



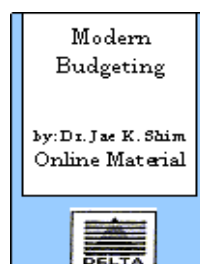
FINAL EXAM

Course # 171011 Modern Budgeting for Profit Planning & Control

based on the electronic .pdf file(s):

Modern Budgeting for Profit Planning & Control

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pages



15 CPE Credit Hours
Accounting & Auditing

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Chapter 1 - The What And Why Of Budgeting

1. Types of budgets may not include:

- Master
- Operating
- Nonoperating
- Financial

2. A budget is a financial plan to control future operations and express as dollars, units, hours, or manpower.

- TRUE
- FALSE

Chapter 2 - Strategic Planning And Budgeting

3. Long-term plans should not consider one of the following:

- New opportunities
- Competition
- Historical goals
- Financial strengths

4. Budget accuracy ratios include:

- Actual sales/budget sales
- Actual cost/budget cost
- Actual profit/ budget profit
- All the above

5. Employee performance may be measured by:

- Computing revenue per employee
- Man hours per employee
- Production volume to man-hours
- All the above

6. Planning is based on long-term resources allotment and should never be linked to short-term and intermediate goals. T F

TRUE

FALSE

Chapter 3 - Profit Planning: Targeting And Reaching Achievable Goals

7. A profit plan may be stated in terms of:

- Target return on investment (e.g., 20% roi)
- Growth in earnings (e.g., 5%)
- Percentage of sales
- All of the above

8. Profit plans should always be short-term and for less then a year such as quarterly or semi-annual. T F

TRUE

FALSE

Chapter 4 - Administering The Budget: Reports, Analyses, And Evaluations

9. The budget reports are not used for:

- Product costing

- Planning
- Control
- Information

10. The budget sheet should not include:

- Cost formulas
- Charitable donation formulas
- Changes in operating conditions
- Foreseeable conditions

11. The three major types of budget reports are for: planning control, and information. T F

TRUE

Chapter 5 - Cost Behavior: Emphasis On Flexible Budgeting And Contribution Margin

12. An understanding of cost behavior is helpful to managers for:

- Flexible budgeting
- Contribution margin analysis
- Appraisal of divisional performance
- All the above

13. Mixed factory overhead (mixed costs) do not include:

- Depreciation
- Supervision
- Clean up costs
- Maintenance and repairs

14. The high-low method uses two extreme data points to determine the values of ; a (fixed cost portion) and b (variable rate) in the equation:

$X = b + c$

$Y = a + bx$

$B + c = x - y$

$C = b (y + x)$

15. The Kramer Company developed a cost function for manufacturing overhead costs of $Y = \$14,000 + \$5x$. Estimated manufacturing overhead costs at 20,000 units of production would be

\$134,000

\$114,000

\$100,000

\$15,000

16. The letter y in the standard regression equation of $y = a + bx$ is best described as the:

Dependent variable

Constant

Independent variable

Coefficient of determination.

17. In the standard regression equation of $y = a + bx$, the letter b is best described as the:

Dependent variable

Constant

Slope

Coefficient of determination.

18. The letter a in the standard regression equation of $y = a + bx$ is best described as the:

Dependent variable

- Constant
- Slope
- Coefficient of determination.

19. Mount Company incurred a total cost of \$8,600 to produce 400 units of pulp. Each unit of pulp required 5 direct labor hours to complete. What is the total fixed costs if the variable cost was \$1.50 per direct labor-hour?

- \$1,700
- \$2,600
- \$4,100
- \$5,600

Chapter 6 - Responsibility Accounting And Reporting To Management

20. The cost systems of most companies fail when it comes to:

- Product cost
- Inventory pricing
- Cost control
- All the above

21. Costs control themselves when left unchecked. T F

- TRUE
- FALSE

Chapter 7 - Master Budget: Genesis Of Forecasting And Profit Planning

22. Typical master budgets include all except:

- Sales budget
- Pro-rata budget
- Direct labor budget
- Cash receipts budget

23. Selling and administrative expenses don not include:

- Salaries
- Factory utilities
- Commission on sales
- Bad debts

24. Which one of the following statements is not true?

- No collections are made in the month of sales
- 80% of the sales of any month are collected in the following month
- Collections are always made by outside agencies
- 19% of sales are collected in the second following month

25. A pro forma financial statement:

- Is a financial statement for past periods
- Is a projected or budgeted financial statement
- Is presented for the form but contains no dollar amounts
- None of the above

26. The starting point in preparing a comprehensive budget for a manufacturing company limited by its ability to produce and not by its ability to sell is a(n):

- Sales forecast
- Estimate of productive capacity

Estimate of cash receipts and disbursements

Projection of fixed asset acquisitions.

27. Jiggy company plans to sell 33,000 units during the month of May. The company plans to have 2,500 units on hand at the end of the month. If 1,200 units are on hand on May 1, how many units must be produced during May?

33000

35500

34300

31800

28. A budget is a projected or planned income statement. T F

TRUE

FALSE

Chapter 8 - Using Variance Analysis To Evaluate Performance

29. Variance analysis is a tool used to:

Evaluate financial performance

Evaluate customer satisfaction

Determine cost ratios

Identify and control product compatibility

30. Reasons for unfavorable materials variances do not include:

Total quality management (TQM)

Overstated prices

Failure to detect defective goods

Inefficient labor or poor supervision

31. Price variances focus on the difference between

Actual price and standard price for actual quantity allowed for units actually produced

Actual price and standard price for standard quantity allowed for units actually produced

Actual price and standard price for actual quantity allowed for estimated activity

None of the above

32. Variance analysis can spotlight positive performance and can be used to reward superior performance by employees. T F

TRUE

FALSE

Chapter 9 - Budgeting Sales And Sales Forecasts

33. The starting point of the master budget is always the:

Cash receipts budget

Production budget

Sales budget

None of the above

34. The personnel department requires a number of forecasts in planning for human resource which may include trends in:

Labor turnover

Retirement age

Absenteeism

All the above

35. Sales forecasts are crude estimates and should never be used for budgets, profit planning, or capital expenditure analysis. T F

TRUE

FALSE

Chapter 10 - Budgeting Manufacturing Costs

36. Manufacturing costs are associated with:

Direct materials

Direct labor

Factory overhead

All the above

37. A static budget is geared toward:

Only one level of activity

Many independent levels of activity

Only interrelated levels of activity

None of the above

38. Basic steps in preparing a flexible budget do not include:

Determine levels of activities

Determine the relevant range activity is expected to fluctuate

Analyze costs incurred over the relevant range

Separate costs by behavior

Chapter 11 - Budgeting For Sales, Advertising, And Distribution Expenses

39. Advertising and promotion expense budgets can include:

- Internet advertising
- Television advertising
- Magazine advertising
- All the above

40. Measures of advertising do not include:

- Trends in advertising cost to sales
- Advertising by alleged incurred costs
- Advertising cost per unit sold
- Advertising cost per sales dollars

41. A budget for automobile expenses may be based on

- Size
- Sales
- Mileage
- Machine hours

42. An advertising budget may be developed based on

- Percentage of sales or profit
- Unit sales
- Objective task
- All of the above

43. The marketing budget should never depend on the type of product, service, competition or market share but on what the market will bear. T

F

- TRUE
- FALSE

Chapter 12 - Budgeting General And Administrative Expenses

44. In budgeting salaries there should be included a provision for salary increases, sick leave time, vacations, holidays and fringe benefits. T F

TRUE

FALSE

45. Depreciation on the office equipment would appear in which of the following budgets?

Cash budget

Production budget

Selling expenses budget

General and administrative expenses budget

Chapter 13 - Budgeting Research And Development

46. The direct and indirect costs associated with R & D do not include:

Personnel costs

Personal costs

Depreciation on r & d

Rentals and travel

47. The R & D budget may be based on all except:

A percentage of creative activity

Estimated costs of specific projects

A percentage of profit

A percentage of operating income

48. The manager should not keep track of the following with respect to R &

D:

- R & D to net sales
- R & D by product
- Non-productive incentives
- Estimated project costs

49. Research and development (R & D) should never be justified on the return obtained or incurred and risks assumed but on the possible potential. T F

TRUE

FALSE

Chapter 14 - Cash Flow Forecasting And Cash Budgeting

50. A forecast of cash collections and potential write-offs of accounts receivable is essential in:

- Sales budgeting
- Production budgeting
- Cash budgeting
- All the above

51. Nonoperating components of a cash budget do not include:

- Royalties
- Collections form customers
- Rents
- Loan proceeds

52. Which of the following appears in the cash budget?

Interest payments

Purchase of equipment on credit

Depreciation

All of the above

Chapter 15 - Use Of A Spreadsheet Program And Software For Budgeting

53. Budgeting packages include:

Comshare Budget Plus

Encore Plus

Budget Maestro

All the above

54. The latest generation of budgeting and planning (b&p) software, often known as active financial planning software, are characterized by:

Budgeting

Forecasting analytics

Business intelligence

All of the above

55. Which of the following represents the best reason for "what-if" (sensitivity) analysis when preparing master budgets?

Reconcile long-term estimates with short-term realities

Recognize uncertainty surrounding projections

Lend credibility to estimated values

Detect erroneous projections

Chapter 16 - Budgeting Capital Expenditures

56. Factors to consider in determining capital expenditure do not include:

Short-term interest rates

Rate of return

Budget ceiling

Tax rates

57. Capital expenditure policy should not take into account:

Desired rate of return

Cost impact

Asset life

Timing

58. Capital expenditures do not include replacing machinery to economize on costs. T F

TRUE

FALSE

Chapter 17 - Zero-Base Budgeting: Priority Budgeting For Best Resource Allocation

59. Zero-base budgeting (ZBB) system includes all except:

Starts with base zero

Examines cost/benefit for all activities

Starts with dollars

Starts with purposes and activities

60. A decision package will not contain:

Description of activities and reason to carry it out

- Statement of objectives and benefits to be derived
- The priorities established
- A flexible (dynamic) input

61. Program budgeting includes:

- Planning
- Programming
- Budgeting
- All the above

62. Zero Based budgeting requires managers to:

- Justify expenditures that are increases over the prior period's budgeted amount
- Justify all expenditures, not just increases over last year's amount
- Maintain a full-year budget intact at all times
- Maintain a budget with zero increases over the prior period

63. Zero base budgeting (ZBB) is a priority form of budgeting ranking activities such as products and services. T F

- TRUE
- FALSE

64. An objective of zero-based budgeting is to base the current year's budget on the expenditures of the previous year

- True
- False

65. The major feature of zero-based budgeting (ZBB) is that it questions each activity and determines whether it should be maintained as it is, reduced, or eliminated. T/F

- True
- False

Chapter 18 - Budgeting For Service Organizations

66. Which one of the following statements is not true?

- Planning and control are critical functions in service business
- The practice of budgeting is probably not as well developed in service companies as it is in manufacturing firms.
- In manufacturing businesses, budgeting is forced upon the business by the need to keep sales and production coordinated.
- In service companies, the business activity rarely requires human effort.

67. Service industries can include all except:

- Airlines
- Shipbuilding
- Hotels
- Training centers

68. Which of the following budgets are identical in a service firm?

- The cash receipts budget and the cash payments budget
- The production budget and the materials purchases budget
- The sales budget and the production budget
- The materials purchases budget and the cash payments budget

69. Planning and control are critical functions in all business, whether they produce and sell goods or provide services. T F

- TRUE
- FALSE

Chapter 19 - Budgeting For Nonprofit Organizations

70. Government funds do not include:

- General fund
- Slush fund
- Special assessment fund
- Capital projects fund

71. Interfund transactions that are not loans or advances, reimbursements, or quasi-external transactions are classified as:

- Transfers of tax revenue from a special revenue fund
- Transfer of bonds
- Transfer of assets
- Transfer of services

72. Which of the following organizations would be most likely to use budgets to authorize expenditure of funds?

- Service organizations
- Retail merchants
- Governmental organizations
- Organizations seeking to enhance internal control

73. Nonprofit organizations include voluntary support organizations, governments and state schools, and community-based organizations. T F

TRUE

FALSE

74. Gold County received goods that had been approved for purchase but for which payment had not yet been made. Should the accounts listed below be decreased?

Encumbrances - No Expenditures - No

Encumbrances - No Expenditures - Yes

Encumbrances - Yes Expenditures - No

Encumbrances - Yes Expenditures - Yes

75. The estimated revenues control account of a governmental unit is credited when

Actual revenues are recorded.

Actual revenues are collected.

The budget (appropriation) is recorded.

The budget is closed at the end of the year.

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- Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.
- A short evaluation page will display. Please provide your feedback for the course.
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