

Computations

Finance



Computation Problems 5: Natraj Corporation uses the weighted-average method in its process costing system. Operating data for the Lubricating Department for the month of October appear below:

Units

Percent Complete with

Respect to Conversion

Beginning work in process inventory

5,400

20%

Transferred in from the prior department during October

38,100

Completed and transferred to the next department during October

37,800

Ending work in process inventory

5,700

60%

What were the equivalent units for conversion costs in the Lubricating Department for October?

(a) 41,220

(b) 38,400

(c) 37,800

(d) 41,520

Answer= A

6: In September, one of the processing departments at Shenkel Corporation had beginning work in process inventory of \$25,000 and ending work in process inventory of \$18,000. During the month, the cost of units

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transferred out from the department was \$304, 000. In the department's cost reconciliation report for September, the total cost accounted for would be:

- (a) \$619, 000
- (b) \$644, 000
- (c) \$322, 000
- (d) \$43, 000

Answer = C

13: Blackwelder Snow Removal's cost formula for its vehicle operating cost is \$1, 240 per month plus \$348 per snow-day. For the month of December, the company planned for activity of 12 snow-days, but the actual level of activity was 14 snow-days. The actual vehicle operating cost for the month was \$6, 330. The vehicle operating cost in the planning budget for December would be closest to:

- (a) \$5, 426
- (b) \$6, 112
- (c) \$5, 416
- (d) \$6, 330

Answer = C

14: Ofarrell Snow Removal's cost formula for its vehicle operating cost is \$1, 840 per month plus \$377 per snow-day. For the month of November, the company planned for activity of 14 snow-days, but the actual level of activity was 19 snow-days. The actual vehicle operating cost for the month was \$9, 280. The vehicle operating cost in the flexible budget for November would be closest to:

- (a) \$9, 003

(b) \$7, 118

(c) \$9, 280

(d) \$9, 660

Answer = A

15: Raymond Electronics Corporation has a standard cost system in which it applies manufacturing overhead to products on the basis of standard machine-hours (MHs). The company had budgeted its fixed manufacturing overhead cost at \$42, 700 for the month and its level of activity at 2, 000 MHs. The actual total fixed manufacturing overhead was \$44, 100 for the month and the actual level of activity was 1, 800 MHs. What was the fixed manufacturing overhead budget variance for the month to the nearest dollar?

(a) \$5, 670 favorable

(b) \$1, 400 favorable

(c) \$5, 670 unfavorable

(d) \$1, 400 unfavorable

Answer = D

21: Glassett Corporation is considering a project that would require an investment of \$62, 000. No other cash outflows would be involved. The present value of the cash inflows would be \$70, 060. The profitability index of the project is closest to:

(a) 0. 13

(b) 1. 13

(c) 0. 87

(d) 0. 12

Answer = B

23: An increase in the accumulated depreciation account of \$50, 000 over the course of a year would be shown on the company's statement of cash flows prepared under the indirect method as:

(a) An addition to net income of \$50, 000 in order to arrive at net cash provided by operating activities

(b) A deduction from net income of \$50, 000 in order to arrive at net cash provided by operating activities

(c) An addition of \$50, 000 under investing activities

(d) A deduction of \$50, 000 under investing activities

Answer = A