**Exam 5 MC - 35 MC questions from Chapters 10 & 11**

**Exam 5 Pro - 1 true false - 1 essay, 3 problems**

1) I agree to the following statement: I am enrolled in this course and completing this exam for myself. I am completing my own work and not discussing the content of this exam with anyone. I understand that violations of this policy will result in a 0.0 in the course.

2) The Costmore Company uses standard costing and has established the following standards for direct materials and direct labor for each unit of the single product it makes and sells for $50:

Direct Materials 4 gallons at $8 per gallon

Direct Labor 1 hour at $16 per hour

During July, the company made 6,000 units of product and incurred the following costs:

Direct Materials purchased 26,800 gallons at $8.20 per gallon

Direct Materials used in production25,200 gallons

Direct Labor used 5,600 hours at $15.30 per hour

Required:

Calculate the variable manufacturing cost variances for Materials and Labor.

3) The purchasing agent for Unit Manufacturing Company has found a new supplier for one of the company’s raw materials. The supplier offers a product that would meet Flintstone Manufacturing Company’s specifications. The product costs less, is of lower quality and would require greater quantities. What would likely be the impact on material and labor variances for the purchase of this product?

4) A company has two divisions: the Eastern division and the Western division. The cost of capital is 15%. Following is information about the two divisions:

|  |  |  |
| --- | --- | --- |
|  | Eastern Division | Western Division |
| Divisional profits  Divisional investment | $ 100,000  1,000,000 | $ 200,000  1,000,000 |

Required:

A) Calculate each division’s residual income, and residual income for the company as a whole

B) Calculate each division’s return on investment, and return on investment for the company as a whole.

6) The Jennie Mae Frog Farm incurs production costs of $2 each time a frog is produced. In addition, the farm spends a lump-sum $5,000 each month for expenditures such as insurance, property taxes, and equipment leases, regardless of how many frogs are produced. Times are good: Jennie Mae is operating at capacity, and she is producing and selling 1,000 frogs per month. Jennie Mae’s usual sales price is $9 per frog. The U.S. Army has approached Jennie Mae and proposed a one-time purchase of 300 frogs.

A) What is the lowest price Jennie Mae should be willing to charge the Army per frog?

B) Disregard your answer to part (A) and assume the Army offers to pay $6 per frog. What is the opportunity cost associated with each frog sold to the Army at this price?

C) Now assume that times are not so good, and Jennie Mae has excess capacity to make 500 frogs. The Army offers to buy 300 frogs at $6 each. What is the opportunity cost associated with each frog sold to the Army at this price?

**Budget Project:**  Students are asked to use excel or another spreadsheet software to build and complete a master budget.