

Flashcards for
accounting 2 – which
of the following
budgets are prepared
before ...



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Term A budget can be a means of communicating a company's objectives to external parties. (T/F)

DefinitionFalseTerm A benefit of budgeting is that it provides objectives for evaluating performance (T/F)

DefinitionTrueTerm A budget can be used as a basis for evaluating performance (T/F)

DefinitionTrueTerm A well-developed budget can operate and enforce itself. (T/F)

DefinitionFalseTerm The budget itself and the administration of the budget are the responsibility of the accounting department. T/F)

DefinitionFalseTerm The flow of input data for budgeting should be from the highest levels of responsibility to the lowest. (T/F)

DefinitionFalseTerm Effective budgeting requires clearly defined lines of authority and responsibility. (T/F)

DefinitionTrueTerm Budgets can have a positive or negative effect on human behavior depending on the manner in which the budget is developed and administered. (T/F)

DefinitionTrueTerm A budget can facilitate the coordination of activities among the segments of a large company. (T/F)

DefinitionTrue

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Term The longer the budget period, the more reliable the estimates of future outcomes. (T/F)

DefinitionFalseTerm The budget committee has the responsibility for coordinating the preparation of the budget. (T/F)

DefinitionTrueTerm The budget is developed within the framework of a sales forecast. (T/F)

DefinitionTrueTerm Budgeting and long-range planning are two terms that describe the same process. (T/F)

DefinitionFalseTerm Long-range plans are used more as a review of progress toward long- term goals rather than an evaluation of specific results to be achieved. (T/F)

DefinitionTrueTerm The master budget reflects management's long- term plans encompassing five years or more. (T/F)

DefinitionFalseTerm The master budget consists of operating and financial budgets. (T/F)

DefinitionTrueTerm Financial budgets must be completed before the operating budgets can be prepared. (T/F)

DefinitionFalseTerm The direct materials budget must be completed before the production budget because the quantity of materials available for production must be known. (T/F)

DefinitionFalseTerm The number of direct labor hours needed for production is obtained from the production budget. (T/F)

DefinitionTrueTerm A manufacturing overhead budget is not needed if the company develops a predetermined overhead rate to apply overhead. (T/F)

DefinitionFalseTerm The manufacturing overhead budget generally has separate sections for variable, mixed, and fixed costs. (T/F)

DefinitionFalseTerm A production budget should be prepared before the sales budget. (T/F)

DefinitionFalseTerm The direct materials budget contains both quantity and cost data. (T/F)

DefinitionTrueTerm The budgeted income statement indicates the expected profitability of operations for the next year. (T/F)

DefinitionTrueTerm If a monthly cash budget is prepared properly, there will never be a cash deficiency at the end of any month. (T/F)

DefinitionFalseTerm The budgeted balance sheet is prepared entirely from the budgets for the current year. (T/F)

DefinitionFalseTerm The starting point when budgeting for a not-for-profit organization is generally to budget expenditures first.

(T/F)DefinitionTrueTerm A merchandiser has a merchandise purchases budget rather than a production budget. (T/F)

DefinitionTrueTerm A critical factor in budgeting for a service firm is to determine the amount of products to purchase. (T/F)

DefinitionFalseTerm The budget itself and the administration of the budget are entirely accounting responsibilities. (T/F)

DefinitionFalseTerm Financial planning models and statistical and mathematical techniques may be used in forecasting sales. (T/F)

DefinitionTrueTerm The direct materials budget is derived from the direct materials units required for production plus desired ending direct materials units less beginning direct materials units. (T/F)

DefinitionTrueTerm The manufacturing overhead budget shows the expected manufacturing overhead costs. (T/F)

DefinitionTrueTerm In order to develop a budgeted balance sheet, the previous year's balance sheet is needed. (T/F)

DefinitionTrueTerm In service enterprises, the critical factor in budgeting is coordinating materials and equipment with anticipated services. T/F)

DefinitionFalseTerm Budgets are statements of management's plans in financial terms (T/F)

DefinitionTrueTerm Why are budgets useful in the planning process?

a. They provide management with information about the company's past performance. b. They help communicate goals and provide a basis for

evaluation. c. They guarantee the company will be profitable if it meets its objectives. d. They enable the budget committee to earn their paycheck.

DefinitionBTerm A budget

a. is a substitute for management. b. is an aid to management.
c. can operate or enforce itself. d. is the responsibility of the accounting department.

DefinitionBTerm Accounting generally has the responsibility for

a. setting company goals. b. expressing the budget in financial terms. c. enforcing the budget. d. administration of the budget.

DefinitionBTerm Which one of the following is not a benefit of budgeting?

a. It facilitates the coordination of activities. b. It provides definite objectives for evaluating performance. c. It provides assurance that the company will achieve its objectives. d. It requires all levels of management to plan ahead on a recurring basis.

DefinitionCTerm Budgeting is usually most closely associated with which management function?

a. Planning b. Directing c. Motivating d. Controlling

DefinitionATerm Which of the following items does not follow from the adoption of a budget?

- a. Promote efficiency
- b. Deterrent to waste
- c. Basis for performance evaluation
- d. Guarantee of accomplishing the profit objective

DefinitionDTerm Which is true of budgets?

- a. They are voted on and approved by stockholders.
- b. They are used in the planning, but not in the control, process.
- c. There is a standard form and structure for budgets.
- d. They are used in performance evaluation.

DefinitionDTerm A common starting point in the budgeting process is

- a. expected future net income.
- b. past performance.
- c. to motivate the sales force.
- d. a clean slate, with no expectations.

DefinitionBTerm If budgets are to be effective, all of the following must be present except

- a. acceptance at all levels of management.
- b. research and analysis in setting realistic goals.
- c. stockholders' approval of the budget.
- d. sound organizational structure.

DefinitionCTerm If budgets are to be effective, there must be

- a. a history of successful operations.
- b. independent verification of budget goals.
- c. an organizational structure with clearly defined lines of authority and responsibility.
- d. excess plant capacity.

DefinitionCTerm It is important that budgets be accepted by

- a. division managers.
- b. department heads.
- c. supervisors.
- d. all of these.

DefinitionDTerm Which of the following statements about budget acceptance in an organization is true?

a. The most widely accepted budget by the organization is the one prepared by top management. b. The most widely accepted budget by the organization is the one prepared by the department heads. c. Budgets are hardly ever accepted by anyone except top management. d. Budgets have a greater chance of acceptance if all levels of management have provided input into the budgeting process.

DefinitionDTerm Top management notices a variation from budget and an investigation of the difference reveals that the department manager could not be expected to have controlled the variation. Which of the following statements is applicable?

a. Department managers should be held accountable for all variances from budgets for their departments. b. Department managers should only be held accountable for controllable variances for their departments. c. Department managers should be credited for favorable variances even if they are beyond their control. d. Department managers' performances should not be evaluated based on actual results to budgeted results.

DefinitionBTerm An unrealistic budget is more likely to result when it

a. has been developed in a top down fashion. b. as been developed in a bottom up fashion. c. has been developed by all levels of management. d. is developed with performance appraisal usages in mind.

DefinitionATerm A budget is most likely to be effective if

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a. it is used to assess blame when things do not occur according to plans. b. it is not used to evaluate a manager's performance. c. employees and managers at the lower levels do not get involved in the budgeting process. d. it has top management support.

DefinitionDTerm In many companies, responsibility for coordinating the preparation of the budget is assigned to

a. the company's independent certified public accountants. b. the company's internal auditors. c. the company's board of directors. d. a budget committee.

DefinitionDTerm A budget period should be

a. monthly. b. for a year or more. c. long-term. d. long enough to provide an obtainable goal under normal business conditions.

DefinitionDTerm If a company has adopted continuous budgeting, the budget will show plans for

a. every day. b. a full year ahead. c. the current year and the next year. d. at least five years.

DefinitionBTerm The most common budget period is

a. one month. b. three months. c. six months. d. one year.

DefinitionDTerm Budget development for the coming year usually starts

a. a year in advance. b. the first month of the year to be budgeted. c. several months before the end of the current year. d. the last month of the previous year.

DefinitionCTerm The budget committee would not normally include the

a. research director. b. treasurer. c. sales manager. d. external auditor.

DefinitionDTerm The budget committee in a company is often headed by the

a. president. b. controller. c. treasurer. d. budget director. DefinitionDTerm

Long-range planning

a. generally presents more detailed information than an annual budget. b. generally encompasses a longer period of time than an annual budget. c. is usually more accurate than an annual budget. d. is prepared on a quarterly basis if the budget is prepared on a quarterly basis.

DefinitionBTerm Long-range planning usually encompasses a period of at least

a. six months. b. 1 year. c. 5 years. d. 10 years.

DefinitionCTerm Which of the following is not a proper match-up?

a. Long range planning Strategiesb. Budgeting Short-term goalsc. Long-range planning 5 yearsd. BudgetingLong- term goals

DefinitionDTerm Which is the last step in developing the master budget?

a. Preparing the budgeted balance sheet
b. Preparing the cost of goods manufactured budget
c. Preparing the budgeted income statement
d.

Preparing the cash budget

Definition A Term 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. 00,000 pounds
b. 480,000 pounds
c. 240,000 pounds
d. 420,000 pounds

Definition D Term The total direct labor hours required in preparing a direct labor budget are calculated using the

a. sales forecast.
b. production budget.
c. direct materials budget.
d. sales budget.

Definition B Term The direct materials and direct labor budgets provide information for preparing the

a. sales budget.
b. production budget.
c. manufacturing overhead budget.
d. cash budget.

Definition D Term A sales forecast

a. shows a forecast for the firm only.
b. shows a forecast for the industry only.
c. shows forecasts for the industry and for the firm.
d. plays a minor role in the development of the master budget.

Definition C Term Which of the following is not an operating budget?

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a. Direct labor budget
b. Sales budget
c. Production budget
d. Cash budget

Definition D Term Which of the following is not a financial budget?

a. Capital expenditure budget
b. Cash budget
c. Manufacturing overhead budget
d. Budgeted balance sheet

Definition C Term Which of the following is done to improve the reliability of the sales forecast?

a. Employ financial planning models
b. Lengthen the planning horizon to more than a year
c. Rely solely on outside consultants
d. Use the sales forecasts from the previous year

Definition A Term The financial budgets include the

a. cash budget and the selling and administrative expense budget.
b. cash budget and the budgeted balance sheet.
c. budgeted balance sheet and the budgeted income statement.
d. cash budget and the production budget.

Definition B Term The culmination of preparing operating budgets is the

a. budgeted balance sheet.
b. production budget.
c. cash budget.
d. budgeted income statement.

Definition D Term The following information is taken from the production budget for the first quarter: Beginning inventory in units 1,200 Sales budgeted for the quarter 456,000 Capacity in units of production facility 472,000 How many finished goods units should be produced during the quarter if the company desires 3,200 units available to start the next quarter?

a. 458, 000b. 454, 000c. 474, 000d. 459, 200

DefinitionATerm An overly optimistic sales budget may result in

a. increases in selling prices late in the year. b. insufficient inventories. c. increased sales during the year. d. excessive inventories. DefinitionDTerm In a production budget, total required production units are the budgeted sales units plus

a. beginning finished goods units. b. desired ending finished goods units. c. desired ending finished goods units plus beginning finished goods units. d. desired ending finished goods units minus beginning finished goods units.

DefinitionDTerm The direct materials budget details1. the quantity of direct materials to be purchased. 2. the cost of direct materials to be purchased.

a. 1b. 2c. both 1 and 2d. neither 1 nor 2

DefinitionCTerm The production budget shows expected unit sales of 32, 000. Beginning finished goods units are 5, 600. Required production units are 33, 600. What are the desired ending finished goods units?

a. 4, 000b. 5, 600c. 6, 400d. 7, 200

DefinitionDTerm The production budget shows expected unit sales are 50, 000. The required production units are 52, 000. What are the beginning and desired ending finished goods units, respectively? Beginning UnitsEnding Units

a. 5, 0003, 000b. 3, 0005, 000c. 2, 0005, 000d. 5, 0002, 000

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DefinitionBTerm The production budget shows that expected unit sales are 48, 000. The total required units are 54, 000. What are the required production units?

- a. 6, 000b. , 000c. 12, 000d. Cannot be deTerm ined from the data provided.

DefinitionDTerm The direct materials budget shows: Units to be produced3, 000Total pounds needed for production 12, 000Total materials required13, 200What are the direct materials per unit?

- a.. 44 poundsb. 4. 0 poundsc. 4. 4 poundsd. Cannot be deTerm ined from the data provided.

DefinitionBTerm The direct materials budget shows: Desired ending direct materials 48, 000 poundsTotal materials required 72, 000 poundsDirect materials purchases 63, 200 poundsThe total direct materials needed for production is

- a. 4, 000 pounds. b. 8, 800 pounds. c. 15, 200 pounds. d. 135, 200 pounds.

DefinitionATerm If the required direct materials purchases are 18, 000 pounds, the direct materials required for production is three times the direct materials purchases, and the beginning direct materials are three and a half times the direct materials purchases, what are the desired ending direct materials in pounds?

- a. 45, 000b. 9, 000c. 27, 000d. 18, 000

DefinitionCTerm Cromwell Company makes and sells umbrellas. The company is in the process of preparing its Selling and Administrative Expense Budget for the last half of the year. The following budget data are available: Variable Cost Per Unit SoldMonthly Fixed CostSales commissions\$0. 60\$ 3, 000Shipping1. 20Advertising0. 30Executive salaries20, 000Depreciation on office equipment4, 000Other0. 3514, 000Expenses are paid in the month incurred. If the company has budgeted to sell 6, 000 umbrellas in October, how much is the total budgeted variable selling and administrative expenses for October?

- a. \$12, 600b. \$13, 800c. \$76, 200d. \$14, 700

DefinitionDTerm Which of the following expenses would not appear on a selling and administrative expense budget?

- a. Sales commissionsb. Depreciationc. Property taxesc. Indirect labor

DefinitionDTerm Which of the following would not appear as a fixed expense on a selling and administrative expense budget?

- a. Freight-outb. Office salariesc. Property taxesc. Depreciation

DefinitionATerm A master budget consists of

- a. an interrelated long-Term plan and operating budgets. b. financial budgets and a long-Term plan. c. interrelated financial budgets and operating budgets. d. all the accounting journals and ledgers used by a company.

DefinitionCTerm The starting point in preparing a master budget is the preparation of the

a. reduction budget. b. sales budget. c. purchasing budget. d. personnel budget.

DefinitionBTerm Which one of the following is not needed in preparing a production budget?

a. Budgeted unit sales b. Budgeted raw materials c. Beginning finished goods units d. Ending finished goods units

DefinitionBTerm A company budgeted unit sales of 136, 000 units for January, 2011 and 160, 000 units for February, 2011. The company has a policy of having an inventory of units on hand at the end of each month equal to 30% of next month's budgeted unit sales. If there were 40, 800 units of inventory on hand on December 31, 2010, how many units should be produced in January, 2011 in order for the company to meet its goals?

a. 143, 200 units b. 136, 000 units c. 128, 800 units d. 184, 000 units

DefinitionATerm At January 1, 2011, Estrada, Inc. has beginning inventory of 2, 000 surfboards. Estrada estimates it will sell 5, 000 units during the first quarter of 2011 with a 12% increase in sales each quarter. Estrada's policy is to maintain an ending inventory equal to 25% of the next quarter's sales. Each surfboard costs \$100 and is sold for \$150. How much is budgeted sales revenue for the third quarter of 2011?

a. 225, 000 b. \$975, 000 c. \$940, 800 d. \$6, 272

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DefinitionCTerm Grayson. Com plans to sell 4, 000 purple lawn chairs during May, 3, 800 in June, and 4, 000 during July. The company keeps 15% of the next month's sales as ending inventory. How many units should Grayson.

Com produce during June?

a. 3, 830b. 4, 400c. 3, 770d. Not enough information to deTerm ine.

DefinitionATerm Jacobsen, Inc. is planning to sell 200 buckets and produce 190 buckets during March. Each bucket requires 500 grams of plastic and one-half hour of direct labor. Plastic costs \$10 per 500 grams and employees of the company are paid \$15. 0 per hour. Manufacturing overhead is applied at a rate of 110% of direct labor costs. Jacobsen has 300 kilos of plastic in beginning inventory and wants to have 200 kilos in ending inventory. How much is the total amount of budgeted direct labor for March?

a. \$1, 500b. \$3, 000c. \$1, 425d. \$2, 850

DefinitionCTerm Lester Production is planning to sell 600 boxes of ceramic tile, with production estimated at 580 boxes during May. Each box of tile requires 44 pounds of clay mix and a quarter hour of direct labor. Clay mix costs \$0. 40 per pound and employees of the company are paid \$12. 00 per hour. Manufacturing overhead is applied at a rate of 110% of direct labor costs. Lester has 2, 600 pounds of clay mix in beginning inventory and wants to have 3, 000 pounds in ending inventory. What is the total amount to be budgeted for manufacturing overhead for the month?

a. \$1, 914b. \$1, 980c. \$7, 656d. \$7, 920

DefinitionATerm Lester Production is planning to sell 600 boxes of ceramic tile, with production estimated at 580 boxes during May. Each box of tile requires 44 pounds of clay mix and a quarter hour of direct labor. Clay mix costs \$0.40 per pound and employees of the company are paid \$12.00 per hour. Manufacturing overhead is applied at a rate of 110% of direct labor costs. Lester has 2,600 pounds of clay mix in beginning inventory and wants to have 3,000 pounds in ending inventory. What is the total amount to be budgeted for direct labor for the month?

- a. \$1,740 b. \$6,960 c. \$1,800 d. \$27,840

DefinitionATerm Lester Production is planning to sell 600 boxes of ceramic tile, with production estimated at 580 boxes during May. Each box of tile requires 44 pounds of clay mix and a quarter hour of direct labor. Clay mix costs \$0.40 per pound and employees of the company are paid \$12.00 per hour. Manufacturing overhead is applied at a rate of 110% of direct labor costs. Lester has 2,600 pounds of clay mix in beginning inventory and wants to have 3,000 pounds in ending inventory. What is the total amount to be budgeted in pounds for direct materials to be purchased for the month?

- a. 25,520 b. 25,120 c. 25,920 d. 26,800

DefinitionCTerm Davies Nursery plans to sell 160 potted plants during April and 120 units in May. Davies Nursery keeps 15% of the next month's sales as ending inventory. How many units should Davies Nursery produce during April?

- a. 154 b. 66 c. 160 d. 178

DefinitionATerm Neufeld Company makes and sells widgets. The company is in the process of preparing its Selling and Administrative Expense Budget for the month. The following budget data are available:

Item	Variable Cost Per Unit Sold	Monthly Fixed Cost
Sales commissions	\$1	\$7,500
Shipping	\$3	\$4,000
Advertising	\$4	\$90,000
Executive salaries	\$0	\$3,000
Depreciation on office equipment	\$0	\$2,500
Other	\$2	\$4,500

Expenses are paid in the month incurred. If the company has budgeted to sell 60,000 widgets in October, how much is the total budgeted selling and administrative expenses for October? . \$705,000b. \$105,000c. \$697,500d. \$600,000

DefinitionATerm DeVito Exports, Inc. budgets on an annual basis for its fiscal year. The following beginning and ending inventory levels are planned for the fiscal year of July 1, 2010 to June 30, 2011:

Inventory	June 30, 2010	June 30, 2011
Raw Materials	3,000 kilos	2,000 kilos

Three kilos of raw materials are needed to produce each unit of finished product. If DeVito Exports plans to produce 280,000 units during the 2010-2011 fiscal year, how many kilos of materials will the company need to purchase for its production during the year? . 841,000b. 843,000c. 840,000d. 839,000

DefinitionATerm The following information is taken from the production budget for the first quarter:

Inventory	Beginning	Ending
Inventory in units	900	342,000
Sales budgeted for the quarter	342,000	354,000

Production capacity in units 354,000 How many finished goods units should be produced during the quarter if the company desires 2,400 units available to start the next quarter?

a. 343,500b. 340,500c. 355,500d. 344,400

DefinitionA Term Sandler Company has 6,000 units in beginning finished goods. The sales budget shows expected sales to be 24,000 units. If the production budget shows that 28,000 units are required for production, what was the desired ending finished goods?

a. 2,000. b. 6,000. c. 10,000. d. 18,000.

DefinitionC Term Andersen Company required production for June is 66,000 units. To make one unit of finished product, three pounds of direct material Z are required. Actual beginning and desired ending inventories of direct material Z are 150,000 and 165,000 pounds, respectively. How many pounds of direct material Z must be purchased?

a. 189,000. b. 198,000. c. 204,000. d. 213,000.

DefinitionD Term Walton Company determines that 27,000 pounds of direct materials are needed for production in July. There are 1,600 pounds of direct materials on hand at July 1 and the desired ending inventory is 1,400 pounds. If the cost per unit of direct materials is \$3, what is the budgeted total cost of direct materials purchases?

a. 79,200. b. 80,400. c. 81,600. d. 82,800.

DefinitionB Term Giles Company is preparing its direct labor budget for May. Projections for the month are that 16,700 units are to be produced and that direct labor time is three hours per unit. If the labor cost per hour is \$12, what is the total budgeted direct labor cost for May?

a. 579,600. b. 590,400. c. 601,200. d. 648,000.

DefinitionCTerm Flint Company estimates its sales at 120, 000 units in the first quarter and that sales will increase by 12, 000 units each quarter over the year. They have, and desire, a 25% ending inventory of finished goods. Each unit sells for \$25. 40% of the sales are for cash. 70% of the credit customers pay within the quarter. The remainder is received in the quarter following sale. Production in units for the third quarter should be budgeted at

a. 147, 000. b. 138, 000. c. 183, 000. d. 144, 000.

DefinitionATerm Flint Company estimates its sales at 120, 000 units in the first quarter and that sales will increase by 12, 000 units each quarter over the year. They have, and desire, a 25% ending inventory of finished goods. Each unit sells for \$25. 40% of the sales are for cash. 70% of the credit customers pay within the quarter. The remainder is received in the quarter following sale. Cash collections for the third quarter are budgeted at

a. \$2, 034, 000. . \$2, 952, 000. c. \$3, 546, 000. d. \$4, 104, 000.

DefinitionCTerm Haley Company estimates its sales at 100, 000 units in the first quarter and that sales will increase by 10, 000 units each quarter over the year. They have, and desire, a 25% ending inventory of finished goods. Each unit sells for \$35. 40% of the sales are for cash. 70% of the credit customers pay within the quarter. The remainder is received in the quarter following sale. Production in units for the third quarter should be budgeted at

a. 122, 500. b. 115, 000. c. 152, 500. d. 120, 000.

DefinitionATerm Haley Company estimates its sales at 100, 000 units in the first quarter and that sales will increase by 10, 000 units each quarter over

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the year. They have, and desire, a 25% ending inventory of finished goods. Each unit sells for \$35. 40% of the sales are for cash. 70% of the credit customers pay within the quarter. The remainder is received in the quarter following sale. Cash collections for the third quarter are budgeted at

a. \$2, 373, 000. b. \$3, 444, 000. c. \$4, 137, 000. d. \$4, 788, 000.

DefinitionCTerm A company determined that the budgeted cost of producing a product is \$30 per unit. On June 1, there were 60, 000 units on hand, the sales department budgeted sales of 225, 000 units in June, and the company desires to have 90, 000 units on hand on June 30. The budgeted cost of goods manufactured for June would be

a. \$5, 850, 000. b. \$8, 550, 000. c. \$6, 750, 000. d. \$7, 650, 000.

DefinitionDTerm Of the following items, which one is not obtained from an individual operating budget?

a. Selling and administrative expenses
b. Accounts receivable
c. Cost of goods sold
d. Sales

DefinitionBTerm Which of the following statements about a budgeted income statement is not true? . The budgeted income statement is prepared after the financial budgets are prepared. b. The budgeted income statement is prepared on the accrual basis of accounting. c. The budgeted income statement can be prepared in a multiple-step format. d. The budgeted income statement is prepared using the individual operating budgets.

DefinitionA Term A company has budgeted direct materials purchases of \$200, 000 in March and \$320, 000 in April. Past experience indicates that the company pays for 70% of its purchases in the month of purchase and the remaining 30% in the next month. During April, the following items were budgeted: Wages Expense \$100, 000 Purchase of office equipment 48, 000 Selling and Administrative Expenses 32, 000 Depreciation Expense 24, 000 The budgeted cash disbursements for April are

- a. \$432, 000. b. \$284, 000. c. \$464, 000. d. \$488, 000.

DefinitionC Term Morrison Company has the following budgeted sales: January \$80, 000, February \$120, 000, and March \$100, 000. 40% of the sales are for cash and 60% are on credit. For the credit sales, 50% are collected in the month of sale, and 50% the next month. The total expected cash receipts during March are:

- a. 112, 000. b. \$106, 000. c. \$105, 000. d. \$100, 000.

DefinitionB Term Neal Merchandising Company expects to purchase \$90, 000 of materials in July and \$105, 000 of materials in August. Three-quarters of all purchases are paid for in the month of purchase, and the other one-fourth are paid for in the month following the month of purchase. How much will August's cash disbursements for materials purchases be?

- a. \$67, 500 b. \$78, 750 c. \$101, 250 d. \$105, 000

DefinitionC Term The single most important output in preparing financial budgets is the

a. sales forecast. b. determination of the unit cost of the product. c. cash budget. d. budgeted income statement.

DefinitionCTerm Which of the following does not appear as a separate section on the cash budget?

a. Cash receipts b. Cash disbursements c. Capital expenditures d. Financing

DefinitionCTerm 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. management's minimum required balance. c. the amount needed to avoid a service charge at the bank. d. the industry average.

DefinitionBTerm Beginning cash balance plus total receipts

a. equals ending cash balance. b. must equal total disbursements. c. equals total available cash. d. is the excess of available cash over disbursements.

DefinitionCTerm The projection of financial position at the end of the budget period is found on the

a. budgeted income statement. b. cash budget. c. budgeted balance sheet. d. sales budget.

DefinitionCTerm What is the proper preparation sequencing of the following budgets? 1. Budgeted Balance Sheet 2. Sales Budget 3. Selling and Administrative Budget 4. Budgeted Income Statement

a. 1, 2, 3, 4b. 2, 3, 1, 4c. 2, 3, 4, 1d. 2, 4, 1, 3

DefinitionCTerm Munson Company reported the following information for 2011: OctoberNovemberDecemberBudgeted sales \$930, 000\$870, 000\$1, 080, 000? All sales are on credit. ? Customer amounts on account are collected 50% in the month of sale and 50% in the following month. How much cash will Munson receive in November?

a. \$435, 000b. \$975, 000c. \$900, 000d. \$870, 000

DefinitionCTerm The following information was taken from Noble Company's cash budget for the month of July: Beginning cash balance\$300, 000Cash receipts190, 000Cash disbursements340, 000If the company has a policy of maintaining a minimum end of the month cash balance of \$250, 000, the amount the company would have to borrow is

a. \$100, 000. b. \$50, 000. c. \$150, 000. d. \$60, 000.

DefinitionATerm The cash budget reflects

a. all revenues and all expenses for a period. b. expected cash receipts and cash disbursements from all sources. c. all the items that appear on a budgeted income statement. d. ll the items that appear on a budgeted balance sheet.

DefinitionBTerm The following credit sales are budgeted by Peckman Company: January\$136, 000February200, 000March280, 000April240, 000The company's past experience indicates that 70% of the accounts receivable are collected in the month of sale, 20% in the month following the

sale, and 8% in the second month following the sale. The anticipated cash inflow for the month of April is

- a. \$246, 880. b. \$224, 000. c. \$240, 000. d. \$235, 200.

DefinitionCTerm Owens Company's cash budget showed total available cash less cash disbursements. What does this amount equal?

- a. Ending cash balance
b. Total cash receipts
c. The excess of available cash over cash disbursements
d. The amount of financing required

DefinitionCTerm Which one of the following sections would not appear on a cash budget?

- a. Cash receipts
b. Financing
c. Investing
d. Cash disbursements

DefinitionCTerm A company's past experience indicates that 60% of its credit sales are collected in the month of sale, 30% in the next month, and 5% in the second month after the sale; the remainder is never collected.

Budgeted credit sales were: January \$240, 000 February 144, 000 March 360, 000 The cash inflow in the month of March is expected to be

- a. \$271, 200. b. \$205, 200. c. \$216, 000. d. \$259, 200.

DefinitionATerm Which one of the following items would never appear on a cash budget?

- a. Office salaries expense
b. Interest expense
c. Depreciation expense
d. Travel expense

DefinitionCTerm Zimmer Company reported the following information for 2011: OctoberNovemberDecemberBudgeted sales\$230, 000\$220, 000\$270, 000Budgeted purchases\$120, 000\$128, 000\$144, 000;!
-[if ! supportLists]->? All sales are on credit. ? Customer amounts on account are collected 50% in the month of sale and 50% in the following month. ? Cost of goods sold is 35% of sales. ? Zimmer purchases and pays for merchandise 60% in the month of acquisition and 40% in the following month. ? Accounts payable is used only for inventory acquisitions. How much cash will Zimmer receive during November?

a. \$110, 000b. \$245, 000c. \$225, 000d. \$220, 000

DefinitionCTerm Zimmer Company reported the following information for 2011: OctoberNovemberDecemberBudgeted sales\$230, 000\$220, 000\$270, 000Budgeted purchases\$120, 000\$128, 000\$144, 000? Cost of goods sold is 35% of sales. ? Zimmer purchases and pays for merchandise 60% in the month of acquisition and 40% in the following month. ? Accounts payable is used only for inventory acquisitions. How much is the budgeted balance for Accounts Payable at October 31, 2011?

a. \$48, 000b. \$72, 000c. \$102, 000d. \$51, 200

DefinitionATerm Wesley Company reported the following information for 2011: OctoberNovemberDecemberBudgeted sales\$620, 000\$580, 000\$720, 000 ;!
-[if ! supportLists]->? All sales are on credit. ? Customer amounts on account are collected 50% in the month of sale and 50% in the following month. How much is the November 30, 2011 budgeted Accounts Receivable?

a. \$600, 000b. \$360, 000c. \$310, 000d. \$290, 000

DefinitionD
Term Troyer Company reported the following information for 2011:

OctoberNovemberDecemberBudgeted purchases\$180, 000\$192, 000\$216,

000? Operating expenses are: Salaries, \$75, 000; Depreciation, \$30, 000;

Rent, \$15, 000; Utilities, \$21, 000? Operating expenses are paid during the

month incurred. ? Accounts payable is used only for inventory acquisitions.

How much is the budgeted amount of cash to be paid for operating expenses in November?

a. \$303, 000b. \$111, 000c. \$141, 000d. \$333, 000

DefinitionB
Term During September, the capital expenditure budget indicates

a \$280, 000 purchase of equipment. The ending September cash balance

from operations is budgeted to be \$40, 000. The company wants to maintain

a minimum cash balance of \$20, 000. What is the minimum cash loan that

must be planned to be borrowed from the bank during September?

a. \$220, 000b. \$240, 000c. \$260, 000d. \$300, 000

DefinitionC
Term Swift, Inc. has budgeted its activity for December according

to the following information: 1. Sales at \$400, 000, all for cash. 2. Budgeted

depreciation for December is \$10, 000. 4. The cash balance at December 1

was \$10, 000. 5. Selling and administrative expenses are budgeted at \$40,

000 for December and are paid for in cash. 6. The planned merchandise

inventory on December 31 and December 1 is \$12, 000. 7. The invoice cost

for merchandise purchases represents 75% of the sales price. All purchases

are paid in cash. How much are the budgeted cash disbursements for

December?

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a. \$230, 000b. \$340, 000c. \$350, 000d. \$328, 000

DefinitionBTerm Pierce Merchandising Company expects to purchase \$90, 000 of materials in March and \$105, 000 of materials in April. Three-quarters of all purchases are paid for in the month of purchase, and the other one-fourth are paid for in the month following the month of purchase. In addition, a 2% discount is received for payments made in the month of purchase. How much will April's cash disbursements for materials purchases be?

a. \$66, 150b. \$81, 150c. \$99, 675d. \$90, 000

DefinitionCTerm On January 1, Matzke Company has a beginning cash balance of \$84, 000. During the year, the company expects cash disbursements of \$680, 000 and cash receipts of \$580, 000. If Matzke requires an ending cash balance of \$80, 000, Matzke Company must borrow

a. 64, 000. b. \$80, 000. c. \$96, 000. d. \$184, 000.

DefinitionCTerm Meyerhoff Company has the following budgeted sales: July \$100, 000, August \$150, 000, and September \$125, 000. 40% of the sales are for cash and 60% are on credit. For the credit sales, 50% are collected in the month of sale, and 50% the next month. The total expected cash receipts during September are

a. \$140, 000. b. \$132, 500. c. \$131, 250. d. \$125, 000.

DefinitionBTerm Nunley Company's direct materials budget shows total cost of direct materials purchases for April \$300, 000, May \$360, 000 and June

\$420, 000. Cash payments are 60% in the month of purchase and 40% in the following month. The budgeted cash payments for June are

a. \$396, 000. b. \$384, 000. c. \$360, 000. d. \$312, 000.

DefinitionATerm Which one of the following budgets would be prepared for a manufacturer but not for a merchandiser?

a. Direct labor budget b. Cash budget c. Sales budget d. Budgeted income statement

DefinitionATerm The formula for determining budgeted merchandise purchases is budgeted

a. production + desired ending inventory - beginning inventory. b. sales + beginning inventory - desired ending inventory. c. ost of goods sold + desired ending inventory - beginning inventory. d. cost of goods sold + beginning inventory - desired ending inventory.

DefinitionCTerm Which one of the following is a problem resulting from a service company being overstaffed?

a. Labor costs will be disproportionately low. b. Profits will be higher because of the additional salaries. c. Staff turnover may increase. d. Revenue may be lost.

DefinitionCTerm The master budget for a service enterprise

a. will have the same types of budgets as a merchandiser. b. may include a sales budget for sales revenue. c. ill not include a budgeted income

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statement. d. includes a service revenue budget based on expected client billings.

DefinitionD Term Budgeting in not-for-profit organizations

a. is not important because they are not profit-oriented. b. usually starts with budgeting expenditures, rather than receipts. c. is necessary only if some product is produced and sold. d. consists entirely of budgeted contributions.

DefinitionB Term For a merchandiser, the starting point in the development of the master budget is the

a. cash budget. b. sales budget. c. selling and administrative expenses budget.

d. budgeted income statement.

DefinitionB Term Instead of a production budget, a merchandiser will prepare a

a

a. pseudo-production budget. b. merchandise purchases budget. c. master time sheet. d. sales forecast.

DefinitionB Term Company A is a manufacturer and Company B is a merchandiser. What is the difference in the budgets the two entities will prepare?

a. Company A will prepare a production budget, and Company B will prepare a merchandise purchases budget. b. Company A will prepare a sales forecast, and Company B will prepare a sales budget. c. Company B will

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prepare a production budget, and Company A will prepare a merchandise purchases budget. d. Both companies will prepare the same types of budgets.

DefinitionATerm An appropriate activity index for a college or university for budgeting faculty positions would be the

a. faculty hours worked. b. number of administrators. c. credit hours taught by a department. d. number of days in the school term.

DefinitionCTerm A critical factor in budgeting for a service firm is to

a. hire professional staff to perform the budgeting work. b. coordinate professional staff needs with anticipated services.

c. classify all personnel as either variable or fixed. d. budget expenditures before anticipated receipts.

DefinitionBTerm The primary benefits of budgeting include all of the following except it

a. requires only top management to plan ahead and formalize their future goals. b. provides definite objectives for evaluating performance. c. creates an early warning system for potential problems. d. motivates personnel throughout the organization.

DefinitionATerm The responsibility for expressing management's budgeting goals in financial terms is performed by the

a. accounting department. b. top management. c. lower level of management.
d. budget committee.

Definition A Term Coordinating the preparation of the budget is the responsibility of the

a. treasurer. b. president. c. chief accountant. d. budget committee.

Definition D Term For better management acceptance, the flow of input data for budgeting should begin with the

a. accounting department. b. top management. c. lower levels of management. d. budget committee.

Definition C Term In the direct materials budget, the quantity of direct materials to be purchased is computed by adding direct materials required for production to

a. desired ending direct materials. b. beginning direct materials. c. desired ending direct materials less beginning direct materials. d. beginning direct materials less desired ending direct materials.

Definition C Term Unger Company has 12,000 units in beginning finished goods. If sales are expected to be 60,000 units for the year and Unger desires ending finished goods of 15,000 units, how many units must the company produce?

a. 57,000 b. 60,000 c. 63,000 d. 75,000

Definition C Term The important end-product of the operating budgets is the

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a. budgeted income statement. b. cash budget. c. production budget. d. budgeted balance sheet.

DefinitionATerm On January 1, Patel Company has a beginning cash balance of \$21, 000. During the year, the company expects cash disbursements of \$170, 000 and cash receipts of \$145, 000. If Patel requires an ending cash balance of \$20, 000, the company must borrow

a. \$16, 000. b. \$20, 000. c. \$24, 000. d. \$46, 000.

DefinitionCTerm The budget that is often considered to be the most important financial budget is the

a. cash budget. b. apital expenditure budget. c. budgeted income statement. d. budgeted balance sheet.

DefinitionATerm Hendrix Company's direct materials budget shows total cost of direct materials purchases for January \$125, 000, February \$150, 000 and March \$175, 000. Cash payments are 60% in the month of purchase and 40% in the following month. The budgeted cash payments for March are

a. \$165, 000. b. \$160, 000. c. \$150, 000. d. \$130, 000.

DefinitionATerm A purchases budget is used instead of a production budget by

a. merchandising companies. b. service enterprises. c. not-for-profit organizations. . manufacturing companies.

DefinitionATerm Which of the following statements is incorrect?

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a. A continuous twelve-month budget results from dropping the month just ended and adding a future month. b. The production budget is derived from the direct materials and direct labor budgets. c. The cash budget shows anticipated cash flows. d. In the budget process for not-for-profit organizations, the emphasis is on cash flow rather than on revenue and expenses.

DefinitionBTerm Budget reports comparing actual results with planned objectives should be prepared only once a year. (T/F)DefinitionFalseTerm If actual results are different from planned results, the difference must always be investigated by management to achieve effective budgetary control. (T/F)

DefinitionFalseTerm Certain budget reports are prepared monthly, whereas others are prepared more frequently depending on the activities being monitored. (T/F)

DefinitionTrueTerm The master budget is not used in the budgetary control process. (T/F)

DefinitionFalseTerm A master budget is most useful in evaluating a manager's performance in controlling costs. (T/F)

DefinitionFalseTerm A static budget is one that is geared to one level of activity. (T/F)

DefinitionTrueTerm A static budget is changed only when actual activity is different from the level of activity expected. (T/F)

DefinitionFalseTerm A static budget is most useful for evaluating a manager's performance in controlling variable costs. (T/F)

DefinitionFalseTerm A flexible budget can be prepared for each of the types of budgets included in the master budget. (T/F)

DefinitionTrueTerm A flexible budget is a series of static budgets at different levels of activities. (T/F)

DefinitionTrueTerm Flexible budgeting relies on the assumption that unit variable costs will remain constant within the relevant range of activity. (T/F)

DefinitionTrueTerm Total budgeted fixed costs appearing on a flexible budget will be the same amount as total fixed costs on the master budget. (T/F)

DefinitionTrueTerm A flexible budget is prepared before the master budget. (T/F)

DefinitionFalseTerm The activity index used in preparing a flexible budget should not influence the variable costs that are being budgeted. (T/F)

DefinitionFalse

Term A formula used in developing a flexible budget is: Total budgeted cost = fixed cost + (total variable cost per unit ? activity level). (T/F)

DefinitionTrueTerm Flexible budgets are widely used in production and service departments. (T/F)

DefinitionTrueTerm A flexible budget report will show both actual and budget cost based on the actual activity level achieved. (T/F)

DefinitionTrueTerm Management by exception means that management will investigate areas where actual results differ from planned results if the items are material and controllable. (T/F)

DefinitionTrue

Term Policies regarding when a difference between actual and planned results should be investigated are generally more restrictive for noncontrollable items than for controllable items. (T/F)

DefinitionFalseTerm A distinction should be made between controllable and noncontrollable costs when reporting information under responsibility accounting. (T/F)

DefinitionTrueTerm Cost centers, profit centers, and investment centers can all be classified as responsibility centers. (T/F)

DefinitionTrueTerm More costs become controllable as one moves down to each lower level of managerial responsibility. (T/F)

DefinitionFalseTerm In a responsibility accounting reporting system, as one moves up each level of responsibility in an organization, the responsibility reports become more summarized and show less detailed information. (T/F)

DefinitionTrueTerm A cost center incurs costs and generates revenues and cost center managers are evaluated on the profitability of their centers. (T/F)

DefinitionFalseTerm The terms “ direct fixed costs” and “ indirect fixed costs” are synonymous with “ traceable costs” and “ common costs,” respectively. (T/F)

DefinitionTrueTerm Controllable margin is subtracted from controllable fixed costs to get net income for a profit center. (T/F)

DefinitionFalseTerm The denominator in the formula for calculating the return on investment includes operating and nonoperating assets. (T/F)

DefinitionFalseTerm The formula for computing return on investment is controllable margin divided by average operating assets. (T/F)

DefinitionTrueTerm When evaluating residual income, the calculation tells management what percentage return was generated by the particular division being evaluated. (T/F)

DefinitionFalseTerm Residual income generates a dollar amount which represents the increase in value to the company beyond the cost necessary to pay for the financing of assets. (T/F)

DefinitionTrueTerm Budget reports provide the feedback needed by management to see whether actual operations are on course. (T/F)

DefinitionTrueTerm A static budget is an effective means to evaluate a manager’s ability to control costs, regardless of the actual activity level. (T/F)

DefinitionFalseTerm The flexible budget report evaluates a manager’s performance in two areas: (1) production and (2) costs.

(T/F)DefinitionTrueTerm The terms controllable costs and noncontrollable costs are synonymous with variable costs and fixed costs, respectively. (T/F)

DefinitionFalseTerm Most direct fixed costs are not controllable by the profit center manager. (T/F)

DefinitionFalseTerm The manager of an investment center can improve ROI by reducing average operating assets. (T/F)

DefinitionTrueTerm Residual income and ROI are used as performance evaluation methods for profit center performance (T/F)

DefinitionFalseTerm What is budgetary control?

a. Another name for a flexible budget
b. The degree to which the CFO controls the budget
c. The use of budgets in controlling operations
d. The process of providing information on budget differences to lower level managers

DefinitionCTerm A major element in budgetary control is

a. the preparation of long-term plans. b. the comparison of actual results with planned objectives. c. the valuation of inventories. d. approval of the budget by the stockholders.

DefinitionBTerm Budget reports should be prepared

a. daily. b. monthly. c. weekly. d. as frequently as needed.

DefinitionDTerm On the basis of the budget reports,

a. management analyzes differences between actual and planned results. b. management may take corrective action. c. management may modify the future plans. d. all of these.

DefinitionDTerm The purpose of the departmental overhead cost report is to

a. control indirect labor costs. b. control selling expense. c. determine the efficient use of materials. d. control overhead costs.

DefinitionDTerm The purpose of the sales budget report is to

a. control selling expenses. b. determine whether income objectives are being met. c. determine whether sales goals are being met. d. control sales commissions.

DefinitionCTerm The comparison of differences between actual and planned results

a. is done by the external auditors. b. appears on the company's external financial statements. c. is usually done orally in departmental meetings. d. appears on periodic budget reports.

DefinitionDTerm A static budget

a. should not be prepared in a company. b. is useful in evaluating a manager's performance by comparing actual variable costs and planned variable costs. c. shows planned results at the original budgeted activity level. d. is changed only if the actual level of activity is different than originally budgeted.

DefinitionCTerm A static budget report

a. shows costs at only 2 or 3 different levels of activity. b. is appropriate in evaluating a manager's effectiveness in controlling variable costs. c. should be used when the actual level of activity is materially different from the master budget activity level. d. may be appropriate in evaluating a manager's effectiveness in controlling costs when the behavior of the costs in response to changes in activity is fixed.

DefinitionDTerm A static budget is appropriate in evaluating a manager's performance if

a. actual activity closely approximates the master budget activity. b. ctual activity is less than the master budget activity. c. the company prepares reports on an annual basis. d. the company is a not-for-profit organization

DefinitionATerm When budgeted and actual results are not the same amount, there is a budget

a. error. b. difference. c. anomaly. d. by-product.

DefinitionBTerm Top management's reaction to a difference between budgeted and actual sales often depends on

a. whether the difference is favorable or unfavorable. b. whether management anticipated the difference. c. the materiality of the difference. d. the personality of the top managers.

DefinitionC

Term If costs are not responsive to changes in activity level, then these costs can be best described as

- a. mixed.
- b. flexible.
- c. variable.
- d. fixed.

DefinitionDTerm Assume that actual sales results exceed the planned results for the second quarter. This favorable difference is greater than the unfavorable difference reported for the first quarter sales. Which of the following statements about the sales budget report on June 30 is true?

- a. The year-to-date results will show a favorable difference.
- b. The year-to-date results will show an unfavorable difference.
- c. The difference for the first quarter can be ignored.
- d. The sales report is not useful if it shows a favorable and unfavorable difference for the two quarters.

DefinitionATerm A static budget is appropriate for

- a. variable overhead costs.
- b. direct materials costs.
- c. fixed overhead costs.
- d. none of these.

DefinitionCTerm What is the primary difference between a static budget and a flexible budget?

- a. The static budget contains only fixed costs, while the flexible budget contains only variable costs.
- b. The static budget is prepared for a single level of activity, while a flexible budget is adjusted for different activity levels.

c. The static budget is constructed using input from only upper level management, while a flexible budget obtains input from all levels of management. d. The static budget is prepared only for units produced, while a flexible budget reflects the number of units sold.

DefinitionBTerm A flexible budget

a. is prepared when management cannot agree on objectives for the company. b. projects budget data for various levels of activity. c. is only useful in controlling fixed costs. d. cannot be used for evaluation purposes because budgeted data are adjusted to reflect actual results.

DefinitionBTerm The master budget of Rondelli Company shows that the planned activity level for next year is expected to be 50, 000 machine hours. At this level of activity, the following manufacturing overhead costs are expected: Indirect labor\$480, 000Machine supplies120, 000Indirect materials140, 000Depreciation on factory building 100, 000Total manufacturing overhead\$840, 000A flexible budget for a level of activity of 60, 000 machine hours would show total manufacturing overhead costs of

a. \$988, 000b. \$840, 000. c. \$1, 008, 000. d. \$908, 000.

DefinitionATerm Ashcroft, Inc. repared a 2011 budget for 60, 000 units of product. Actual production in 2011 was 65, 000 units. To be most useful, what amounts should a performance report for this company compare?

a. The actual results for 65, 000 units with the original budget for 60, 000 unitsb. The actual results for 65, 000 units with a new budget for 65, 000

units. c. The actual results for 65, 000 units with last year's actual results for 67, 000 unitsd. It doesn't matter. All of these choices are equally useful.

DefinitionBTerm A department has budgeted monthly manufacturing overhead cost of \$180, 000 plus \$3 per direct labor hour. If a flexible budget report reflects \$348, 000 for total budgeted manu-facturing cost for the month, the actual level of activity achieved during the month was

a. 176, 000 direct labor hours. b. 56, 000 direct labor hours. c. 116, 000 direct labor hours. d. Cannot be determined from the information provided.

DefinitionBTerm Which one of the following would be the same total amount on a flexible budget and a static budget if the activity level is different for the two types of budgets?

a. Direct materials costb. Direct labor costc. Variable manufacturing overheadd. Fixed manufacturing overhead

DefinitionDTerm In developing a flexible budget within a relevant range of activity,

a. only fixed costs are included. b. it is necessary to relate variable cost data to the activity index chosen. c. it is necessary to prepare a budget at 1, 000 unit increments. d. variable and fixed costs are combined and are reported as a total cost.

DefinitionBTerm What budgeted amounts appear on the flexible budget?

a. Original budgeted amounts at the static budget activity level
b. Actual costs for the budgeted activity level
c. Budgeted amounts for the actual activity level achieved
d. Actual costs for the estimated activity level

DefinitionCTerm The flexible budget

a. is prepared before the master budget. b. is relevant both within and outside the relevant range. c. eliminates the need for a master budget. d. is a series of static budgets at different levels of activity.

DefinitionDTerm A flexible budget can be prepared for which of the following budgets comprising the master budget?

a. Sales
b. Overhead
c. Direct materials
d. All of these

DefinitionDTerm Another name for the static budget is

a. master budget. b. overhead budget. c. permanent budget. d. flexible budget.

DefinitionATerm If a company plans to sell 24, 000 units of product but sells 30, 000, the most appropriate comparison of the cost data associated with the sales will be by a budget based on

a. the original planned level of activity. b. 27, 000 units of activity. c. 30, 000 units of activity. d. 24, 000 units of activity.

DefinitionCTerm Within the relevant range of activity, the behavior of total costs is assumed to be

a. linear and upward sloping. b. linear and downward sloping. c. curvilinear and upward sloping. d. linear to a point and then level off.

Definition A Term Sales results that are evaluated by a static budget might show 1. favorable differences that are not justified. 2. unfavorable differences that are not justified.

a. 1 b. 2 c. both 1 and 2. d. neither 1 nor 2.

Definition C Term The selection of levels of activity to depict a flexible budget 1. will be within the relevant range. 2. is largely a matter of expediency. 3. is governed by generally accepted accounting principles.

a. 1 b. 2 c. 3 d. 1 and 2

Definition D Term Management by exception

a. causes managers to be buried under voluminous paperwork. b. means that all differences will be investigated. c. means that only unfavorable differences will be investigated. d. means that material differences will be investigated.

Definition D Term Under management by exception, which differences between planned and actual results should be investigated?

a. Material and noncontrollable b. Controllable and noncontrollable c. Material and controllable. All differences should be investigated

Definition C Term Hudson Roofing's budgeted manufacturing costs for 25,000 squares of shingles are: Fixed manufacturing costs \$12,000 Variable

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manufacturing costs \$16.00 per square. Hudson produced 20,000 squares of shingles during March. How much are budgeted total manufacturing costs in March?

- a. \$320,000 b. 412,000 c. \$400,000 d. \$332,000

Definition DTerm A flexible budget depicted graphically

- a. is identical to a CVP graph. b. differs from a CVP graph in the way that fixed costs are shown. c. differs from a CVP graph in the way that variable costs are shown. d. differs from a CVP graph in that sales revenue is not shown.

Definition DTerm The activity index used in preparing the flexible budget

- a. is prescribed by generally accepted accounting principles. b. is only applicable to fixed manufacturing costs. c. is the same for all departments. d. should significantly influence the costs that are being budgeted.

Definition DTerm A static budget is not appropriate in evaluating a manager's effectiveness if a company has

- a. substantial fixed costs. b. substantial variable costs. c. planned activity levels that match actual activity levels. d. no variable costs.

Definition BTerm Dryden Manufacturing Company prepared a fixed budget of 40,000 direct labor hours, with estimated overhead costs of \$200,000 for variable overhead and \$60,000 for fixed overhead. Dryden then prepared a

flexible budget at 38, 000 labor hours. How much is total overhead costs at this level of activity?

a. \$190, 000b. \$250, 000c. \$247, 000d. \$260, 000

DefinitionBTerm For June, Wynn Manufacturing estimated sales revenue at \$400, 000. It pays sales commissions that are 4% of sales. The sales manager's salary is \$190, 000, estimated shipping expenses total 1% of sales, and miscellaneous selling expenses are \$10, 000. How much are budgeted selling ex