



# MANAGERIAL ACCOUNTING

## Official Content Guide

CREDIT HOURS	LEVEL
3	Lower

# 2014–2015

**Use this guide if you are planning to test between October 1, 2014 and September 30, 2015.**

If you are planning to test on or after October 1, 2015, you should also obtain the revised version of this guide which will be available in late summer 2015. You may access the revised version online from our website.

# CONTENTS

<b>Preparing for the Exam</b> .....	<b>1</b>
<b>Before You Choose This UExcel Exam</b> .....	<b>1</b>
Uses for the Examination .....	1
Examination Length and Scoring .....	1
<b>UExcel Exam Resources</b> .....	<b>1</b>
Excelsior College Bookstore .....	1
UExcel Practice Exams .....	1
Open Educational Resources .....	2
Excelsior College Library .....	2
Online Tutoring .....	2
MyExcelsior Community .....	2
<b>Preparing for UExcel Exams</b> .....	<b>2</b>
How Long Will It Take Me to Study? .....	2
Study Tips .....	2
Using UExcel Practice Exams .....	3
About Test Preparation Services .....	3
<b>Preparing for This Exam</b> .....	<b>3</b>
Prior Knowledge .....	3
Using the Content Outline .....	3
Using the Sample Questions and Rationales .....	3
<b>Recommended Resources for the</b>	
<b>UExcel Exam in Managerial Accounting</b> .....	<b>4</b>
Textbooks .....	4
Open Educational Resources .....	4
<b>Content Outline</b> .....	<b>5</b>
General Description of the Examination .....	5
Learning Outcomes .....	5
Content Outline .....	6
<b>Sample Questions</b> .....	<b>11</b>
<b>Rationales</b> .....	<b>14</b>
<b>Taking the Exam</b> .....	<b>18</b>
<b>Registering for Your Exam</b> .....	<b>18</b>
Register Online .....	18
Register By Phone .....	18
Examination Administration .....	18
Computer-Delivered Testing .....	18
<b>On the Day of Your Exam</b> .....	<b>18</b>
On the Day of Your Exam .....	18
Academic Honesty Nondisclosure Statement .....	18
Information about UExcel exams for Colleges and Universities .....	19
<b>Managerial Accounting Exam Development Committee</b> .....	<b>19</b>



## SECTION ONE

# Preparing for the Exam

## Before You Choose This UExcel Exam

---

### Uses for the Examination

Excelsior College, the test developer, recommends granting three (3) semester hours of lower-level undergraduate credit to students who receive a letter grade of C or higher on this examination. The examination may be used to help fulfill a core requirement for Business degrees or as a free elective for all Excelsior College degree programs that allow for free electives. Other colleges and universities also recognize this exam as a basis for granting credit or advanced standing. Individual institutions set their own policies for the amount of credit awarded and the minimum acceptable grade.

Exam-takers **enrolled** in an Excelsior College degree program should ask their academic advisor where this exam fits within their degree program.

Exam-takers **not enrolled** in an Excelsior College degree program should check with the institution from which they wish to receive credit to determine whether credit will be granted and/or to find out the minimum grade required for credit.

### Examination Length and Scoring

The examination consists of approximately 100 four-option multiple-choice questions, some of which are unscored, pretest questions. The pretest questions are embedded throughout the exam, and they are indistinguishable from the scored questions. It is to your advantage

to do your best on all of the questions. You will have two (2) hours to complete the examination. Your score will be reported as a letter grade.

## UExcel Exam Resources

---

### Excelsior College Bookstore

The Excelsior College Bookstore offers recommended textbooks and other resources to help you prepare for UExcel exams.

The bookstore is available online, at:  
**[www.excelsior.edu/bookstore](http://www.excelsior.edu/bookstore)**

Bookstore staff are available, Eastern time:  
Monday–Thursday: 7:00 AM – 9:00 PM  
Friday: 7:00 AM – 6:00 PM  
Saturday: 8:00 AM – 5:00 PM  
Sunday: noon – 4:00 PM

Phone: 800-325-3252 (International 573-441-9179)  
Fax: 800-325-4147 (International 573-446-5254)

### UExcel Practice Exams

The official UExcel practice exams are highly recommended as part of your study plan. Once you [register](#) for your UExcel exam, you are eligible to purchase the corresponding practice exam, which can be taken using any computer with a supported Web browser. Each practice exam includes two forms that you may take within a 90-day period.

## Open Educational Resources

Open Educational Resources (OER) are learning materials that are freely available to learners via the Web. These materials may include brief lessons on very specific topics, e-textbooks, and podcasts, and even university courses you can download. These resources can introduce you to new information, broaden your knowledge of particular subject matter, and enrich your understanding of exam and course topics.

## Excelsior College Library

Access millions of authoritative resources online through the Excelsior College Library. Created through our partnership with the Sheridan Libraries of The Johns Hopkins University, the library provides access to journal articles, books, websites, databases, reference services, and many other resources. Special library pages relate to the nursing degree exams and other selected exams. **The library is available to enrolled Excelsior College students only.** To access it, visit [www.excelsior.edu/library](http://www.excelsior.edu/library) (login is required).

Our library provides:

- 24/7 availability
- Millions of the world's most current authoritative resources
- Help and support from staff librarians

## Online Tutoring

**Enrolled Excelsior College students** can use this service (available through SMARTTHINKING™) to connect with tutors who have been trained in a variety of academic subjects. For details, log on to your MyExcelsior page, find the Resources tab, and click on the link under Free Tutoring – Smarthinking.

## MyExcelsior Community

MyExcelsior Community enables Excelsior College students and alumni to interact with their peers online. As members, students can participate in real-time chat groups, join online study groups, buy and sell used textbooks, and share Internet resources. **Enrolled students have automatic access from their MyExcelsior page.**

# Preparing for UExcel Exams

---

## How Long Will It Take Me to Study?

A UExcel exam enables you to show that you've learned material comparable to one or more 15-week, college-level courses. As an independent learner, you should study and review as much as you would for a college course. For a three-credit course in a subject they don't know, most students would be expected to study nine hours per week for 15 weeks, for a total of 135 hours.

## Study Tips

Become an active user of the resource materials. Aim for understanding rather than memorization. The more active you are when you study, the more likely you will be to retain, understand, and apply the information.

The following techniques are generally considered to be “active learning”:

- **preview or survey** each chapter
- **highlight or underline text** you believe is important
- **write questions or comments** in the margins
- **practice re-stating content** in your own words
- **relate what you are reading** to the chapter title, section headings, and other organizing elements of the textbook
- **find ways to engage** your eyes, your ears, and your muscles, as well as your brain, in your studies
- **study with a partner or a small group** (if you are an enrolled student, search for partners on MyExcelsior Community)
- **prepare your review notes** as flashcards or create recordings that you can use while commuting or exercising

When you feel confident that you understand a content area, review what you have learned. Take a second look at the material to evaluate your understanding. If you have a study partner, the two of you can review by explaining the content to each other or writing test questions for each other to answer. Review questions from textbook chapters may be helpful for partner or individual study, as well.

## Using UExcel Practice Exams

We recommend taking the first form of the practice exam when you begin studying, to see how much you already know. After taking the first practice exam, check your performance on each question and find out why your answer was right or wrong. This feedback will help you improve your knowledge of the subject and identify areas of weakness that you should address before taking the exam. Take the second form of the practice exam after you have finished studying. Analyze your results to identify the areas that you still need to review.

Although there is no guarantee, our research suggests that students who do well on the practice exams are more likely to pass the actual exam than those who do not do well (or do not take advantage of this opportunity).

## About Test Preparation Services

Preparation for UExcel® exams and Excelsior College® Examinations, though based on independent study, is supported by Excelsior College with a comprehensive set of exam learning resources and services designed to help you succeed. These learning resources are prepared by Excelsior College so you can be assured that they are current and cover the content you are expected to master for the exams. These resources, and your desire to learn, are usually all that you will need to succeed.

There are test-preparation companies that will offer to help you study for our examinations. Some may imply a relationship with Excelsior College and/or make claims that their products and services are all that you need to prepare for our examinations.

Excelsior College is not affiliated with any test preparation firm and does not endorse the products or services of these companies. No test preparation vendor is authorized to provide admissions counseling or academic advising services, or to collect any payments, on behalf of Excelsior College. Excelsior College does not send authorized representatives to a student's home nor does it review the materials provided by test preparation companies for content or compatibility with Excelsior College examinations.

To help you become a well-informed consumer, we suggest that before you make any purchase decision regarding study materials provided

by organizations other than Excelsior College, you consider the points outlined on our website at [www.excelsior.edu/testprep](http://www.excelsior.edu/testprep).

## Preparing for This Exam

---

### Prior Knowledge

No prior knowledge of managerial accounting is required before you study for this exam.

### Using the Content Outline

Each content area in the outline includes (1) the recommended minimum hours of study to devote to that content area and (2) the most important sections of the recommended resources for that area. These annotations are not intended to be comprehensive. You may need to refer to other chapters in the recommended textbooks. **Chapter numbers and titles may differ in other editions.**

This content outline contains examples that illustrate the types of information you should study. Although these examples are numerous, do not assume that everything on the exam will come from these examples. Conversely, do not expect that every detail you study will appear on the exam. Any exam is only a broad sample of all the questions that could be asked about the subject matter.

### Using the Sample Questions and Rationales

Each content guide provides sample questions to illustrate those typically found on the exam. These questions are intended to give you an idea of the level of knowledge expected and the way questions are typically phrased. The sample questions do not sample the entire content of the exam and are not intended to serve as an entire practice test.

After the sample questions, you will find rationales for them (with the correct answer printed in bold). The rationales explain why the answer is correct and the other choices are wrong. The number in parentheses at the beginning of each rationale refers to the appropriate section of the content outline. Especially if you chose one of the wrong answers, you should return to its section of the content outline for additional study.

# Recommended Resources for the UExcel Exam in Managerial Accounting

---

The study materials listed below are recommended by Excelsior College as the most appropriate resources to help you study for the examination. For information on ordering from the Excelsior College Bookstore, see page 1 of this guide. You may also find resource materials in college libraries. Public libraries may have some of the textbooks or may be able to obtain them through an interlibrary loan program.

You should allow sufficient time to obtain resources and to study before taking the exam.

## **Textbooks**

**The following textbook was used by the examination development committee to verify all questions on the exam. These study materials may be purchased from the Excelsior College Bookstore.**

**[www.excelsior.edu/bookstore](http://www.excelsior.edu/bookstore)**

Garrison, Ray H. (2014). *Managerial Accounting* (15th ed.). New York: Richard D. Irwin.

## **Open Educational Resources**

The Saylor Foundation provides free, high quality courses through online, self-paced, free learning resources.

Saylor Foundation: Managerial Accounting  
<http://www.saylor.org/courses/bus105/>



## SECTION TWO

# Content Outline

### **General Description of the Examination**

The UExcel exam in Managerial Accounting measures knowledge and understanding of material typically taught in a lower-level undergraduate course in managerial accounting.

This examination tests for comprehension of basic managerial accounting principles in pursuit of organizational goals and strategies. The exam tests for familiarity with the fundamentals of basic unit costs, cost flow management systems and processes, budgeting and performance measurement, and cost analysis and pricing decisions. Thinking as a manager/accountant, the test taker should be able to identify relevant information and the appropriate methods for analyzing information while working in a financial, global, and ethical environment.

### **Learning Outcomes**

After you have successfully worked your way through the recommended study materials, you should be able to demonstrate the following learning outcomes:

1. Describe and understand how managerial accounting concepts and processes are applied to real world problems.
2. Explain how accounting information and processes are used to aid management in making a variety of different business decisions.
3. Recognize and understand the role of ethics in managerial accounting.
4. Discuss how decision making and financial analysis are impacted by accounting practices and principles.

## Content Outline

The content outline, which is similar to a syllabus, describes the various areas of the test. To fully prepare requires self-direction and discipline. Study involves careful reading, reflection, and systematic review.

The major content areas on the Managerial Accounting examination, the percent of the examination, and the hours to devote to each content area are listed below.

Content Area	Percent of the Examination	Hours of Study
I. Overview of Managerial Accounting and Cost Concepts	15%	20
II. Job-Order Costing and Process Costing	10%	14
III. Cost Behavior Analysis and Cost-Volume-Profit Relationships	20%	27
IV. Activity-Based Costing	10%	14
V. Profit Planning and Standard Costs	15%	21
VI. Segment Reporting, Decentralization, and Balanced Scorecard	5%	7
VII. Short-Term and Long-Term Decision Making	15%	21
VIII. Financial Statement Analysis	10%	14
<b>Total</b>	<b>100%</b>	

NOTE: Occasionally, examples will be listed for a content topic to help clarify that topic. However, the content of the examination is not limited to the specific examples given.

### I. Overview of Managerial Accounting and Cost Concepts

**15** PERCENT OF EXAM | **20** HOURS OF STUDY

**Ch. 1, Managerial Accounting: An Overview**

**Ch. 2, Managerial Accounting Costs and Concepts**

#### A. Managerial accounting and the business environment (Chapter 1)

1. Management functions and the need for managerial accounting information

- a. Planning
- b. Decision making
- c. Controlling
2. Comparing financial and managerial accounting
3. Strategic management skills
4. Risk management: controlling business risks
5. Process management and its skills
  - a. The lean production model
  - b. The Theory of Constraints (TOC)
6. Ethics in business and the code of conduct for management accountants
7. Corporate social responsibility: definitions and examples of corporate responsibility
8. Corporate governance



- a. The Sarbanes-Oxley Act (2002)
- b. Internal controls

**B. Cost concepts and definitions (Chapter 2)**

1. General cost classifications
  - a. Manufacturing costs vs. nonmanufacturing costs
  - b. Product costs vs. period costs
  - c. Prime costs vs. conversion costs
2. Cost classifications for predicting cost behavior and decision making
  - a. Variable costs vs. fixed costs
  - b. Direct vs. indirect costs
  - c. Differential costs, sunk costs, and opportunity costs
3. Traditional vs. contribution margin income statement

**II. Job-Order Costing and Process Costing**

---

**10** PERCENT OF EXAM | **14** HOURS OF STUDY

---

**Ch. 3, Job-Order Costing**

**Ch. 4, Process Costing**

---

**A. Job-order costing (Chapter 3)**

1. Absorption costing
2. Job-order costing processes
  - a. Measuring direct materials costs
  - b. Measuring direct labor costs
  - c. Applying manufacturing overhead (MOH)
    - 1) Predetermined overhead rate
    - 2) Allocation base
  - d. Job cost sheet: calculation of unit costs
3. Flow of costs (without journal entries)
4. Cost classifications on financial statements
  - a. Inventory accounts on the balance sheet
  - b. Cost of goods sold on the income statement

- c. Schedule of cost of goods manufactured

**5. Problems of overhead application (without journal entries)**

- a. Overapplied and underapplied overhead
- b. Disposition of overhead to inventory and cost of goods sold

**6. Job-order costing in a service company**

**B. Process costing (Chapter 4)**

1. Comparison of job-order costing and process costing
2. Cost flows in process costing (without journal entries)
  - a. Processing departments
  - b. Cost accumulation
3. Equivalent units of production: the weighted-average method
  - a. Compute for materials
  - b. Compute for conversion
  - c. Cost per equivalent unit
  - d. Apply cost per equivalent to inventory and goods transferred out
  - e. Cost reconciliation report

**III. Cost Behavior Analysis and Cost-Volume-Profit Relationships**

---

**20** PERCENT OF EXAM | **27** HOURS OF STUDY

---

**Ch. 2, Managerial Accounting and Cost Concepts**

**Ch. 5, Cost-Volume-Profit Relationships**

---

**A. Cost behavior analysis (Chapter 2)**

1. Types of cost behavior patterns
  - a. Variable costs, the activity base, and relevant range
  - b. Fixed costs (committed and discretionary)
  - c. Mixed costs
2. The analysis of mixed costs
  - a. Scattergraph

- b. High-low method
- 3. The contribution format income statement
  - a. Costs organized by behavior
  - b. Contribution margin

**B. Cost-volume-profit relationships (Chapter 5)**

- 1. The basics of cost-volume-profit (CVP) analysis
  - a. Contribution margin
  - b. Contribution margin (CM) ratio
  - c. CVP relationships in equation and graphic form
  - d. Applications of CVP concepts (what-if analysis)
- 2. Target profit and break-even analysis
  - a. Unit sales
  - b. Sales dollars
  - c. Margin of safety
- 3. Selecting a cost structure for CVP
  - a. Mix of fixed and variable costs
  - b. Cost structure and profit stability
  - c. Operating leverage

**IV. Activity-Based Costing (ABC)**

---

**10** PERCENT OF EXAM | **14** HOURS OF STUDY

---

**Ch. 7, Activity-Based Costing: A Tool to Aid Decision Making**

---

**A. Activity-based costing (Chapter 7)**

- 1. How to treat costs
  - a. Cost pools
  - b. Allocation bases and cost drivers
- 2. Creating and implementing an ABC system
  - a. Define activities, activity cost pools, and activity measures
  - b. Assign overhead costs to activity cost pools
  - c. Calculate activity rates

- d. Assign overhead costs to cost objects
- e. Prepare management reports
- 3. Comparing traditional and ABC product costs
- 4. Limitations of ABC

**V. Profit Planning and Standard Costs**

---

**15** PERCENT OF EXAM | **21** HOURS OF STUDY

---

**Ch. 8, Master Budgeting**

**Ch. 10, Standard Costs and Variances**

---

**A. Master Budgeting (Chapter 8)**

- 1. Concepts of budgeting
- 2. Understanding the parts of a master budget
  - a. Master budget overview
  - b. Sales budget
  - c. Production budget
  - d. Direct materials budget
  - e. Direct labor budget
  - f. Manufacturing overhead (MOH) budget
  - g. Ending finished goods inventory budget
  - h. Selling and administrative expense budget
  - i. Cash budget
  - j. Budgeted income statement and balance sheet

**B. Standard costs and operating performance measures (Chapter 10)**

- 1. Standard costs
  - a. What are standard costs?
  - b. Who uses standard costs?
- 2. Setting standard costs
  - a. Ideal vs. practical standard
  - b. Setting standards for direct materials, direct labor, and overhead

3. Variance analysis model
  - a. Direct materials variances
  - b. Direct labor variances
  - c. Overhead variances for variable costs
4. Management by exception

## VI. Segment Reporting, Decentralization, and Balanced Scorecard

---

**5** PERCENT OF EXAM | **7** HOURS OF STUDY

---

**Ch. 6, Variable Costing and Segment Reporting: Tools for Management**

**Ch. 11, Performance Measurement in Decentralized Organizations**

### A. Segment reporting (Chapter 6)

1. Segment reporting tools
  - a. Segmented income statement
  - b. Traceable and common fixed costs
  - c. Segment margin and decision making
  - d. Need for proper cost assignment
  - e. Segmented income statement (common mistakes)

### B. Decentralization and balanced scorecard (Chapter 11)

1. Decentralization and responsibility accounting
2. Evaluating investment center performance
  - a. Return on investment (ROI)
  - b. Residual income
3. Balanced scorecard

## VII. Short-Term and Long-Term Decision Making

---

**15** PERCENT OF EXAM | **21** HOURS OF STUDY

---

**Ch. 12, Differential Analysis: The Key to Decision Making**

**Ch. 13, Capital Budgeting Decisions**

### A. Relevant costs for decision making (Chapter 12)

1. Cost concepts for decision making
  - a. Relevant costs
    - 1) Differential costs
    - 2) Avoidable costs
    - 3) Opportunity costs
  - b. Irrelevant costs, including sunk costs
2. Add/drop product lines and other segments
3. Make or buy decisions
4. Special orders
5. Use of a constrained resource
6. Joint product costs in the contribution approach

### B. Capital budgeting decisions (Chapter 13)

1. Discounted cash flow: net present value method
  - a. Time value of money
  - b. Emphasis on cash flows
  - c. Least cost decisions
  - d. Ranking investment projects (project profitability index)
2. Other approaches to capital budgeting decisions
  - a. Payback method
  - b. Simple rate of return method

## VIII. Financial Statement Analysis

---

**10** PERCENT OF EXAM | **14** HOURS OF STUDY

---

### Ch. 15, Financial Statement Analysis

---

#### A. Financial statement analysis concepts and types (Chapter 15)

1. Limitations of financial statement analysis
2. Comparative and common-size financial statements
  - a. Horizontal analysis
  - b. Vertical analysis
3. Ratio analysis (with emphasis on interpretation, but not excluding calculation)
  - a. Ratios of interest to the common stockholder
    - 1) Earnings per share
    - 2) Price-earnings ratio
    - 3) Dividend payout and yield ratios
    - 4) Return on common stockholders' equity
  - b. Ratios of interest to the short-term creditor
    - 1) Working capital
    - 2) Current ratio
    - 3) Accounts receivable turnover
    - 4) Inventory turnover
  - c. Ratios of interest to the long-term creditor
    - 1) Debt-to-equity ratio
    - 2) Times interest earned ratio

## SECTION THREE

# Sample Questions

The questions that follow will not be on the exam. They illustrate the style of questions found on this exam. Answer rationales can be found on pages 14–17 of this guide.

1. Which document provides managers with detailed information that compares budgeted data to actual results as part of their control function?
  - 1) master budget
  - 2) standard cost report
  - 3) performance report
  - 4) variance analysis
2. Which example of corporate social responsibility should a company provide to its suppliers as corporate stakeholders?
  - 1) safe, high quality products that are fairly priced
  - 2) fair commercial terms and prompt payments
  - 3) easy access to financial information
  - 4) safe and humane working conditions
3. XYZ Company manufactures and sells parts used in the automotive industry. The company incurred the following costs for the month of May:

Sales Commissions	\$19,000
Direct Labor Wages	\$54,000
Factory Supervisors' Salaries	\$18,000
President's Wages	\$10,000
Administrative Salaries	\$24,000

How much of these costs should be allocated to selling and administrative cost?

  - 1) \$43,000
  - 2) \$53,000
  - 3) \$61,000
  - 4) \$71,000
4. What is the primary advantage of assigning overhead to production, using a predetermined rate rather than an actual rate?

The predetermined rate

  - 1) is a more accurate measure of overhead incurred in production.
  - 2) allows more timely evaluation of the cost efficiency of jobs.
  - 3) allows for seasonal changes to overhead rates.
  - 4) ensures a high production job is not penalized by high overhead.

5. What is an allocation base?
- 1) a measure that is used to assign overhead costs to products or services
  - 2) a process that makes it difficult to trace manufacturing overhead to a specific product
  - 3) a fixed cost that is associated with manufacturing overhead
  - 4) an example of manufacturing overhead
6. What is a major similarity between job-order costing and process costing?
- 1) Costs flow through the same general ledger accounts.
  - 2) Unit costs are computed by department.
  - 3) All products are produced in unique batches.
  - 4) All units of product produced for the period are identical.
7. Why is it important to understand the concept of committed fixed costs?
- Committed fixed costs
- 1) affect decisions related to direct labor costs.
  - 2) can be adjusted by senior management as necessary in the short term.
  - 3) per unit of production remain unchanged regardless of the number of units produced.
  - 4) represent investments that affect long-term plans.
8. Which basic formula represents the correct format and order of the contribution format income statement?
- 1) sales - variable costs - fixed costs = net operating income
  - 2) sales - cost of goods sold - selling and administrative costs = net operating income
  - 3) sales - cost of goods sold - fixed costs = net operating income
  - 4) sales - variable costs - selling and administrative costs = net operating income
9. If the contribution margin of a product increases with no increase in fixed costs, how will the break-even point be affected?
- 1) It will increase.
  - 2) It will decrease.
  - 3) It will equal zero.
  - 4) It will stay the same.
10. Echo Company and Gamma Company have the same revenues and net operating incomes. However, Echo Company has a smaller amount of total fixed expenses than does Gamma Company. Which company would have a larger degree of operating leverage?
- 1) Echo Company
  - 2) Gamma Company
  - 3) Both would have the same degree of operating leverage.
  - 4) There is not enough information to determine an answer.
11. What is considered a limitation of activity-based costing (ABC)?
- 1) assigning overhead
  - 2) implementation costs
  - 3) identifying cost pools
  - 4) process improvement
12. A company's cash balance on May 1, 2012 is \$10,000. Disbursements for May amount to \$125,000. Half the monthly sales are for cash and 90 percent of the credit sales are to be paid in the month after the sale, the remainder being uncollectable. April and May sales totaled \$200,000 and \$250,000, respectively. What is the cash balance on May 31?
- 1) \$100,000
  - 2) \$110,000
  - 3) \$135,000
  - 4) \$190,000
13. What are standard costs most often used for?
- 1) measuring performance
  - 2) identifying indirect labor costs
  - 3) determining average actual cost per unit
  - 4) determining a company's cost for materials

14. What is the correct formula for determining the labor efficiency variance, given that AH = actual hours of labor used, SH = standard hours needed for units produced, AR = actual rate per labor hour, and SR = standard rate per hour?
- 1) AH (AR - SR)
  - 2) AR (AH - SH)
  - 3) SH (AR - SR)
  - 4) SR (AH - SH)
15. Specific Mills, Inc. uses a predetermined variable overhead rate of \$2.90 per direct labor hour. Company standards specify that 1.5 direct labor hours should be used to mill one ton of wheat. In a recent week, 1,860 direct labor hours were used to mill 1,200 tons of wheat. Total variable overhead costs amounted to \$5,301. What is the variable overhead rate variance based on this data?
- 1) \$90 favorable
  - 2) \$90 unfavorable
  - 3) \$93 favorable
  - 4) \$93 unfavorable
16. A division manager operates a division with a current return on investment (ROI) of 15%. The company's overall minimum required rate of return is 10%. This manager is considering investing in a project that has an expected net operating income of \$360,000 and requires an estimated \$3,000,000 in average operating assets. What will the manager most likely decide about this project?
- If the company uses
- 1) ROI to evaluate its divisional managers, this manager will likely invest in this project.
  - 2) ROI to evaluate its division managers, this manager will likely increase its divisional ROI after investing in this project.
  - 3) residual income to evaluate its divisional managers, this manager will likely invest in this project.
  - 4) residual income to evaluate its divisional managers, this manager will likely decrease its divisional residual income after investing in this project.
17. A company is in the process of deciding whether or not to replace its printing press. The old press cost \$4,700 and is fully depreciated. Maintenance costs about \$3,000 per year, cost per page to print is about \$.05, and the company prints about 140,000 pages per year. The company can lease a new printing press for \$1,500 per year by trading in the old press. This lease is for a four-year period and includes the cost of all maintenance. The cost of printing is about \$.06 per page. At the end of four years, the lease can be renewed for another four-year period. Should the company lease the new press, and why or why not?
- 1) No, the company will lose \$100 per year if they lease.
  - 2) No, the company will lose \$1,400 per year if they lease.
  - 3) Yes, the company will save \$100 per year if they lease.
  - 4) Yes, the company will save \$1,500 per year if they lease.
18. Which type of information is most important when making capital budgeting decisions?
- The amount and timing of
- 1) cash flows
  - 2) net income
  - 3) working capital
  - 4) income from operations
19. What is the correct formula for the project profitability index?
- 1) investment required/net present value
  - 2) net present value/investment required
  - 3) annual net income/investment required
  - 4) investment required/annual net cash inflow

## SECTION FOUR

# Rationales

### 1. (IA1c)

- 1) A master budget consists of a number of separate but interdependent budgets that formally lay out the company's sales, production, and financial goals.
- 2) A standard cost report compares actual costs to standard costs for products made during the period. It is not as in depth as a performance report.
- \*3) A performance report compares budgeted data to actual data (including sales volume, profit, and expenses) in an effort to identify and learn from excellent performance and to identify and eliminate sources of unsatisfactory performance.**
- 4) A variance analysis report is where standard costs and quantities are compared to actual costs and quantities, resulting in quantity and price variances for direct labor, and rate and efficiency variances for labor and variable overhead.

### 2. (IA7)

- 1) Customers are the corporate stakeholders that should be provided safe, high quality products that are fairly priced.
- \*2) Suppliers are the corporate stakeholders that should be provided fair commercial terms and prompt payments.**
- 3) Stockholders are the corporate stakeholders that should be provided easy access to financial information.
- 4) Employees are the corporate stakeholders that should be provided safe and humane working conditions.

### 3. (IB1b)

- 1) This total does not include the president's wages, but should.
- \*2) Period costs include all costs that are not involved in acquiring or making a product. This includes sales commissions of \$19,000, the president's wages of \$10,000, and administrative salaries of \$24,000, for a total of \$53,000.**
- 3) This total includes factory supervisors' wages in error, as it is a product cost, and excludes the president's wages, a period cost, in error.
- 4) This total includes factory supervisors' wages that are not period costs, but actually product costs.

### 4. (IIA2c)

- 1) A predetermined overhead rate is based on an estimate of the overhead to be incurred throughout the year and because it is based on estimates, it is not as accurate as an actual rate would be.
- \*2) A predetermined overhead rate is calculated at the beginning of the year and is used throughout the year, as jobs are completed. To wait until the end of the year to apply the overhead to jobs completed during the year would not allow for a timely evaluation of the cost of the jobs.**
- 3) A predetermined overhead rate is not adjusted for seasonal changes.
- 4) In a period of high production volume, a predetermined overhead rate will properly result in a high overhead charge.

\*correct answer



5. (IIA2c)

- \*1) **An allocation base is a measure such as direct labor hours or machine hours that is used to assign overhead costs to products and services.**
- 2) This is opposite to the result of using an allocation base. An allocation base makes it possible to assign overhead to a product.
- 3) An allocation base, as defined in 1) above, is not a fixed cost.
- 4) An allocation base, as defined in 1) above, is not an example of manufacturing overhead; rather it is a process to assign overhead to products.

6. (IIB1)

- \*1) **Costs flow through the same general ledger accounts including raw materials, work in process inventory, finished goods inventory, and cost of goods sold under each cost system.**
- 2) Only process costing costs are computed by departments.
- 3) Process costing does not use unique batches.
- 4) This is only true in process costing.

7. (IIIA1b)

- 1) Direct labor costs are variable cost and are related to changes in the level of activities.
- 2) Committed fixed costs are long-term decisions and can't be changed in the short run.
- 3) Committed fixed costs per unit changes with the increase or decrease in units of production.
- \*4) **Committed fixed costs involve long-term investments in business that can't be significantly changed or altered in a short period of time.**

8. (IIIA3a)

- \*1) **This is the correct format and order for a contribution income statement.**
- 2) This is the format for a traditional statement.
- 3) This response includes items from both a traditional and a contribution income statement.
- 4) See 3).

9. (IIB1d)

- 1) This is the opposite of the correct response.
- \*2) **If CM increases, there is more money available to cover the fixed costs. Thus, fewer units need to be sold to cover the fixed costs and the break-even point will be reduced.**
- 3) The break-even point should never be zero. Profits at the break-even point should be zero.
- 4) If the CM changes and the fixed costs remain the same, the break-even point will change.

10. (IIIB3c)

- 1) See 2).
- \*2) **Echo Company has a smaller amount of total fixed expenses, even though its sales revenues and net operating income are the same as those of Gamma Company. This indicates that Echo Company's degree of operating leverage is smaller.**
- 3) See 2).
- 4) There is sufficient information to answer this question.

11. (IVA4)

- 1) Assigning overhead is the goal of activity-based costing, not a limitation.
- \*2) **Activity-based costing requires substantial resources to implement and is more costly to maintain than other costing systems.**
- 3) The number of cost pools is an outcome of activity-based costing, not a limitation.
- 4) Process improvement is an objective of activity-based costing, not a limitation.

\*correct answer

12. (VA2)

- \*1) Beginning balance of \$10,000 + \$125,000 (half of May sales) + \$90,000 (half of April sales \* 90%) - May disbursements of \$125,000 = \$100,000.
- 2) Beginning balance of \$10,000 + \$100,000 (half of April sales) + \$125,000 (half of May sales) less \$125,000 of May disbursements = \$110,000.
- 3) Beginning balance of \$10,000 + \$250,000 (all of May sales) less \$125,000 of May disbursements = \$135,000.
- 4) This calculation did not consider that half of April sales were collected in cash in April.

13. (VB1a)

- \*1) **Standard costs are developed by a company to measure actual costs against a standard.**
- 2) Identifying indirect labor costs is unrelated to developing standard costs.
- 3) This is what it actually costs a company to produce a unit, not the standard or what it should have cost.
- 4) This is an actual cost, not a standard cost.

14. (VB3b)

- 1) This is the formula for the labor rate variance.
- 2) The standard rate (SR), not the actual rate (AR), is used when calculating the labor efficiency variance.
- 3) This would be the labor rate variance except that actual hours (AH), not standard hours (SH), are used when calculating the labor rate variance.
- \*4) **The labor efficiency variance is the standard rate (SR) times the difference between the actual hours (AH) and the standard hours (SH).**

15. (VB3c)

- 1) See 3).
- 2) See 3).
- \*3) **Variable overhead rate variance = actual hours (actual rate - standard rate). Actual rate per hour = \$5,301/1,860 hours = \$2.85. Therefore, the variable overhead rate variance = 1,860 (\$2.85 - \$2.90) = \$93 favorable.**
- 4) See 3).

16. (VIB2b)

- 1) The division manager will not be interested in investing in this project because the project ROI is  $360,000/3,000,000 = 12\%$ , while the divisional ROI is currently 15%.
- 2) The divisional ROI will likely decrease after investing in this project because the current divisional ROI is greater (15%) than the project ROI (12%).
- \*3) **The residual income of this project is positive ( $360,000 - 10\%$  of  $3,000,000 = 60,000$ ), so the manager is likely to invest in this project.**
- 4) The divisional residual income will likely increase after investing in this project because it has a positive residual income.

17. (VIA1a)

- 1) The company will gain, not lose, \$100 if they lease.
- 2) The \$1,400 per year in higher print costs is offset by the difference between the lease of \$1,500 year and the repairs of \$3,000.
- \*3) **There is a \$1,500 savings between the cost of repairs and the cost of the lease, but there is a higher annual cost of printing of \$1,400. The sum of these is a \$100 savings if the company leases.**
- 4) The \$1,500 a year savings between the lease and the repairs is reduced by the additional cost of printing.

\*correct answer

**18. (VIIB1b)**

- \*1) The amount and timing of cash flows (inflows and outflows) is very important in determining the present value of the intended investment and then making a capital budgeting decision.**
- 2) Net income is based on accruals and ignores the timing of cash flows. Timing of cash flows is critical for capital budgeting decisions.
- 3) Working capital is only a difference between current assets and current liabilities. It is important to have higher working capital for operations, but this may not help in making capital budgeting decisions.
- 4) Income from operations is based on accruals and ignores the timing of cash flows.

**19. (VIIB1d)**

- 1) This formula is the reciprocal of the project profitability index.
- \*2) This is the correct formula for the PPI.**
- 3) This formula is a modified version of the simple rate of return.
- 4) This formula is for payback period.

**\*correct answer**

## SECTION FIVE

# Taking the Exam

## Registering for Your Exam

---

### Register Online

[www.excelsior.edu/examregistration](http://www.excelsior.edu/examregistration)

Follow the instructions and pay by Visa, MasterCard, American Express, or Discover Card.

### Register By Phone

Call toll free **888-72EXAMS (888-723-9267)**.

### Examination Administration

Pearson VUE Testing Centers serve as the administrator for all Excelsior College computer-delivered exams. The Disability Services office at Excelsior College is responsible for considering requests for reasonable accommodations (exceptions for individual students with documented disabilities). If you are requesting an accommodation due to a disability, download and complete a Request for Accommodation form that can be accessed by visiting the Excelsior College website at [www.excelsior.edu/disability-services](http://www.excelsior.edu/disability-services).

### Computer-Delivered Testing

You will take the exam by computer, entering your answers using either the keyboard or the mouse. The system is designed to be as user-friendly as possible, even for those with little or no computer experience. On-screen instructions are similar to those you would see in a paper examination booklet.

We strongly encourage you to use the online tutorial before taking your exam at Pearson VUE Testing Centers. To access the tutorial, go to

[www.pearsonvue.com/uexcel](http://www.pearsonvue.com/uexcel) and click on the Pearson VUE Tutorial link on the right hand side of the page.

## On the Day of Your Exam

---

### On the Day of Your Exam

Remember to:

- dress comfortably: the computer will not mind that you're wearing your favorite relaxation outfit
- arrive at the test site rested and prepared to concentrate for an extended period
- allow sufficient time to travel, park, and locate the test center
- be prepared for possible variations in temperature at the test center due to weather changes or energy conservation measures
- bring your ID, but otherwise, don't weigh yourself down with belongings that will have to be kept in a locker during the test.

### Academic Honesty Nondisclosure Statement

- All test takers must agree to the terms of the Excelsior College Academic Honesty Policy before taking an examination. The agreement will be presented on screen at the Pearson VUE Testing Center before the start of your exam.
- Once the test taker agrees to the terms of the Academic Honesty Nondisclosure Statement, the exam will begin.

### If you choose not to accept the terms of the agreement

- your exam will be terminated
- you will be required to leave the testing center
- you will not be eligible for a refund. For more information, review the Student Policy Handbook at [www.excelsior.edu/studentpolicyhandbook](http://www.excelsior.edu/studentpolicyhandbook).

Student behavior is monitored during and after the exam. Electronic measures are used to monitor the security of test items and scan for illegal use of intellectual property. This monitoring includes surveillance of Internet chat rooms, websites, and other public forums.

### Information about UExcel exams for Colleges and Universities

A committee of teaching faculty and practicing professionals determines the learning outcomes to be tested on each exam. Excelsior College Center for Educational Measurement staff oversee the technical aspects of test construction in accordance with current professional standards. To promote fairness in testing, we take special care to ensure that the language used in the exams and related materials is consistent, professional, and user friendly. Editorial staff perform systematic quantitative and qualitative reviews to ensure accuracy, clarity, and compliance with conventions of bias-free language usage.

Excelsior College, the test developer, recommends granting three (3) semester hours of lower-level undergraduate credit to students who receive a letter grade of C or higher on this examination. The examination may be used to help fulfill a core requirement for Business degrees or as a free elective for all Excelsior College degree programs that allow for free electives. Other colleges and universities also recognize this exam as a basis for granting credit or advanced standing. Individual institutions set their own policies for the amount of credit awarded and the minimum acceptable score.

# Managerial Accounting Exam Development Committee

---

Chuo-Hsuan (Jason) Lee, PhD

(Kent State University, Accounting, 2003)  
Associate Professor of Accounting, SUNY  
Plattsburgh

Mohamed Gaber, PhD

(Baruch College of CUNY, Accounting, 1985)  
Professor and Chair of Accounting, SUNY  
Plattsburgh

Tami Barton, MBA

(St. Joseph's University, Finance, 1996)  
Assistant Professor of Accounting, Lebanon Valley  
College

Tom Amyot, MBA, MS

(The College of Saint Rose, Management, 1986)  
Associate Professor of Business (retired), The  
College of Saint Rose





# Ask your advisor how these examinations can move you closer to your degree goal.

Examination	Credit Hrs.
<b>Arts and Sciences</b>	
Abnormal Psychology.....	3*
Anatomy & Physiology.....	6
Anatomy and Physiology I.....	3
Anatomy and Physiology II.....	3
Basic Genetics.....	3
Bioethics.....	3*
Calculus.....	4
College Writing.....	3
Contemporary Mathematics.....	3
Cultural Diversity.....	3*
Earth Science.....	3
English Composition†.....	6
Ethics: Theory & Practice†.....	3*
Foundations of Gerontology.....	3*
General Chemistry I.....	3
Interpersonal Communication.....	3
Introduction to Macroeconomics.....	3
Introduction to Microeconomics.....	3
Introduction to Music.....	3
Introduction to Philosophy.....	3
Introduction to Psychology.....	3
Introduction to Sociology.....	3
Juvenile Delinquency.....	3*
Life Span Developmental Psychology.....	3
Microbiology.....	3
Organizational Behavior.....	3*
Pathophysiology.....	3*
Physics.....	6
Political Science.....	3
Precalculus Algebra.....	3
Psychology of Adulthood & Aging.....	3*
Research Methods in Psychology.....	3*
Social Psychology.....	3*
Spanish Language.....	6
Statistics.....	3
World Conflicts Since 1900.....	3*
World Population.....	3*
<b>Business</b>	
Business Ethics.....	3*
Business Law.....	3
Ethics: Theory & Practice†.....	3*

Examination	Credit Hrs.
<b>Business (CONTINUED)</b>	
Financial Accounting.....	3
Human Resource Management.....	3*
Labor Relations.....	3*
Managerial Accounting.....	3
Operations Management.....	3*
Organizational Behavior.....	3*
Principles of Finance.....	3*
Principles of Management.....	3
Principles of Marketing.....	3
Quantitative Analysis.....	3*
Workplace Communication with Computers.....	3
<b>Education</b>	
Literacy Instruction in the Elementary School.....	6*
<b>Nursing: Associate Level</b>	
Essentials of Nursing Care: Health Safety <sup>①</sup> .....	3
Essentials of Nursing Care: Health Differences <sup>①</sup> .....	3
Foundations in Nursing Practice <sup>①</sup> .....	3
Reproductive Health <sup>①</sup> .....	3
Health Differences Across the Life Span 1 <sup>①</sup> .....	3
Health Differences Across the Life Span 2 <sup>①</sup> .....	3
Health Differences Across the Life Span 3 <sup>①</sup> .....	3
Transition to the Professional Nurse Role <sup>①</sup> .....	3
Fundamentals of Nursing**.....	8
Maternal & Child Nursing (associate)**.....	6
<b>Nursing: Baccalaureate Level</b>	
Community-Focused Nursing**.....	4*
Research in Nursing**.....	3*
Adult Nursing**.....	8*
Maternal & Child Nursing (baccalaureate)**.....	8*
Psychiatric/Mental Health Nursing**.....	8*

\* Upper-level college credit

\*\* This exam does not apply toward the Excelsior College nursing degrees.

† Guided Learning Package available

① You must be enrolled in Excelsior College prior to registering to take this exam. If you need this exam for another nursing program, please contact that institution for the testing code you need to register.

## Now, registering to take any of these exams is easier than ever!

*Register online*

at [www.excelsior.edu/examregistration](http://www.excelsior.edu/examregistration)

*Call toll free*

888-72EXAMS (888-723-9267)

Outside the U.S. and Canada, call 518-464-8500

or email: [testadmn@excelsior.edu](mailto:testadmn@excelsior.edu)

*When you're ready to test*, you can

schedule to take your exam at Pearson VUE Testing

Centers through our website: [www.excelsior.edu](http://www.excelsior.edu).