

Managerial Accounting (SAYA-0009) Exam

Saylor BUS105

Version Demo

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QUESTION NO: 1

Cat Hats Inc. produces lines of headwear for cats. They have been asked by a local animal shelter to produce a special order for dogs. Below is a special order differential analysis prepared by their managerial accountant. Using this information, what would be the result of accepting the special order?

- A. A differential profit of (\$550)
- B. A differential profit of (\$700)
- C. A differential contribution margin of \$550
- D. A differential contribution margin of \$700

ANSWER: A

Explanation:

A differential profit of (\$550) is correct because the special-order differential analysis shows that accepting the dog-headwear order would decrease Cat Hats Inc.'s operating income by \$550. Differential analysis focuses solely on the revenues and costs that change as a direct consequence of the decision. For this proposed order, the incremental costs associated with fulfilling it exceed the incremental revenue by \$550. Therefore, the net financial effect is a negative differential profit, expressed in parentheses under standard accounting presentation.

This result is a decision-relevant measure: it quantifies the change in profit attributable to accepting the order, rather than reporting total company profit or merely the contribution margin. A negative differential profit means that, under the facts and cost assumptions supplied in the analysis, the order would make the company worse off financially by \$550. Special-order decisions should use relevant revenues and relevant costs, including any avoidable or additional fixed costs caused by the order, to determine the incremental effect on income. This approach is consistent with managerial-accounting treatment of special orders and short-term decisions. See [OpenStax's discussion of special-order decisions](#) and the [Saylor Academy learning platform](#).

QUESTION NO: 2

These tables pertain to the blending department of Martinez Corporation, a paint manufacturer, for the month of August.

Units accounted for in the mixing department:

	Physical Units	Equivalent Units		
		Direct Materials	Direct Labor	Overhead
Units completed and transferred to the packaging department during August	350	350	350	350
Work in process inventory, August 31	600	570	500	475
Total units accounted for	950	920	850	825

Total costs to be accounted for in the mixing department:

Direct Materials	Direct Labor	Overhead	Total Cost
\$26,680	\$11,900	\$11,920	\$50,500

Units accounted for in the mixing department and total costs to be accounted for in the mixing department are provided.

What is the cost per equivalent unit for direct labor, and what is the cost of direct labor to be assigned to ending work in process inventory?

- A. \$14 per equivalent unit; \$7,000 direct labor cost assigned to ending WIP inventory
- B. \$14 per equivalent unit; \$8,400 direct labor cost assigned to ending WIP inventory
- C. \$101 per equivalent unit; \$60,600 direct labor cost assigned to ending WIP inventory
- D. \$101 per equivalent unit; \$85,850 direct labor cost assigned to ending WIP inventory

ANSWER: B

Explanation:

\$14 per equivalent unit; \$8,400 direct labor cost assigned to ending WIP inventory is correct. Under process costing, direct-labor cost per equivalent unit is calculated by dividing the direct-labor costs to be accounted for by the equivalent units of production for direct labor. The department has \$11,900 of direct-labor cost and 850 direct-labor equivalent units, so its labor cost per equivalent unit is $\$11,900 \div 850 = \14.00 .

The ending work in process inventory represents 600 direct-labor equivalent units. Equivalent units convert the incomplete units still in production into the amount of labor work represented by fully completed units. Applying the \$14 direct-labor rate to those 600 equivalent units gives the direct-labor cost remaining in ending work in process: $600 \times \$14 = \$8,400$. This allocation follows the core process-costing approach of assigning conversion costs based on each category's equivalent units, thereby separating the cost of work completed from the cost still held in production at month-end. For an overview of equivalent-unit calculations and process costing, see [OpenStax, Prepare a Process Costing Production Report](#) and [OpenStax, Calculate and Interpret Equivalent Units](#).

QUESTION NO: 3

Horizon Media uses units sold as the activity base for its flexible budget. Variable selling and administrative expense is budgeted at \$2 per unit sold, and fixed selling and administrative expense is budgeted at \$30,000 per month. In August, Horizon sold 12,000 units and incurred actual selling and administrative expense of \$55,000. What is the selling and administrative expense spending variance for August?

- A. \$1,000 favorable
- B. \$1,000 unfavorable
- C. \$5,000 favorable
- D. \$5,000 unfavorable

ANSWER: B

Explanation:

\$1,000 unfavorable is correct. A flexible budget adjusts variable costs to the actual level of activity. At 12,000 units sold, budgeted variable selling and administrative expense is \$24,000 ($12,000 \times \2). Adding fixed selling and administrative expense of \$30,000 produces a flexible-budget amount of \$54,000.

Actual selling and administrative expense was \$55,000, which is \$1,000 greater than the flexible-budget amount. Because actual expense exceeded the amount allowed for the actual sales volume, the variance is unfavorable. Comparing actual cost with a static budget based on a different sales volume would not isolate spending performance from the effect of the higher activity level.

QUESTION NO: 4

Maple Foods uses a weighted-average process-costing system. During May, its mixing department transferred 9,000 units to the next department and had 2,000 units in ending work in process. The ending work-in-process units were 100 percent complete as to direct materials and 40 percent complete as to conversion costs. What are the equivalent units of production for conversion costs for May?

- A. 9,000 equivalent units

- B. 9,800 equivalent units
- C. 10,200 equivalent units
- D. 11,000 equivalent units

ANSWER: B

Explanation:

9,800 equivalent units is correct. Under the weighted-average method, equivalent units for conversion costs include the units transferred out plus the conversion equivalent units in ending work in process. The 9,000 transferred units are treated as 100 percent complete. Ending work in process contributes 800 conversion equivalent units, calculated as 2,000 units × 40 percent complete.

Total conversion equivalent units are therefore 9,000 + 800 = 9,800. The 2,000 ending units would contribute 2,000 equivalent units for direct materials because materials are 100 percent complete, but that fact does not change the conversion-cost calculation.

QUESTION NO: 5

Cash collections and payments for purchases would be included in which of the following budgets as part of the overall master budget?

- A. Cash budget
- B. Budgeted income statement
- C. Manufacturing overhead budget
- D. Direct materials purchases budget

ANSWER: A

Explanation:

Cash budget is correct because it schedules the organization's expected cash receipts and cash disbursements over the budget period. Cash collections show when customers are expected to pay amounts owed from credit sales, while payments for purchases show when the business expects to pay suppliers for goods or materials. These timing differences are essential: a sale or purchase may be recognized in one period under accrual accounting, but the related cash may be received or paid in a different period.

The cash budget combines these anticipated inflows and outflows with beginning cash balances and financing needs to forecast the ending cash balance for each budget period. Managers use this forecast to ensure that enough cash will be available to meet obligations, to identify periods when borrowing may be needed, and to plan uses for temporary cash surpluses. In the master-budget process, schedules such as sales and purchases provide input data, but the cash budget is the component that specifically reports the expected receipt and payment of cash.

Saylor's BUS105 materials describe the cash budget as a plan of expected cash inflows and outflows and illustrate how collections and disbursements determine cash availability. See [Saylor Academy BUS105: Managerial Accounting](#) and [OpenStax, Cash Budgets](#).

QUESTION NO: 6

The accounting department for Aramai Inc. is preparing the cash flow statement for the current year. Using the select financial statement data below, what is Aramai's net income when converted to cash provided by operating activities, using the indirect method?

Given:

Net Income = \$463,000

Equipment Depreciation = +\$38,500

Patent Amortization = +\$17,950

Loss on Sale of Equipment = +\$4,000

Increase in Accounts Receivable = -\$29,900

Apply adjustments to net income:

Cash from Operating Activities =

= \$463,000

A. \$38,500 (Depreciation – noncash)

B. \$17,950 (Amortization – noncash)

C. \$4,000 (Loss on Sale – noncash)– \$29,900 (Increase in A/R – use of cash)= \$493,550

ANSWER: C

Explanation:

\$4,000 (Loss on Sale – noncash)– \$29,900 (Increase in A/R – use of cash)= \$493,550 is correct because the indirect method starts with reported net income of \$463,000 and reconciles it to the cash generated by operating activities. Depreciation of \$38,500 and patent amortization of \$17,950 reduced accounting income but did not require a current-period cash payment, so both are added back. The \$4,000 loss on the sale of equipment is also added back because it reduced net income while the cash proceeds from selling the equipment belong in investing activities rather than operating activities. Finally, the \$29,900 increase in accounts receivable represents revenue recognized that has not yet been collected in cash, so it reduces operating cash flow. The computation is therefore $\$463,000 + \$38,500 + \$17,950 + \$4,000 - \$29,900 = \$493,550$. This reconciliation reflects the indirect-method objective of adjusting accrual-based net income for noncash items and operating working-capital changes. See the indirect-method discussion in [OpenStax Principles of Financial Accounting](#) and the cash-flow reporting framework in [IAS 7: Statement of Cash Flows](#).