

# Questions and answers on managerial accounting assignment

[Business](#)



The company's accountants have determined that the proposed addition will add \$320,000 to fixed costs each year. Variable costs are expected to be at the same percentage as they errantly are before the proposed addition. (a) Explain why the existing \$310,000 of fixed costs is a sunk cost while the \$320,000 of fixed costs associated with the proposed addition is an out-of-pocket cost. Solution: Computation of the following The \$310,000 of current fixed cost is a result of past decisions and cannot be changed as a result of the decision at hand. It is therefore a sunk cost. The \$320,000, on the other hand, is a fixed cost associated with the proposed addition.

This cost has not been incurred. Because it is necessary to the proposed edition it is an out-of-pocket cost (b) Calculate by how much the proposed addition will either increase or reduce operating income. Show all work.

Operating income = (\$750,000 sales - \$450,000 variable costs - \$320,000 fixed costs). Operating income = (\$750,000 - \$450,000 - \$320,000).

Operating income -\$20,000 The proposed addition will decrease operating income by \$20,000; 3. Responsibility income statement-preparation (20 points) Gangland Village is segmented into two sales departments: software and video games. During April, these two departments reported the following operating results:

Complete the following segmented income statement for Gangland Village.

Follow the contribution margin approach, and show percentages as well as dollar amounts. Conclude your income statement with the company's income from operations  
 GANGLAND VILLAGE Income Statement by Product Lines For the Month Ended April 30, 20 Segments Gangland Village Software Video

Games Dollars Sales \$400,000 100 \$200,000 Variable Costs 65 56 4.

<https://assignbuster.com/questions-and-answers-on-managerial-accounting-assignment/>

Standard cost system labor variance (25 points) The following computations of March labor variances for Cam's Supply Company are incomplete. The

missing items are labeled (a) through (d). Labor rate variance -?? 4, 800

hours - 38. 0] = \$350 favorable Labor efficiency variance = (b) D - 5, 000

hours] = \$(d) On the appropriately labeled line, identify each missing item

by name (a through c) and show the missing value (a through d). Show

supporting computations in the space provided. Standard rate Actual hours

\$8. 57 4, 800 hours hours 1, 714 -?? F F or LLC [Choose the correct term. ]

(e) During March, the supervisor left for vacation without arranging for a

replacement. Which variances would have been most affected by this

tuition? Paid vacation) Computations: Labor efficiency variance (assuming

the supervisor is on (a. ) Labor rate variance actual hours D (standard rate -

actual rate) \$350 4, 800 hours D (standard rate - \$8. 50) \$350/4, 800 =

(standard rate - \$8. 50) \$0. 07 + \$8. 0 = standard rate of \$8. 57 (b) Labor

efficiency variance = standard rate 0 (standard hours - actual hours)

Standard rate = \$8. 57 (See part a for computation. ) (c) Actual hours = 4,

800 (given in formula for labor rate variance) (d) \$8. 57 CLC (5, 000 hours -

4, 800 hours) = \$1 , 714 F 5. Capital budgeting (20 points) Flynn Corporation

is debating whether to purchase a new computerized production system. The

system will cost \$450, 000, and have an estimated 10- year life with a

salvage value of \$70, 000. The estimated operating results from the new

production system are as follows: All revenue and expenses other than

depreciation will be received and paid in cash.