1. The primary problem with the high-low method is:
   a. requirement for computer programming
   b. disregard of data
   c. complexity
   d. lack of precision

2. Abnormal spoilage costs would normally be charged to:
   a. a manufacturing overhead account
   b. a materials variance account
   c. an inventory account
   d. a special loss account

3. Customers making large contributions to the profitability of the company should:
   a. not be offered the volume-based price discounts offered to less profitable customers
   b. receive a higher level of attention from the company than less profitable customers
   c. be charged higher prices for the same products than less profitable customers
   d. be treated the same as other customers because all customers are important

4. Conversion costs:
   a. include direct materials, and in process costing are usually considered to be added evenly throughout the production process
   b. include all the factors of production
   c. include direct materials
   d. in process costing are usually considered to be added evenly throughout the production process

5. Which one of the following items of cost would be least likely to appear on a performance report based on responsibility accounting for the supervisor of an assembly line in a large manufacturing situation?
   a. direct labor
   b. supervisor's salary
   c. materials
   d. repairs and maintenance

6. In a period of rising prices, the use of which one of the following cost flow methods would result in the lowest cost of goods sold?
   a. FIFO
   b. moving average cost
   c. weighted average cost
   d. LIFO
7. Company S is a 100 percent-owned subsidiary of Company P. Company S has outstanding 8 percent, 10-year bonds sold to yield 7 percent. On January 1 of the current year, Company P purchased all of the Company S outstanding bonds at a price that reflected the current 9 percent effective interest rate. How should this event be reflected in the current year's consolidated statements?
   a. retirement of the bonds at an extraordinary loss as of the purchase date
   b. retirement of the bonds at an extraordinary gain as of the purchase date
   c. bonds remain in the balance sheet and are accounted for at a 9 percent effective rate
   d. bonds remain in the balance sheet and are accounted for at a 7 percent effective rate

8. Which one of the following income factors should **not** be factored into a calculation of goodwill?
   a. cost of goods sold
   b. income tax expense
   c. extraordinary items
   d. sales for the period

9. Which one of the following is **not** a FASB 141 disclosure requirement regarding a business combination?
   a. the identification of the acquired company and the percentage ownership acquired
   b. the main reasons for the acquisition and a description of the factors that led to the recognition of goodwill
   c. the book value of the company purchased on the date of purchase
   d. the cost of the acquired company and the amount and value of any ownership interests issues

10. What are declared dividends that are in excess of earnings since the investor acquired the stock called?
   a. return of investment equity
   b. reduction of investment cost
   c. return of investment
   d. liquidating dividends
Accounting Analysis & Decision Making Answer Key

1. B
2. D
3. B
4. D
5. B
6. A
7. A
8. C
9. C
10. D