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QUESTION 1

The following data were collected from the records of the shipping department of a company:

Month	Units Shipped	Cost of Shipping Supplies
1	7,000	$35,000
2	5,000	25,000
3	3,000	14,900
4	13,000	65,000
5	11,000	55,200
6	10,000	50,200
7	15,000	74,900

The cost of shipping supplies is most likely to be a

A. Variable cost.

B. Fixed cost.

C. Step cost.

D. Semi-fixed cost.

Correct Answer: A

Variable costs are constant per unit but fluctuate in total with activity or volume (the rate of use of capacity). The cost per unit for shipping supplies is relatively constant at about $5, so this cost is variable.

QUESTION 2

Which of the following is not a benefit of lean production?

A. Reduced setup time.

B. Lower central support costs.

C. Lower training costs.

D. Improved on-time delivery.

Correct Answer: C

Since every worker in a manufacturing cell must be able to operate every piece of machinery in the cell,reduced training costs do not necessarily accompany the deployment of lean production.

QUESTION 3

Alberto Corp. has common and preferred shares outstanding with the following characteristics:

	Common Shares	Preferred Shares
Number of shares outstanding	50,000	25,000
Dividends paid during the year	$100,000	$50,000
Year-end market price per share	$10	$5
Book value of equity	$500,000	$250,000

For the year just ended, the company had the following statement of income:

Sales revenue	$1,000,000
Cost of goods sold	(300,000)
Depreciation expense	(100,000)
Earnings before interest and tax	$ 600,000
Interest expense	(100,000)
Earnings before tax	$ 500,000
Tax expense	(250,000)
Net income	$ 250,000

Alberto Corp. has earnings per share of

A. $2.67

B. $3.33

C. $4.00

D. $5.00

Correct Answer: C

EPS equals the income available for distribution to common shareholders divided by the number of common shares outstanding, or $4.00 [($250,000 NI - $50,000 preferred dividends) ?50,000 common shares]

QUESTION 4

Troy Toys is a retailer operating in several cities. The individual store managers deposit daily collections at a local bank in a non-interest bearing checking account. Twice per week1 the local bank issues a depository transfer check (DTC)to the central bank at headquarters. The controller of the company is considering using a wire transfer instead. The additional cost of each transfer would be $25; collections would be accelerated by 2 days; and the annual interest rate paid by the central bank is 7.2%(0.02% per day). At what amount of dollars transferred would it be economically feasible to use a wire transfer instead of the DTC? Assume a 360-day year.

A. It would never be economically feasible.

B. $125000 or above.

C. Any amount greater than $173.

D. Any amount greater than $62,500.

Correct Answer: D

Given a $25 fee and an interest rate of 0.02% per day for2 days, the breakeven amount is $62,500 [$25 transfer fee + (2 x .02% interest rate)]. Thus, the interest earned on a transfer of any amount greater than $62,500 would exceed the $25 fee.

QUESTION 5

A statement that "80% of our profits come from 20% of our products" is an example of the application of

A. Pareto analysis

B. Benchmarking

C. Value chain analysis

D. Life-cycle costing

Correct Answer: A

Pareto analysis assumes that 80% of results are caused by 20% of people or events.