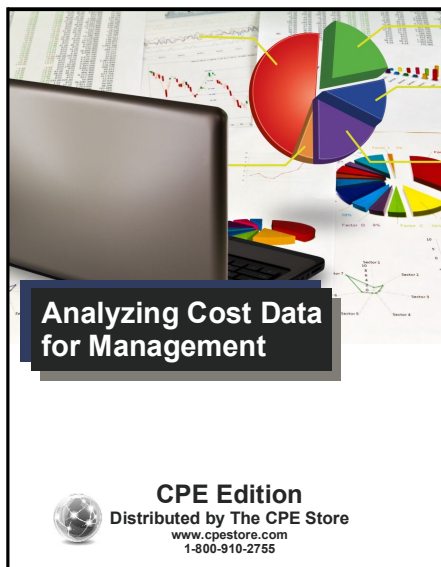


# Analyzing Cost Data for Management

**Course Instructions and  
Final Examination**



**The CPE Store  
819 Village Square Drive  
Tomball, TX 77375  
1-800-910-2755**

# Analyzing Cost Data for Management

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## **Course Objectives**

After completing this course, you will be able to:

- Recognize a focus of management accounting
- Determine the activities that are a concern of the treasury function
- Pinpoint examples of each of the basic cost elements involved in manufacturing products
- Discern how the contribution income statement classifies costs
- Identify another name for a cost accumulation system
- Choose a characteristic of a job order costing system
- Discern which expenses are classified as factory overhead costs
- Ascertain the activities involved in the value chain of business functions
- Recognize how a cost-volume-profit analysis determines the relative profitability of a product
- Pinpoint an assumption of break-even and cost-volume-profit models
- Spot an item that is classified as a fixed cost
- Discern which costs are assigned to the different types of overhead
- Identify the major steps in preparing a budget
- Choose the type of budget where the output by product is expressed in units
- Recognize the types of responsibility centers
- Determine how labor rate variance is computed
- Ascertain the primary differences between centralization and decentralization in performance evaluation
- Spot the basic features of the corporate balanced scorecard
- Discern an aspect of business that can be limited by a binding constraint
- Select an attribute of an annuity
- Pinpoint a characteristic of the payback period method
- Choose an example of an asset that uses the 7-year property 200% declining balance depreciation method

## **Course Instructions**

To fully benefit from this course, please follow all of the steps below.

1. Read each chapter in the text to get a good understanding of the material.
2. Answer the study guide problems which appear at the end of each chapter. After answering the problems, compare your answers with the correct answers to ensure that you understand the material.
3. When you feel that you have a good understanding of the material contained in the chapter, answer the questions on the final examination.
4. When you have completed the final examination, submit your answers for grading. A score of 70% or better is required to pass. Please also complete the course evaluation. Upon passing you will receive a Certificate of Completion stating that you have successfully completed the course and earned the continuing education credit.

## **Prerequisites and Advance Preparation**

No prerequisites or advance preparation are required for this course.

## **CPE Credit**

This course is recommended for 9 CPE credits.

## **Final Exam Grading**

- ▶ Online: Our fastest option, with instant results. Simply go to [www.cpestore.com](http://www.cpestore.com) and click the link for online grading. Just follow the instructions from there. When you finish entering your answers, you'll receive instant test results and a Certificate of Completion to print.
- ▶ By Mail: Mail your test and course evaluation to us. We grade the tests the day we receive them and mail the results and Certificate of Completion to you the following business day.

- **By Fax:** Fax your answer sheet to 1-281-255-4337. If you need us to fax the Certificate of Completion back to you, please provide us with your fax number and write *please fax back* on your answer sheet. If you don't need the Certificate faxed back, please write *no fax needed* on your answer sheet.

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### **Customer Service**

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### **About Our Courses**

The CPE Store's courses are developed to satisfy the continuing education requirements of the American Institute of Certified Public Accountants, each state's Board of Accountancy and the National Association of State Boards of Accountancy (NASBA). If your state requires registration of sponsors, our sponsor number will appear on your Certificate of Completion.

Our courses are designed to meet the continuing education requirements of accounting professionals. A great deal of care has been taken to ensure that the course material is both interesting and relevant to the practice of accounting. The information presented is, to the best of our knowledge, current and accurate. However, The CPE Store is not in the business of rendering legal, accounting or other professional advice and as such, the material presented in our courses is intended as an overview. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

# Analyzing Cost Data for Management

## 9-Hour Course

### Final Examination

A score of 70% or higher is required to pass the exam. If you score less than 70% on your first attempt, we will allow you to take the test a second time.

#### Chapter 1 – Introduction to Management Accounting

1. Which of the following is a focus of management accounting?
  - A. Relevance and flexibility of data
  - B. Complying with GAAP
  - C. Past orientation
  - D. External users of financial information
2. Under a typical organizational structure, who would report to the treasurer?
  - A. Audit manager
  - B. Corporate controller
  - C. Director of risk management
  - D. Tax manager
3. The treasurer's function is usually not concerned with which of the following activities?
  - A. Cash management
  - B. Pension management
  - C. Financial statement preparation
  - D. Obtaining financing
4. Which of the following is not a required exam for Certified Management Accountants (CMAs)?
  - A. Performance management
  - B. Business law
  - C. Financial statement analysis
  - D. Investment decisions

#### Chapter 2 – Cost Classifications and Profit Concepts

5. In a traditional manufacturing operation, what do direct costs normally include?
  - A. Machine repairs in an automobile factory
  - B. Electricity in an electronics plant
  - C. Wood in a furniture factory
  - D. Commissions paid to sales personnel
6. How should the wages of the factory janitorial staff be classified?
  - A. Factory overhead cost
  - B. Direct labor cost
  - C. Period cost
  - D. Prime cost
7. What is an example of a variable cost?
  - A. Direct materials
  - B. Insurance
  - C. Rent
  - D. Taxes
8. Where might the contribution approach to income determination not be useful?
  - A. For break-even and cost-volume-profit analysis
  - B. For evaluating performance of a division and management
  - C. For assigning common fixed costs
  - D. For short-term and non-routine decisions

9. How does the contribution income statement classify costs?
- A. By managerial function
  - B. By behavior
  - C. By timing of charges against sales revenue
  - D. By traceability

**Chapter 3 – Job Order Costing**

10. A cost accumulation system is referred to as a(n):
- A. Asset valuation system
  - B. Wages and salaries system
  - C. Product costing system
  - D. Sales commission system
11. Under which concept is accounting data accumulated by the production department (or cost center) and averaged over all of the production that occurred in the department?
- A. Job order costing
  - B. Process costing
  - C. Variable costing
  - D. Absorption costing
12. What is a characteristic of job order costing?
- A. Cost units are physical units
  - B. Uses a cost of production report
  - C. Costs are accumulated by jobs
  - D. Used by processing industries
13. What method is appropriate when the products are manufactured in identifiable lots or batches or when the products are manufactured to customer specifications?
- A. Direct costing
  - B. Absorption costing
  - C. Process costing
  - D. Job order costing
14. Which of the following is not a commonly used alternative cost driver (denominator measure) for applying overhead?
- A. Production units
  - B. Sales volume
  - C. Direct labor costs
  - D. Direct material dollars

**Chapter 4 – Overhead Allocation**

15. Which of the following expenses is not included in factory overhead costs?
- A. Setup
  - B. Inventory
  - C. Quality control
  - D. Power
16. An example of a cost driver for manufacturing costs includes:
- A. Number of beds in a hospital
  - B. Flight hours
  - C. Machine hours
  - D. Number of rooms occupied in a hotel
17. What is not an activity in the value chain of business functions?
- A. Research and development
  - B. Cost reporting
  - C. Design
  - D. Marketing

**Chapter 5 – Cost-Volume-Profit Analysis**

18. How does a cost-volume-profit (CVP) analysis allow management to determine the relative profitability of a product?
- A. By highlighting potential bottlenecks in the production process
  - B. By keeping fixed costs to an absolute minimum
  - C. By determining how profit and costs change with a change in volume
  - D. By assigning costs to a product in a manner that maximizes the contribution margin
19. What is the difference between sales and total variable costs?
- A. Gross operating profit
  - B. Net profit
  - C. The breakeven point
  - D. The contribution margin
20. The equation approach is based on which of the following?
- A.  $\text{Sales} \div (\text{Net Income} - \text{Fixed Costs} - \text{Variable Costs})$
  - B.  $\text{Net Income} \div (\text{Fixed Costs} + \text{Variable Costs})$
  - C.  $\text{Sales} = \text{Variable Costs} + \text{Fixed Costs} + \text{Net Income}$
  - D.  $\text{Net Income} = \text{Sales} + \text{Fixed Costs} + \text{Variable Costs}$
21. What is an assumption of the basic break-even and cost-volume-profit models?
- A. Inventories change frequently from period to period
  - B. The variable cost per unit is constant
  - C. There are multiple products
  - D. The selling price per unit changes frequently
22. What does the margin of safety measure?
- A. The difference between the variable costs and actual sales
  - B. The difference between the fixed costs and target income
  - C. The difference between the actual sales and the break-even sales
  - D. The difference between the after-tax target income and the before-tax target income

**Chapter 6 – Cost Behavior Analysis**

23. An understanding of cost behavior is not helpful for which of the following activities?
- A. Break-even and cost-volume-profit analysis
  - B. To make long term commitments
  - C. Appraisal divisional performance
  - D. Flexible budgeting
24. What type of cost would be considered part of variable factory overhead?
- A. Rent
  - B. Property taxes
  - C. Patent amortization
  - D. Power
25. Which of the following items is categorized as a fixed cost?
- A. Direct materials
  - B. Insurance
  - C. Direct labor
  - D. Sales commissions

**Chapter 7 – Budgeting System**

26. Major steps in preparing the budget would not include which of the following items?
- A. Prepare a SWOT analysis
  - B. Prepare a sales forecast
  - C. Estimate manufacturing costs and operating expenses
  - D. Determine cash flow and other financial effects



27. What type of budget is a statement of the output by product and is generally expressed in units?
- A. Production budget
  - B. Sales budget
  - C. Factory overhead budget
  - D. Selling and administrative expense budget

**Chapter 8 – Control of Cost Center**

28. Which of the following is not a responsibility center?
- A. Cost center
  - B. Distribution center
  - C. Profit center
  - D. Investment center
29. Under a standard cost system, who has responsibility for the materials price variances?
- A. Production manager
  - B. Cost accounting manager
  - C. Sales manager
  - D. Purchasing manager
30. In a standard cost system, how is the materials purchase price variance obtained?
- A.  $\text{Actual Price} \times (\text{Actual Quantity} - \text{Standard Quantity})$
  - B.  $\text{Actual Quantity} \times (\text{Actual Price} - \text{Standard Price})$
  - C.  $\text{Standard Price} \times (\text{Standard Quantity Purchased} - \text{Standard Quantity Used})$
  - D.  $\text{Standard Quantity} \times (\text{Actual Price} + \text{Standard Price})$
31. How is labor rate variance computed?
- A.  $\text{Standard Hours} \times (\text{Standard Rate} - \text{Actual Rate})$
  - B.  $\text{Actual Rate} \times (\text{Standard Rate} - \text{Actual Hours})$
  - C.  $\text{Actual Hours} \times (\text{Actual Rate} - \text{Standard Rate})$
  - D.  $(\text{Standard Rate} - \text{Actual Rate}) \times (\text{Standard Hours} - \text{Actual Hours})$
32. If a manufacturing company uses responsibility accounting, which one of the following items is least likely to appear in the performance report for an assembly department?
- A. Direct labor costs
  - B. Indirect labor costs
  - C. Supplies
  - D. Depreciation on equipment
33. Which of the following is not a measure of nonfinancial performance tasks?
- A. Diversification
  - B. Number of defects
  - C. Delivery success rate
  - D. Number of customer complaints

**Chapter 9 – Evaluation of Investment Centers**

34. What is the primary difference between centralization and decentralization?
- A. Separate offices for all managers
  - B. Geographical separation of divisional headquarters and central headquarters
  - C. The freedom of decision-making by different levels of management
  - D. The relative size of the firm
35. How can return on investment (ROI) be enhanced?
- A. By increasing sales
  - B. By increasing assets
  - C. By improving margin, turnover, or margin and turnover together
  - D. By decreasing the cost of capital

36. How can Economic Value Added (EVA) be improved?
- A. By investing capital in high-performing projects
  - B. By using more capital
  - C. By increasing the cost of capital
  - D. By enhancing ROI
37. What is the corporate balanced scorecard?
- A. An activity-based responsibility accounting model that measures operating activities
  - B. A financial-based responsibility accounting model that focuses on the financial performance of units, rewarding performance with static financial-oriented standards
  - C. A strategic-based financial reporting system that balances assets with liabilities and owner's equity
  - D. A strategic-based performance management system that identifies objectives and measures from financial, customer, process, and learning and growth perspectives
38. What is considered the best transfer price because it will maximize the profits of the company as a whole?
- A. Cost-based price
  - B. Discounted price
  - C. Market price
  - D. Negotiated price

**Chapter 10 – Making Short-Term Decisions**

39. What can be limited by a binding constraint?
- A. A company's profitability
  - B. Advertising
  - C. Accounting functions
  - D. Benefits

**Chapter 11 – Making Long-Term Decisions**

40. How is future value best described?
- A. Calculated through discounting
  - B. Present worth of future sums of money
  - C. Future sums of money resulting from an investment
  - D. Inversely related to compounding
41. An annuity is a series of payments of a fixed amount for how long of a period?
- A. A specified number of periods
  - B. For one-time period
  - C. For an indeterminable period
  - D. For an unspecified number of periods
42. What is the discount rate (or cost of capital) that is ordinarily used in present value calculations?
- A. Federal Reserve rate
  - B. Treasury bill rate
  - C. The minimum rate of return set by the investor
  - D. Prime rate
43. What is a characteristic of the payback period method (before taxes)?
- A. It neglects total project profitability
  - B. It uses accrual accounting inflows in the numerator of the calculation
  - C. It uses the estimated expected life of the asset in the denominator of the calculator
  - D. It uses the hurdle rate in the calculation
44. Which of the following is a true statement regarding the profitability index?
- A. It is never used when there are a lot of different projects that are of different sizes
  - B. It is referred to as the future value index
  - C. It is the difference between the present value of the cash inflows and the initial investment
  - D. It is a ratio of the total present value of future cash inflows to the initial investment

**Chapter 12 – The Effect of Income Tax on Investment Decisions**

45. What types of assets use the 7-year property 200% declining balance depreciation method?
- A. Machinery and equipment
  - B. Small tools
  - C. Autos and light trucks
  - D. Office furniture and fixtures

**Thank you for taking our course.  
We hope you enjoyed it.**

# Analyzing Cost Data for Management

Course Number: AA720901

Qualifies for 9 hours of CPE credit

If you are mailing or faxing your test to us for grading, please fill in Member ID \_\_\_\_\_ and Validation number \_\_\_\_\_.

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\* Answer each question A, B, C, or D, as appropriate.

\* Be sure you are answering questions from the Final Examination, not from the Study Guide

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## Course Evaluation

Course # \_\_\_\_\_

Your Name \_\_\_\_\_

### About the Course

Were the stated learning objectives met?

- 1 - Not at all     2 - Marginally     3 - Somewhat     4 - Mostly     5 - Absolutely

If applicable, were prerequisite requirements appropriate and sufficient?

- 1 - Not at all     2 - Marginally     3 - Somewhat     4 - Mostly     5 - Absolutely     N/A

Was the text well-written, accurate and easy to understand?

- 1 - Not at all     2 - Marginally     3 - Somewhat     4 - Mostly     5 - Absolutely

Was the final exam well-written, accurate and easy to understand?

- 1 - Not at all     2 - Marginally     3 - Somewhat     4 - Mostly     5 - Absolutely

Were course materials relevant and did they contribute to the achievement of the learning objectives?

- 1 - Not at all     2 - Marginally     3 - Somewhat     4 - Mostly     5 - Absolutely

Was the time allotted to the learning activity appropriate?

- 1 - Not at all     2 - Marginally     3 - Somewhat     4 - Mostly     5 - Absolutely

If applicable, were the individual instructors effective?

- 1 - Not at all     2 - Marginally     3 - Somewhat     4 - Mostly     5 - Absolutely     N/A

### About the Service

Were you satisfied with the ordering process?

- 1 - Not at all     2 - Marginally     3 - Somewhat     4 - Mostly     5 - Absolutely

Were your course materials in good condition when they arrived?

- 1 - Not at all     2 - Marginally     3 - Somewhat     4 - Mostly     5 - Absolutely

Did you receive your materials in a timely manner?

- 1 - Not at all     2 - Marginally     3 - Somewhat     4 - Mostly     5 - Absolutely

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