

1) Participation Awards Co. makes and sells medals for participants of friendly- and unfriendly- competitions. Its manufacturing plant has the capacity to produce 23,000 medals each month; current monthly production is 10,000 medals. The company normally charges \$82 per medal. Cost data for the current level of production are shown below:

Variable costs:	
Direct materials	\$ 397,500
Direct labor	\$ 172,200
Selling and administrative	\$ 20,600
Fixed costs:	
Manufacturing	\$ 118,800
Selling and administrative	\$ 65,000

The company has just received a special one-time order for 400 medals at \$57.10 each. For this particular order, no variable selling and administrative costs would be incurred. This order would also have no effect on fixed costs.

Required:

- Should the company accept this special order? Write short explanation.
- Must show your calculations!

2) Bobby Jones Golf Course is planning for the coming golfing year. The greedy capitalists that own the course demand to earn an 11.1% return on the company's \$5,000,000 of assets. The company primarily incurs fixed costs to groom the greens and fairways. Fixed costs are projected to be \$3,030,000 for the year. It is estimated that 48,560 rounds of golf are expected to be played each year. Variable costs are about \$12 per round of golf. Bobby Jones Golf Course has a favorable reputation in the area and, therefore, has some control over the sales price of a round of golf. Using a cost-plus pricing approach, what sales price should Bobby Jones charge for a round of golf to achieve the desired profit?

3) Benjo Inc. has the following budgeted sales for the selected four-month period:

Month	Unit Sales
October	40,000
November	20,000
December	50,000
January	80,000

There were 14,000 units of finished goods in inventory at the beginning of October. Plans are to have an inventory of finished product equal to 30 percent of the unit sales for the next month.

Five pounds of a single raw material are required for each unit produced. Each pound of material costs \$10. Plans are to have inventory levels for materials equal to 25 percent of the amount of materials needed to satisfy next month's production and 84,000 pounds of raw material on hand at the end of December. Materials inventory on October 1st was 80,000 pounds.

Required:

- Prepare a production budget in units for October, November, and December and in total for Q IV
- Prepare a purchase budget in pounds and dollars for October, November, and December and in total for Q IV.

4) Benjo Electronics is a relatively small company that provides computer-assisted technology to manufacturing companies. During the last few years, the company has begun to take budgeting seriously. Each year, the budget is developed during a two-day retreat of the company's top management. Lower-level employees, who have not received a bonus since the arrival of the budgeting process, say that the budget reflects unrealistic targets that they cannot meet even with their best efforts.

What are the underlying problems here, and how can they be corrected?

5) Oro Luminiscencia LLC makes wax/wick burners (candles). The standard direct materials quantity required to produce one large candle is 1 pound at a cost of \$5 per pound. Every candle requires 2 direct labor hours at a standard cost of \$10.75 per direct labor hour. During November, 7,200 large candles were produced using 7,500 pounds of materials costing \$45,000. At the end of November, an examination of the labor cost records, for the month, showed that the company used 14,000 direct labor hours (DLHr) at a total labor expense of \$213,550.

- a. Prepare an analysis of the labor rate and labor efficiency variances.
- b. Interpret both variances and suggest appropriate action by management.

6) Using the data from the following two pages that shows comparative balance sheets and income statements of **Lowes Companies** compute a) return on equity, b) profit margin (PM), c) asset turnover (AT), and d) financial leverage (FL) for the latest fiscal year listed.

(Hint: The latest fiscal year for Lowes Companies includes the balance sheet dated January 29, 2021 [ending balances] and balance sheet dated January 31, 2020 [beginning balances] and the income statement dated 'January 29, 2021'.)

Also show that $ROE = PM \times AT \times FL$ and more importantly give a management interpretation of the ratios.

Lowe's Companies, Inc.
Consolidated Statements of Earnings
(In millions, except per share and percentage data)

	Fiscal Years Ended					
	January 29, 2021		January 31, 2020		February 1, 2019	
	Amount	% Sales	Amount	% Sales	Amount	% Sales
Current Earnings						
Net sales	\$ 89,597	100.00 %	\$ 72,148	100.00 %	\$ 71,309	100.00 %
Cost of sales	60,025	66.99	49,205	68.20	48,401	67.88
Gross margin	29,572	33.01	22,943	31.80	22,908	32.12
Expenses:						
Selling, general and administrative	18,526	20.68	15,367	21.30	17,413	24.41
Depreciation and amortization	1,399	1.56	1,262	1.75	1,477	2.07
Operating income	9,647	10.77	6,314	8.75	4,018	5.64
Interest – net	848	0.95	691	0.96	624	0.88
Loss on extinguishment of debt	1,060	1.18	—	—	—	—
Pre-tax earnings	7,739	8.64	5,623	7.79	3,394	4.76
Income tax provision	1,904	2.13	1,342	1.86	1,080	1.52
Net earnings	\$ 5,835	6.51 %	\$ 4,281	5.93 %	\$ 2,314	3.24 %
Basic earnings per common share	\$ 7.77		\$ 5.49		\$ 2.84	
Diluted earnings per common share	\$ 7.75		\$ 5.49		\$ 2.84	

Lowe's Companies, Inc.
Consolidated Statements of Comprehensive Income
(In millions, except percentage data)

	Fiscal Years Ended					
	January 29, 2021		January 31, 2020		February 1, 2019	
	Amount	% Sales	Amount	% Sales	Amount	% Sales
Net earnings	\$ 5,835	6.51 %	\$ 4,281	5.93 %	\$ 2,314	3.24 %
Foreign currency translation adjustments – net of tax	78	0.09	94	0.13	(221)	(0.30)
Cash flow hedges – net of tax	(79)	(0.09)	(22)	(0.03)	(1)	—
Other	1	—	1	—	2	—
Other comprehensive income/(loss)	—	—	73	0.10	(220)	(0.30)
Comprehensive income	\$ 5,835	6.51 %	\$ 4,354	6.03 %	\$ 2,094	2.94 %

See accompanying notes to consolidated financial statements.

Lowe's Companies, Inc.
Consolidated Balance Sheets
(In millions, except par value)

	January 29, 2021	January 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,690	\$ 716
Short-term investments	506	160
Merchandise inventory – net	16,193	13,179
Other current assets	937	1,263
Total current assets	22,326	15,318
Property, less accumulated depreciation	19,155	18,769
Operating lease right-of-use assets	3,832	3,891
Long-term investments	200	372
Deferred income taxes – net	340	216
Other assets	882	905
Total assets	\$ 46,735	\$ 39,471
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings	\$ —	\$ 1,941
Current maturities of long-term debt	1,112	597
Current operating lease liabilities	541	501
Accounts payable	10,884	7,659
Accrued compensation and employee benefits	1,350	684
Deferred revenue	1,608	1,219
Other current liabilities	3,235	2,581
Total current liabilities	18,730	15,182
Long-term debt, excluding current maturities	20,668	16,768
Noncurrent operating lease liabilities	3,890	3,943
Deferred revenue – extended protection plans	1,019	894
Other liabilities	991	712
Total liabilities	45,298	37,499
Commitments and contingencies		
Shareholders' equity:		
Preferred stock – \$5 par value: Authorized – 5.0 million shares; Issued and outstanding – none	—	—
Common stock – \$0.50 par value: Authorized – 5.6 billion shares; Issued and outstanding – 731 million and 763 million, respectively	366	381
Capital in excess of par value	90	—
Retained earnings	1,117	1,727
Accumulated other comprehensive loss	(136)	(136)
Total shareholders' equity	1,437	1,972
Total liabilities and shareholders' equity	\$ 46,735	\$ 39,471

See accompanying notes to consolidated financial statements.