:
A. Cost of Goods Sold.
B. Finished Goods Inventory.
C. Manufacturing Overhead.
D. Work in Process Inventory.

25. Usually, under- or overapplied overhead is considered to be an adjustment to:
   A. work in process.
   B. finished goods.
   C. finished goods and cost of goods sold.
   D. cost of goods sold.

Retake Test