

Sample Questions possible on Cost CPL exam

1. Wright & Boyle Inc. had the following income statement for the month of May:

Sales revenue \$ 470,800.00 Cost of goods sold 217,766.40 Gross margin \$ 253,033.60 Less:
Selling expenses \$86,199.20 Administrative expenses 74,942.80 Operating income \$ 91,891.60

What was the cost of goods sold percent? (Note: Round answer to two decimal places.)

- a. 46.25%
- b. 100.51%
- c. 19.45%
- d. 52.56%

2. Steele Corporation has the following information for January, February, and March:

	<u>January</u>	<u>February</u>	<u>March</u>
Units produced	10,000	10,000	10,000
Units sold	7,000	8,500	10,500

Production costs per unit (based on 10,000 units) are as follows:

Direct materials	\$12
Direct labor	8
Variable factory overhead	6
Fixed factory overhead	4
Variable selling and admin. expenses	10
Fixed selling and admin. expenses	4

There were no beginning inventories for January, and all units were sold for \$50. Costs are stable over the three months.

What is the February contribution margin for Steele Corporation using the variable costing method?

- ☐ a. \$170,000
- ☐ b. \$204,000
- ☐ c. \$119,000
- ☐ d. \$240,000

3. At the beginning of the year, Forest Corporation estimates overhead will be \$175,000. If the actual overhead for the year is \$165,000 and the applied overhead for the year is \$120,000, what is the journal entry needed to reconcile the overhead variance? Assume that the overhead variance is immaterial.

- ☐ a.
Cost of Goods Sold 45,000
Overhead Control 45,000
- ☐ b.
Overhead Control 27,000
Cost of Goods Sold 27,000
- ☐ c.
Cost of Goods Sold 27,000
Overhead Control 27,000
- ☐ d.
Overhead Control 45,000
Cost of Goods Sold 45,000
- ☐ e. None of these choices are correct.

4. Information concerning Department A of Synergy Company for the month of June is as follows:

	<u>Materials</u>	
	<u>Units</u>	<u>Costs</u>
Work in process, beginning of month	22,000	\$15,675
Started in June	93,500	\$73,260
Units completed	99,000	
Work in process (WIP), end of month	16,500	

All materials are added at the beginning of the process. Using the first-in, first-out method, the equivalent units of production for materials would be calculated as:

- ☐ a. 93,500.
- ☐ b. 110,500.
- ☐ c. 90,000.
- ☐ d. 105,000.

5. Hexene, Inc. produces a specialized machine part used in forklifts. For last year's operations, the following data were gathered:

Units produced	40,000
Direct labor	32,000 hours @ \$10.00
Actual variable overhead	\$140,000

Hexene employs a standard costing system. During the year, a variable overhead rate of \$6.00 was used. The labor standard requires 0.75 hours per unit produced. The variable overhead spending and efficiency variances are:

- ☐ a. \$52,000 F and \$12,000 U.
- ☐ b. \$16,000 F and \$8,400 F.
- ☐ c. \$9,600 U and \$45,000 F.
- ☐ d. \$45,000 U and \$6,500 U.
- ☐ e. None of these choices are correct.

6. The data given below are from the accounting records of Kain Company:

Net Income	\$40,000
Depreciation expense	8,000
Decrease in accounts payable	1,800
Decrease in merchandise inventory	2,500
Increase in long-term liabilities	10,000
Increase in common stock	25,000
Increase in accounts receivable	4,000

Based on this information, the net cash flows from operating activities on the statement of cash flows using the indirect method would be

- ☐ a. \$50,000.
- ☐ b. \$44,700.
- ☐ c. \$42,100.
- ☐ d. \$51,300.

7. Fixed overhead was budgeted at \$84,000 and 10,000 direct labor hours were budgeted. If the fixed overhead volume variance was \$3,200 unfavorable and the fixed overhead spending variance was \$1,200 favorable, fixed overhead applied must be

- ☐ a. \$85,200.
- ☐ b. \$82,000.
- ☐ c. \$82,800.
- ☐ d. \$80,800.
- ☐ e. \$87,200.