

# [Review questions](https://assignbuster.com/review-questions/)

[](https://assignbuster.com/)[Finance](https://assignbuster.com/essay-subjects/finance/)

Please compute the following October, November, and December sales are $150K, $200K, and $225K, respectively. A total of 80% of all sales are credit sales and 20% are cash sales. A total of 60% of credit sales are collected in the month of the sale and 40% are collected in the following month. There are no bad debt expenses. What is the amount of cash collections for November?   
(a) $160K   
(b) $208K   
(c) $172K   
(d) $232   
Expected credit sales = 80% \* Total sales   
Expected cash sales = 20% \* Total Sales   
Sales   
October   
November   
December   
Credit sales   
120, 000   
160, 000   
180, 000   
Cash sales   
30, 000   
40, 000   
45, 000   
November cash collections = November Cash sales + 60% of November credit sales + 40% of October credit sales   
Cash collections = 40, 000 + 60% \* 160, 000 + 40% \* 120, 000   
= $184, 000   
2) Able Company’s sales are 30% in cash and 70% on credit. 60% of the credit sales are collected in the month of sale, 25% in the month following the sale, and 12% in the second month following the sale. The remainder is uncollectible. The following are the budgeted sales:   
  
January   
February   
March   
Total sales: $60, 000$70, 000 $30, 000   
The total cash receipts in April would be budgeted to be:   
(a) $38, 000   
(b) $47, 000   
(c) $27, 000   
(d) $36, 230   
Expected credit sales = 70%\*Total sales   
January   
February   
March   
42, 000   
49, 000   
21, 000   
Collections in April = 25% of March credit sales + 12% of February sales   
= 25% \* 21, 000 + 12% \* 49, 000   
= $5, 250+$5, 880   
= $11, 130   
3) Micro Company plans to sell 12, 000 units during August. If the company has 2, 500 units on hand at the start of the month, and plans to have 2, 000 units on hand at the end of the month, how many units must be produced during the month?   
(a) 11, 500   
(b) 12, 500   
(c) 12, 000   
(d) 14, 000   
Units to produce = Planned sales + required ending inventory – Opening Inventory   
= 12, 000 + 2, 000 - 2, 500   
= 11, 500 units   
4) The Doberman Company has budgeted production for the next year as follows:   
Quarter   
First   
Second   
Third   
Fourth   
Units in Production   
10, 000   
12, 000   
16, 000   
14, 000   
Four pounds of raw materials are required for each unit produced. Raw materials on hand at the start of the year total 4, 000 pounds. The raw materials inventory at the end of each quarter should equal 10% of the next quarter’s production needs. Budgeted purchases of raw materials in the third quarter would be:   
(a) 63, 2000   
(b) 62, 400   
(c) 56, 800   
(d) 50, 400   
Purchases = Raw materials for Units produced + Raw materials for required ending inventory – Raw materials for Opening Inventory   
Third quarter units produced = 16, 000   
Raw materials needed = 16, 000 \* 4   
= 64, 000pounds   
Third quarter ending inventory of units = 10% \* 14000   
= 1400 units   
Raw materials needed = 1400\*4   
= 5, 400 pounds   
Third quarter opening inventory of units = 10% \* 16, 000   
= 1600   
Raw materials needed = 1600\*4   
= 6400 pounds   
Therefore, purchases of raw materials = 64, 000 + 5, 400 – 6, 400   
= 63, 000 pounds   
5) The Broom Corporation is working on its direct labor budget for the next two months. Each unit of output requires 0. 05 direct-labor hours. The direct labor rate is $7. 50 per direct labor hour. The production budget calls for producing 9, 100 units in May and 8, 800 units in June. If the direct labor work force is fully adjusted to the total direct labor hours needed each month, what would be the total combined direct labor cost for the two months?   
(a) $3, 300. 00   
(b) $3, 412. 50   
(c) 6, 712. 50   
(d) $3, 356. 25   
Direct labor cost per unit = direct-labor hours \* direct labor rate   
= 0. 05 \* $7. 50   
= $ 0. 375   
May cost = Direct labor cost per unit \* Number of units   
= $ 0. 375 \* 9100   
= $3412. 50   
June cost = Direct labor cost per unit \* Number of units   
= $ 0. 375 \* 8800   
= $3300   
Total cost = $3412. 50 + $3300   
= $6712. 50   
6) MRI bases its manufacturing overhead budget on budgeted direct labor hours. The direct labor budget indicates that 5400 direct labor hours will be required in January. The variable overhead rate is $4. 40 per direct labor hour. The company’s budgeted fixed manufacturing overhead is $77, 220 per month, which includes depreciation of $9, 720. All other fixed manufacturing overhead costs represent current cash flows. The January cash disbursements for manufacturing overhead on the manufacturing overhead budget should be:   
(a) $7, 040   
(b) $19, 680   
(c) $26, 720   
(d) $32, 160   
Variable overhead costs = 5400 labor hours \* $4. 4 per direct labor hour   
= 5400 \*$4. 4   
=$ 23, 760   
Fixed manufacturing overhead costs = fixed manufacturing overhead + depreciation   
= $77, 220 + $9, 720   
= $86940   
Total costs = $ 23, 760+ $86940   
= $110, 700   
7) The manufacturing overhead budget for Fanasta Company is based on budgeted direct labor hours. The direct labor budget indicates that 1, 600 direct labor hours will be required in December. The variable overhead rate is $4. 40 per direct labor hour. The company’s budgeted fixed manufacturing overhead is $25, 120 per month, which includes appreciation of $5, 440. All other fixed manufacturing overhead costs represent current cash flows. The December cash disbursements for manufacturing overhead on the manufacturing overhead budget should be:   
(a) $7, 040   
(b) $19, 680   
(c) $26, 720   
(d) $32, 160   
Variable overhead costs = 1, 600 labor hours \* $4. 4 per direct labor hour   
= 1600\*$4. 4   
=$ 7, 040   
Fixed manufacturing overhead costs = fixed manufacturing overhead – appreciation   
= $25, 120 - $5, 440   
= $19, 680   
Total costs = $ 7, 040+ $19, 680   
= $26, 720