Managerial accounting exam assignment

Business

+ CONCORDIA UNIVERSITY Course: Managerial Accounting, No. : COMM 305 & ACCO. 240 Sections: All Examination: Alternate Final Date: June, 2006 No. of Pages: 9 including the cover page Material Allowed: Non-programmable calculators and dictionaries Special Instructions: Answer all multiple choice questions in the Answer Sheet form no. 4521 Return the exam questions with your answers. Student Name: Student ID No. : Section: Instructor: QUESTION I. 22. 5 POINTS SELECT THE BEST ANSWER: 1. 5 POINTS EACH QUESTION. 1. A responsibility centre that incurs costs (and expenses) and generates revenues is classified as a(n) a. ost centre. b. revenue centre. c. profit centre. d. investment centre. e. none of the above 2. The most useful measure for evaluating a manager’s performance in controlling revenues and costs in a profit centre is a. contribution margin. b. contribution net income. c. contribution gross profit. d. controllable margin. e. none of the above 3. Pentecost Corporation desires to earn target net income of $40, 000. If the selling price per unit is $30, unit variable cost is $24, and total fixed costs are $160, 000, the number of units that the company must sell to earn its target net income is a. 3, 333. b. 33, 333. c. 20, 000. d. 26, 667. e. none of the above 4. Juniper, Inc. sells a single product with a contribution margin of $12 per unit and fixed costs of $74, 400 and sales for the current year of $100, 000. How much is Juniper’s break-even point? a. 4, 600 units b. 5, 600 units c. 6, 200 unitsd. 2, 133 units e. none of the above 5. Guerry Company applies overhead on the basis of machine hours. Given the following data, calculate overhead applied and the under- or over-application of overhead for the period: Estimated annual overhead cost$600, 000 Actual annual overhead cost$575, 000

Estimated machine hours150, 000 Actual machine hours140, 000 a. $560, 000 applied and $15, 000 under-applied b. $600, 000 applied and $15, 000 over-applied c. $560, 000 applied and $15, 000 over-applied d. $575, 000 applied and neither under- nor over-applied e. none of the above 6. Given the following information for Satoko Company: Sales $1, 000, 000; Controllable Margin $150, 000; Average Operating Assets $500, 000. The company's ROI is: a. 60%b. 50% c. 15%d. 30% e. none of the above 7. The starting point of a master budget is the preparation of the: a. cash budget. b. sales budget. c. production budget. . budgeted balance sheet. e. none of the above Use the following information for questions 8 and 9. Thorton Company estimates its sales at 80, 000 units in the first quarter and that sales will increase by 8, 000 units each quarter over the year. The company wants an ending inventory of finished goods equal to 25% of the sales of the following quarter. Each unit sells for $25. 40% of the sales are for cash. 70% of the credit customers pay within the quarter. The remainder is received in the quarter following sale. 8. Cash collections for the second quarter are budgeted at a. $1, 356, 000. b. $1, 968, 000. . $2, 364, 000. d. $2, 164, 000. e. none of the above 9. Production in units for the third quarter should be budgeted at a. 98, 000. b. 92, 000. c. 122, 000. d. 96, 000. e. none of the above 10. Rebel Company incurs the following costs in producing 50, 000 units of product: Direct materials$150, 000 Direct labour100, 000 Variable manufacturing overhead125, 000 Fixed manufacturing overhead450, 000 An outside supplier has offered to supply the 50, 000 units at $10. 50 each. All of Rebel's related variable costs would be eliminated, but only $300, 000 of the fixed costs would be eliminated if the offer is accepted.

Acceptance will result in a a. saving of $300, 000. b. loss of $150, 000. c. saving of $150, 000. d. loss of $300, 000. e. none of the above 11. Finish Company has a production process where two products result from a joint processing procedure; both can be sold immediately or processed further. Given the following additional per unit information, determine which of the products should be processed further. AllocatedAdditionalNew ProductJoint CostSelling PriceProcessing CostSelling Price A$100$200$180$400 B6010050160 a. A b. B c. Both d. Neither 12. A flexible budget . is also called a static budget. b. can be considered a series of related static budgets. c. can be prepared for sales or production budgets, but not for an operating expense budget. d. typically uses an activity index different from that used in developing the predetermined overhead rate. e. none of the above Consider the following data: For Q. 13 to Q. 15 Friben, Inc. is a management consulting firm specializing in pension plans. Its billing rate to clients is $120 per hour and variable costs average $80 per hour. Fixed costs are $24, 000 per month. Income taxes are 20% 3. If variable costs increase by 15%, and management increases its billing rate by 8%, what is the effect on the breakeven point, in billable hours? A. it increases the breakeven point. B. the Breakeven point will not change. C. it decreases the breakeven point. D. the Breakeven point will remain constant within the relevant range. E. cannot be determined from the data given. 14. If variable costs increase by 15%, and management increases its billing rate by 15%, what is the effect on the breakeven point, in billable dollars? A. it increases the breakeven point. B. he Breakeven point will not change. C. it decreases the breakeven point. D. the Breakeven point will remain constant within the relevant range E. cannot be determined from the data given. 15. If fixed costs increase by 15%, and management increases its billing rate by 5%, what is the effect on the breakeven point, in billable hours? A. it increases the breakeven point. B. the Breakeven point will not change. C. it decreases the breakeven point. D the Breakeven point will remain constant within the relevant range. E. cannot be determined from the data given.

Question 2 (10 marks) Canadian Paper Inc. produces table napkins and facial tissues. The manufacturing process is highly mechanized. Both products are produced by the same machinery by using different settings. For the coming period, 200, 000 machine hours are available. Management is trying to decide on the quantities of each product to produce. The following data are available (for table napkins, one unit is one package of napkins; for facial tissue, one unit is one box of tissue): NapkinsTissue Machine hours per unit1. 00. 50 Unit selling price$2. 50$3. 00

Unit variable cost$1. 50$2. 25 The company can sell no more than 150, 000 packages of napkins and 300, 000 boxes of tissue. Required: 1. Determine the number of packages of napkins and the number of boxes of tissue the company should produce. (6 Marks) 2. Compute the corresponding profit assuming that total fixed costs are $125, 000. (4 Marks) Question 3 (10 marks) Conan Company produces sporting equipment. In 2005, the first year of operations, Conan produced 25, 000 units and sold 18, 000 units. In 2007, the production and sales results were exactly reversed.

In each year, selling price was $100, variable manufacturing costs were $40 per unit, variable selling expenses were $8 per unit, fixed manufacturing costs were $540, 000, and fixed administrative expenses were $200, 000.

Required: (a) Calculate net income under variable costing for each year. 4 marks (b) Calculate net income under absorption costing for each year. 4 marks (c) Reconcile the differences each year in income from operations under the twocosting approaches 2 marks Question 4 (16 marks) Delta Manufacturing Company uses a standard cost system in accounting for the cost of its main product.

The following standards have been established for the direct manufacturing costs per unit: Direct materials (1 kg at $5/kg)$5. 00 per unit Direct labours (2 hrs at $4/hr.)$8. 00 per unit Budgeted overhead for the month of April (based on expected activity of 4, 000 direct labour hours) is as follows: Variable overhead$19, 000 Fixed overhead 8, 000 Total overhead$27, 000 Results for the month of April are as follows: Units produced2, 100 Direct materials used (2, 500 kg)$11, 000 Direct labours (4, 320 hrs) 18, 144 Variable overhead 21, 410 Fixed overhead 8, 125 Total costs$58, 679

There was no beginning or ending work in process inventory. Required: Calculate the following: 1. Direct materials price, usage and total variances (4 Marks) 2. Labour price, usage and total variances (4 Marks) 3. Variable overhead spending, efficiency and total variances (4 Marks) 4. Fixed overhead spending and volume variances (4 Marks) Question 5 (10 marks) A nursery has 3 divisions: the Western Division, the Central Division and the Eastern Division. All three grow and sell plants for gardens. Recently, the Central Division has acquired a facility that manufactures plastic pots.

The pots can be sold both externally and internally. Company policy permits manager to decide whether to buy or sell internally. Each manager is evaluated based on both ROI and EVA. The Western Division has been buying its plastic pots in lots of 100 from several vendors. The average price paid is $75 per box of 100 pots. However, the recent acquisition makes the manager of the Western Division wonder whether a more favourable price can be arranged. She approaches the manager of the Central Division with a request to transfer 3, 500 boxes at $70 per box.

The cost and revenue of a box of 100 pots is as follows: Direct materials$35 Direct Labour 8 Variable overhead 10 Fixed overhead ($200, 000/20, 000 boxes) 10 Total unit cost$63 Selling price$75 Production capacity 20, 000 boxes Required: 1. Suppose the pot facility is producing at capacity and can sell its entire production to outside customers. How should the manager respond to the request for a lower transfer price? (4 Marks) 2. Assume that the pot facility is currently selling 16, 000 boxes. What are the minimum and maximum transfer prices? Should the manager transfer at $70 per box? 4 Marks) 3. Suppose that the company's policy is to make all transfers at full cost plus 20 percent. Should the transfer occur? Explain why or why not? (2 Marks) Question 6 (16 marks) Axia Inc. manufactures two electronic products, widgets and gadgets, and has a capacity of 1, 000 machine hours. Prices for each product are as follows: WidgetGadget Selling price$200$280 Variable costs Direct materials$25$30 Direct labour costs$6$10 Applied overhead manufacturing costs$30$44 Fixed overhead$50$70 Variable overhead manufacturing costs are applied at a rate of $40 per machine hour.

Bromont Inc. , a potential client, has offered $240 per unit to Axia for a special order of 250 units. These 250 units would incur the following production costs and time: Direct materials$7, 000 Direct labour costs$2, 000 Machine hours200 Required: 1. Assume that Axia has enough excess capacity to produce the special order. Calculate the total contribution margin if the special order from Bromont was accepted. (6 marks) 2. Assume that Axia is actually operating at 95% of capacity. Determine, whether Axia should produce the units for the special order instead of widget or gadget units.

Show your calculations. (8 marks) 3. Assume that Axia is actually operating at 95% capacity, and additional machines can be rented at a cost of $33, 000 to produce Bromont's special order. If the special order is accepted, calculate its effects on Axia's profit. Show your calculations. (2 marks) Question 7 (15. 5 marks) | Salem Company reported the following information for 2006: | | | | September | | October | November | | December | | January | | | | Budgeted sales | |$280, 000 | |$300, 000 | |$320, 000 | |$360, 000 | |$200, 000 | | | | Budgeted purchases | |$90, 000 | |$120, 000 | |$128, 000 | |$144, 000 | |$88, 000 | | | | | | | | All sales are on credit. | | | | | Customer amounts on account are collected 60% in the month of sale and 40% in the following month. | | | | | | Cost of goods sold is 40% of sales. | | | | Salem purchases and pays for merchandise 70% in the month of acquisition and 30% in the following month. | | | | Accounts payable is used only for inventory acquisitions. | | | | | Required: | | How much cash will Salem receive during November? (5. 5 Marks) | | How much is the budgeted balance for Accounts Receivable at November 30, 2006? | |(5 Marks) | | How much is the budgeted balance for Accounts Payable at November 30, 2006? | |(5 Marks) | | | | | ———————– [pic]