1. Which of the following should NOT be included as part of manufacturing overhead at a company that makes office furniture?

A. Sheet steel in a file cabinet made by the company.
B. Manufacturing equipment depreciation.
C. Idle time for direct labor.
D. Taxes on a factory building.

2. The cost of leasing production equipment is classified as:

<table>
<thead>
<tr>
<th>Prime cost</th>
<th>Product cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) No</td>
<td>Yes</td>
</tr>
<tr>
<td>B) No</td>
<td>No</td>
</tr>
<tr>
<td>C) Yes</td>
<td>No</td>
</tr>
<tr>
<td>D) Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

A: Option A
B. Option B
C. Option C
D. Option D
3. The wages of factory maintenance personnel would usually be considered to be:

<table>
<thead>
<tr>
<th></th>
<th>Indirect labor</th>
<th>Manufacturing overhead</th>
</tr>
</thead>
<tbody>
<tr>
<td>A)</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>B)</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>C)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>D)</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

A. Option A  
B. Option B  
C. Option C  
D. Option D

AACSB: Reflective Thinking  
AICPA BB: Critical Thinking  
AICPA FN: Measurement  
Blooms: Comprehension  
Garrison - Chapter 02 #32  
Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories  
Learning Objective: 02-06 Understand the differences between direct and indirect costs  
Level: Medium

4. Which of the following costs is an example of a period rather than a product cost?
   A. Depreciation on production equipment.  
   B. Wages of salespersons.  
   C. Wages of production machine operators.  
   D. Insurance on production equipment.

AACSB: Reflective Thinking  
AICPA BB: Critical Thinking  
AICPA FN: Measurement  
Blooms: Knowledge  
Garrison - Chapter 02 #39  
Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each  
Level: Easy

5. The salary of the president of a manufacturing company would be classified as which of the following?
   A. Product cost  
   B. Period cost  
   C. Manufacturing overhead  
   D. Direct labor

AACSB: Reflective Thinking  
AICPA BB: Critical Thinking  
AICPA FN: Measurement  
Blooms: Knowledge  
Garrison - Chapter 02 #42  
Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each  
Level: Easy
6. Last month, when 10,000 units of a product were manufactured, the cost per unit was $60. At this level of activity, variable costs are 50% of total unit costs. If 10,500 units are manufactured next month and cost behavior patterns remain unchanged the:
A. total variable cost will remain unchanged.
B. fixed costs will increase in total.
C. variable cost per unit will increase.
**D. total cost per unit will decrease.**

AACSB: Analytic  
AICPA BB: Critical Thinking  
AICPA FN: Measurement  
Blooms: Comprehension  
Garrison - Chapter 02 #44  
Learning Objective: 02-03 Understand cost behavior patterns including variable costs; fixed costs; and mixed costs  
Level: Hard

7. Variable cost:
A. increases on a per unit basis as the number of units produced increases.
B. remains constant on a per unit basis as the number of units produced increases.
C. remains the same in total as production increases.
D. decreases on a per unit basis as the number of units produced increases.

AACSB: Reflective Thinking  
AICPA BB: Critical Thinking  
AICPA FN: Measurement  
Blooms: Knowledge  
Garrison - Chapter 02 #45  
Learning Objective: 02-03 Understand cost behavior patterns including variable costs; fixed costs; and mixed costs  
Level: Medium

8. Within the relevant range, variable cost per unit will:
A. increase as the level of activity increases.
B. remain constant.
C. decrease as the level of activity increases.
D. none of these.

AACSB: Reflective Thinking  
AICPA BB: Critical Thinking  
AICPA FN: Measurement  
Blooms: Comprehension  
Garrison - Chapter 02 #48  
Learning Objective: 02-03 Understand cost behavior patterns including variable costs; fixed costs; and mixed costs  
Level: Easy
9. An example of a committed fixed cost is:
   A. a training program for salespersons.
   B. executive travel expenses.
   **C.** property taxes on the factory building.
   D. new product research and development.

10. The term differential cost refers to:
   A. a difference in cost which results from selecting one alternative instead of another.
   B. the benefit forgone by selecting one alternative instead of another.
   C. a cost which does not involve any dollar outlay but which is relevant to the decision-making process.
   D. a cost which continues to be incurred even though there is no activity.

11. Which of the following costs is often important in decision making, but is omitted from conventional accounting records?
   A. Fixed cost.
   B. Sunk cost.
   **C.** Opportunity cost.
   D. Indirect cost.
12. The following costs were incurred in September:

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>$38,000</td>
</tr>
<tr>
<td>Direct labor</td>
<td>$29,000</td>
</tr>
<tr>
<td>Manufacturing overhead</td>
<td>$21,000</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>$17,000</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>$32,000</td>
</tr>
</tbody>
</table>

Conversion costs during the month totaled:

A. $50,000
B. $59,000
C. $137,000
D. $67,000

Conversion cost = Direct labor + Manufacturing overhead
= $29,000 + $21,000
= $50,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Application
Garrison - Chapter 02 #56
Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories
Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each
Level: Medium

13. The following costs were incurred in September:

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>$39,000</td>
</tr>
<tr>
<td>Direct labor</td>
<td>$23,000</td>
</tr>
<tr>
<td>Manufacturing overhead</td>
<td>$17,000</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>$14,000</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>$27,000</td>
</tr>
</tbody>
</table>

Prime costs during the month totaled:

A. $79,000
B. $120,000
C. $62,000
D. $40,000

Prime cost = Direct materials + Direct labor
= $39,000 + $23,000 = $62,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Application
Garrison - Chapter 02 #57
Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories
Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each
Level: Medium
14. In September direct labor was 40% of conversion cost. If the manufacturing overhead for the month was $66,000 and the direct materials cost was $20,000, the direct labor cost was:

A. $13,333  
B. $44,000  
C. $99,000  
D. $30,000

Given:

Direct labor = 0.40 \times \text{Conversion cost}
Manufacturing overhead = $66,000

Conversion cost = \text{Direct labor} + \text{Manufacturing overhead}
Conversion cost = \text{Direct labor} + $66,000
Conversion cost = 0.40 \times \text{Conversion cost} + $66,000
0.60 \times \text{Conversion cost} = $66,000
\text{Conversion cost} = $66,000 \div 0.60
\text{Conversion cost} = $110,000
\text{Direct labor} = 0.40 \times \text{Conversion cost} = 0.40 \times $110,000 = $44,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Application
Garrison - Chapter 02 #58
Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories
Level: Hard
15. A manufacturing company prepaids its insurance coverage for a three-year period. The premium for the three years is $2,700 and is paid at the beginning of the first year. Eighty percent of the premium applies to manufacturing operations and 20% applies to selling and administrative activities. What amounts should be considered product and period costs respectively for the first year of coverage?

- **A.** Option A
- **B.** Option B
- **C.** Option C
- **D.** Option D

Annual insurance expense = $2,700 \div 3 = $900
Portion applicable to product cost = 0.80 \times $900 = (0.80) \times $900 = $720
Portion applicable to period cost = 0.20 \times $900 = $180

16. Which of the following methods of analyzing mixed costs can be used to estimate an equation for the mixed cost?

- **A.** Option A
- **B.** Option B
- **C.** Option C
- **D.** Option D

<table>
<thead>
<tr>
<th></th>
<th>High-Low</th>
<th>Least-Squares</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>B</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>C</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>D</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

A  
 AACSB: Reflective Thinking
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Blooms: Knowledge
 Garrison - Chapter 02 #4
 Learning Objective: 02A-04 Analyze a mixed cost using a scattergraph plot and the high-low method
 Learning Objective: 02A-08 Analyze a mixed cost using a scattergraph plot and the least-squares regression method
 Level: Easy
17. The management of Ferry Corporation would like for you to analyze their repair costs, which are listed below:

<table>
<thead>
<tr>
<th>Month</th>
<th>Machine-Hours</th>
<th>Repair Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td>2,131</td>
<td>$33,085</td>
</tr>
<tr>
<td>March</td>
<td>2,160</td>
<td>$33,103</td>
</tr>
<tr>
<td>April</td>
<td>2,117</td>
<td>$33,070</td>
</tr>
<tr>
<td>May</td>
<td>2,180</td>
<td>$33,137</td>
</tr>
<tr>
<td>June</td>
<td>2,102</td>
<td>$33,013</td>
</tr>
<tr>
<td>July</td>
<td>2,196</td>
<td>$33,167</td>
</tr>
<tr>
<td>August</td>
<td>2,128</td>
<td>$33,054</td>
</tr>
<tr>
<td>September</td>
<td>2,191</td>
<td>$33,140</td>
</tr>
</tbody>
</table>

Management believes that repair cost is a mixed cost that depends on the number of machine-hours. Using the least-squares regression method, the estimates of the variable and fixed components of repair cost would be closest to:

A. $1.64 per machine-hour plus $29,566 per month  
B. $0.92 per machine-hour plus $31,132 per month  
C. $1.37 per machine-hour plus $30,157 per month  
D. $15.39 per machine-hour plus $33,096 per month

Using Microsoft Excel, the solution is:

<table>
<thead>
<tr>
<th>Intercept</th>
<th>$30,157</th>
<th>Fixed cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slope</td>
<td>$1.37</td>
<td>Variable cost</td>
</tr>
<tr>
<td>R²</td>
<td>0.93</td>
<td></td>
</tr>
</tbody>
</table>

AACSB: Analytic  
AICPA BB: Critical Thinking  
AICPA FN: Measurement  
Blooms: Application  
Garrison - Chapter 02 #6  
Learning Objective: 02A-08 Analyze a mixed cost using a scattergraph plot and the least-squares regression method  
Level: Hard
18. Faraz Corporation has provided the following production and total cost data for two levels of monthly production volume. The company produces a single product.

<table>
<thead>
<tr>
<th>Production volume ..........</th>
<th>5,000 units</th>
<th>6,000 units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials ..........</td>
<td>$70,500</td>
<td>$84,600</td>
</tr>
<tr>
<td>Direct labor .............</td>
<td>$130,500</td>
<td>$156,600</td>
</tr>
<tr>
<td>Manufacturing overhead ...</td>
<td>$802,000</td>
<td>$824,400</td>
</tr>
</tbody>
</table>

The best estimate of the total cost to manufacture 5,300 units is closest to:

A. $1,002,230
B. $1,021,780
C. $1,063,180
D. $941,280

Direct materials is a variable cost, so it can be computed as follows:

Direct materials cost per unit = $70,500/5,000 units = $14.10 per unit

Direct labor could also be computed the same way, but just to make sure it is purely a variable cost, we'll use the high-low method:

Variable direct labor cost per unit = \( \frac{\text{Change in cost}}{\text{Change in activity}} \)

\[ \frac{($156,600 - $130,500)}{(6,000 \text{ units} - 5,000 \text{ units})} \]

\[ = \frac{$26,100}{1,000 \text{ units}} \]

\[ = $26.10 \text{ per unit} \]

Direct labor fixed cost element = Total cost - Variable cost element

\[ = $156,600 - ($26.10 \text{ per unit} \times 6,000 \text{ units}) \]

\[ = $156,600 - ($156,600) = $0 \]

Variable manufacturing overhead cost per unit = \( \frac{\text{Change in cost}}{\text{Change in activity}} \)

\[ \frac{($824,400 - $802,000)}{(6,000 \text{ units} - 5,000 \text{ units})} \]

\[ = \frac{$22,400}{1,000 \text{ units}} \]

\[ = $22.40 \text{ per unit} \]

Manufacturing overhead fixed cost element = Total cost - Variable cost element

\[ = $824,400 - ($22.40 \text{ per unit} \times 6,000 \text{ units}) \]

\[ = $824,400 - ($134,400) = $690,000 \]

Total variable cost = Direct materials + Direct labor + Variable manufacturing overhead

\[ = $14.10 \text{ per unit} + $26.10 \text{ per unit} + $22.40 \text{ per unit} \]

\[ = $62.60 \text{ per unit} \]

Total fixed overhead cost = $690,000

Total cost to manufacture 5,300 units = Total fixed cost + Total variable cost

\[ = $690,000 + ($62.60 \text{ per unit} \times 5,300 \text{ units}) \]

\[ = $690,000 + ($331,780) \]

\[ = $1,021,780 \]
19. In computing its predetermined overhead rate, Marple Company inadvertently left its indirect labor costs out of the computation. This oversight will cause:

A. Manufacturing Overhead to be overapplied.
B. The Cost of Goods Manufactured to be understated.
C. The debits to the Manufacturing Overhead account to be understated.
D. The ending balance in Work in Process to be overstated.

20. Which of the following is the correct formula to compute the predetermined overhead rate?

A. Estimated total units in the allocation base divided by estimated total manufacturing overhead costs.
B. Estimated total manufacturing overhead costs divided by estimated total units in the allocation base.
C. Actual total manufacturing overhead costs divided by estimated total units in the allocation base.
D. Estimated total manufacturing overhead costs divided by actual total units in the allocation base.

21. Which of the following would probably be the least appropriate allocation base for allocating overhead in a highly automated manufacturer of specialty valves?

A. Machine-hours
B. Power consumption
C. Direct labor-hours
D. Machine setups
22. A proper journal entry to close overapplied manufacturing overhead to Cost of Goods Sold would be:

A. Cost of Goods Sold
   Work in Process

B. Cost of Goods Sold
   Manufacturing Overhead

C. Cost of Goods Sold
   Finished Goods

D. Manufacturing Overhead
   Cost of Goods Sold

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Comprehension
Garrison - Chapter 03 #18
Learning Objective: 03-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs
Learning Objective: 03-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts
Level: Medium

23. In a job-order costing system, direct labor cost is ordinarily debited to:

A. Manufacturing Overhead.
B. Cost of Goods Sold.
C. Finished Goods.
D. Work in Process.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Comprehension
Garrison - Chapter 03 #19
Learning Objective: 03-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs
Level: Medium

24. The journal entry to record the incurrence of indirect labor costs is:

A. Wages Payable
   Manufacturing Overhead

B. Wages Payable
   Work In Process

C. Wages Payable
   Manufacturing Overhead

D. Wages Payable
   Work In Process

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Knowledge
Garrison - Chapter 03 #21
Learning Objective: 03-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs
Level: Easy
25. The balance in the Work in Process account equals:
A. the balance in the Finished Goods inventory account.
B. the balance in the Cost of Goods Sold account.
C. the balances on the job cost sheets of uncompleted jobs.
D. the balance in the Manufacturing Overhead account.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Knowledge
Garrison - Chapter 03 #23
Learning Objective: 03-05 Use T-accounts to show the flow of costs in a job-order costing system
Level: Easy

26. In a job-order costing system, indirect materials that have been previously purchased and that are used in production are recorded as a debit to:
A. Work in Process inventory.
B. Manufacturing Overhead.
C. Finished Goods inventory.
D. Raw Materials inventory.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Knowledge
Garrison - Chapter 03 #24
Learning Objective: 03-05 Use T-accounts to show the flow of costs in a job-order costing system
Level: Easy

27. Which terms will make the following statement true? When manufacturing overhead is overapplied, the Manufacturing Overhead account has a __________ balance and applied manufacturing overhead is greater than __________ manufacturing overhead.
A. debit, actual
B. credit, actual
C. debit, estimated
D. credit, estimated

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Comprehension
Garrison - Chapter 03 #26
Learning Objective: 03-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts
Level: Medium
28. Daguo Corporation uses direct labor-hours in its predetermined overhead rate. At the beginning of the year, the total estimated manufacturing overhead was $224,580. At the end of the year, actual direct labor-hours for the year were 18,200 hours, manufacturing overhead for the year was underapplied by $12,100, and the actual manufacturing overhead was $219,580. The predetermined overhead rate for the year must have been closest to:

A. $11.40 per machine-hour  
B. $12.34 per machine-hour  
C. $12.06 per machine-hour  
D. $10.53 per machine-hour

Manufacturing overhead applied = Actual overhead - Underapplied overhead  
= $219,580 - $12,100  
= $207,480

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $207,480 ÷ 18,200 direct labor-hours = $11.40 per direct labor-hour

AACSB: Analytic  
AICPA BB: Critical Thinking  
AICPA FN: Measurement  
Blooms: Application  
Garrison - Chapter 03 #29  
Learning Objective: 03-01 Compute a predetermined overhead rate  
Learning Objective: 03-02 Apply overhead cost to jobs using a predetermined overhead rate  
Learning Objective: 03-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts  
Level: Hard
29. Wert Corporation uses a predetermined overhead rate based on direct labor cost to apply manufacturing overhead to jobs. Last year, the company's estimated manufacturing overhead was $1,200,000 and its estimated level of activity was 50,000 direct labor-hours. The company's direct labor wage rate is $12 per hour. Actual manufacturing overhead amounted to $1,240,000, with actual direct labor cost of $650,000. For the year, manufacturing overhead was:

A. overapplied by $60,000  
B. underapplied by $60,000  
C. overapplied by $40,000  
D. underapplied by $44,000

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $1,200,000 ÷ 50,000 direct labor-hours  
= $24.00 per direct labor-hour

Wage rate per hour = Actual direct labor cost ÷ Actual direct labor-hours  
Actual direct labor-hours = Actual direct labor cost ÷ Wage rate per hour  
= $650,000 ÷ $12.00 per direct labor-hour  
= 54,166.67 direct labor-hours

Manufacturing overhead applied = Predetermined overhead rate × Actual direct labor-hours  
= $24.00 per direct labor-hour × 54,166.67 direct labor-hours  
= $1,300,000

<table>
<thead>
<tr>
<th>Manufacturing overhead incurred</th>
<th>$1,240,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing overhead applied</td>
<td>1,300,000</td>
</tr>
<tr>
<td>Manufacturing overhead overapplied</td>
<td>$ 60,000</td>
</tr>
</tbody>
</table>

AACSB: Analytic  
AICPA BB: Critical Thinking  
AICPA FN: Measurement  
Blooms: Application  
Garrison - Chapter 03 #30  
Level: Medium
30. Job 731 was recently completed. The following data have been recorded on its job cost sheet:

<table>
<thead>
<tr>
<th>Direct materials</th>
<th>$2,391</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct labor-hours</td>
<td>69</td>
</tr>
<tr>
<td>Direct labor wage rate</td>
<td>$13 per labor-hour</td>
</tr>
<tr>
<td>Machine-hours</td>
<td>129</td>
</tr>
</tbody>
</table>

The company applies manufacturing overhead on the basis of machine-hours. The predetermined overhead rate is $14 per machine-hour. The total cost that would be recorded on the job cost sheet for Job 731 would be:

A. $3,288  
B. $5,094  
C. $4,254  
D. $2,418  

31. During December at Ingrim Corporation, $74,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $6,000. The journal entry to record the requisition from the storeroom would include a:

A. debit to Raw Materials of $74,000  
B. debit to Work in Process of $68,000  
C. credit to Manufacturing Overhead of $6,000  
D. debit to Work in Process of $74,000  

<table>
<thead>
<tr>
<th>Work in Process</th>
<th>$68,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Overhead</td>
<td>$6,000</td>
</tr>
<tr>
<td>Raw Materials</td>
<td>$74,000</td>
</tr>
</tbody>
</table>
During February, Degan Inc. transferred $60,000 from Work in Process to Finished Goods and recorded a Cost of Goods Sold of $65,000. The journal entries to record these transactions would include a:

A. debit to Finished Goods of $65,000
B. credit to Cost of Goods Sold of $65,000
C. credit to Work in Process of $60,000
D. credit to Finished Goods of $60,000

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished Goods</td>
<td>$60,000</td>
<td></td>
</tr>
<tr>
<td>Work in Process</td>
<td></td>
<td>$60,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>$65,000</td>
<td></td>
</tr>
<tr>
<td>Finished Goods</td>
<td></td>
<td>$65,000</td>
</tr>
</tbody>
</table>
# Exam 1 Chapters 1-3 Summary

<table>
<thead>
<tr>
<th>Category</th>
<th># of Quest ions</th>
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<tbody>
<tr>
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Learning Objective: 02-01 Identify and give examples of each of the three basic manufacturing cost categories
Learning Objective: 02-02 Distinguish between product costs and period costs and give examples of each
Learning Objective: 02-03 Understand cost behavior patterns including variable costs; fixed costs; and mixed costs
Learning Objective: 02-04 Analyze a mixed cost using a scattergraph plot and the high-low method
Learning Objective: 02-06 Understand the differences between direct and indirect costs
Learning Objective: 02-07 Understand cost classifications used in making decisions: differential costs; opportunity costs; and sunk costs
<table>
<thead>
<tr>
<th>Learning Objective</th>
<th>Level</th>
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<tbody>
<tr>
<td>02A-04 Analyze a mixed cost using a scattergraph plot and the high-low method</td>
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<td>02A-08 Analyze a mixed cost using a scattergraph plot and the least-squares regression method</td>
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<td>03-01 Compute a predetermined overhead rate</td>
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<td>03-02 Apply overhead cost to jobs using a predetermined overhead rate</td>
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<td>03-03 Compute the total cost and average cost per unit of a job</td>
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<td>03-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs</td>
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<td>03-05 Use T-accounts to show the flow of costs in a job-order costing system</td>
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<td>07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts</td>
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