Name: ____________________ **Class:** ________________ **Date:** _________ **ID: A**

ACG 2071 Final Exam Part 1

Problem

1. Crystal Company manufactures two models of microcassette recorders, VCH and MTV. Based on the following production data for April of the current year, prepare a production budget for April.

	VCH	MTV
Estimated inventory (units), April 1	2,800	4,200
Desired inventory (units), April 30	6,900	5,250
Expected sales volume (units):		
Eastern zone	12,500	12,960
Midwest zone	19,000	19,800
Western zone	14,500	9,840

2. The Svelte Jeans Company produces two different types of jeans. One is called the "Simple Life" and the other is called the "Fancy Life". The company sales budget estimates that 350,000 of the Simple Life Jeans and 200,000 of the Fancy Life will be sold during 20xx. The Production Budget requires 353,500 units of Simple Life jeans and 196,000 Fancy Life jeans be manufactured. The Simple Life jeans require 3 yards of denim material, a zipper, and 25 yards of thread. The Fancy Life jeans require 4.5 yards of denim material, a zipper, and 40 yards of thread. Each yard of denim material costs $3.25, the zipper costs $.75 each, and the thread is $.01 per yard. There is enough material to make 2,000 jeans of each type at the beginning of the year. The desired amount of materials left in ending inventory is to have enough to manufacture 3,500 jeans of each type. Prepare a Direct Materials Purchases Budget.

3. The treasurer of Systems Company has accumulated the following budget information for the first two months of the coming year:

	March	April
Sales.	$450,000	$520,000
Manufacturing costs	290,000	350,000
Selling and administrative expenses	41,400	46,400
Capital additions	250,000	---

The company expects to sell about 35% of its merchandise for cash. Of sales on account, 80% are expected to be collected in full in the month of the sale and the remainder in the month following the sale. One-fourth of the manufacturing costs are expected to be paid in the month in which they are incurred and the other three-fourths in the following month. Depreciation, insurance, and property taxes represent $6,400 of the probable monthly selling and administrative expenses. Insurance is paid in February and a $40,000 installment on income taxes is expected to be paid in April. Of the remainder of the selling and administrative expenses, one-half are expected to be paid in the month in which they are incurred and the balance in the following month. Capital additions of $250,000 are expected to be paid in March.

Current assets as of March 1 are composed of cash of $45,000 and accounts receivable of $51,000. Current liabilities as of March 1 are composed of accounts payable of $121,500 ($102,000 for materials purchases and $19,500 for operating expenses). Management desires to maintain a minimum cash balance of $20,000.

Prepare a monthly cash budget for March and April.

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ACG 2071 Final Exam Pt 2

Problem

1. The comparative balance sheet of Posner Company, for 2011 and the preceding year ended December 31, 2010, appears below in condensed form:

	Year 2011	Year 2010
Cash	$ 53,000	$ 50,000
Accounts receivable (net)	37,000	48,000
Inventories	108,500	100,000
Investments	.....	70,000
Equipment	573,200	450,000
Accumulated depreciation-equipment	(142,000)	(176,000)
	$629,700	$542,000
Accounts payable	$ 62,500	$ 43,800
Bonds payable, due 2011	.....	100,000
Common stock, $10 par	325,000	285,000
Paid-in capital in excess of par--common stock	80,000	55,000
Retained earnings	162,200	58,200
	$629,700	$542,000

The income statement for the current year is as follows:

Sales		$625,700
Cost of merchandise sold		340,000
Gross profit		$285,700
Operating expenses:		
Depreciation expense	$26,000	
Other operating expenses	68,000	94,000
Income from operations		$191,700
Other income:		
Gain on sale of investment	$ 4,000	
Other expense:		
Interest expense	6,000	(2,000)
Income before income tax		$189,700
Income tax		60,700
Net income		$129,000

Additional data for the current year are as follows:

(a) Fully depreciated equipment costing $60,000 was scrapped, no salvage, and equipment was purchased for $183,200.
(b) Bonds payable for $100,000 were retired by payment at their face amount.
(c) 5,000 shares of common stock were issued at $13 for cash.
(d) Cash dividends declared and paid, $25,000.

Prepare a statement of cash flows, using the indirect method of reporting cash flows from operating activities.

2. On the basis of the following data for Grant Co. for 2011 and the preceding year ended December 31, 2010, prepare a statement of cash flows. Use the indirect method of reporting cash flows from operating activities. Assume that equipment costing $125,000 was purchased for cash and equipment costing $85,000 with accumulated depreciation of $65,000 was sold for $15,000; that the stock was issued for cash; and that the only entries in the retained earnings account were net income of $56,000 and cash dividends declared of $18,000.

	Year 2011	Year 2010
Cash	$90,000	$ 78,000
Accounts receivable (net)	78,000	85,000
Inventories	106,500	90,000
Equipment	410,000	370,000
Accumulated depreciation	(150,000)	(158,000)
	$534,500	$465,000
Accounts payable (merchandise creditors)	$ 53,500	$ 55,000
Cash dividends payable	5,000	4,000
Common stock, $10 par	200,000	170,000
Paid-in capital in excess of par--common stock	62,000	60,000
Retained earnings	214,000	176,000
	$534,500	$465,000

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3. Complete each of the columns on the table below, indicating in which section each item would be reported on the statement of cash flow (Operating, Investing, or Financing), the amount that would be reported, and whether the item would create an increase or decrease in cash. For item that affect more than one section of the statement, indicate all affected. Assume the indirect method of reporting cash flows operating activities.

   The first item has been completed as an example.

Item	Statement Section	Amount to Report	+/- Effect on Cash
Depreciation of $20,000 for the period	*Operating*	*$20,000*	*Increase*
Issuance of common stock for $30,000			
Increase in Accounts Payable of $7,000			
Retirement of $100,000 Bonds Payable at 97.			
Purchase of long term investments for $76,500			
Dividends declared and paid of $8,300			
Increase in Prepaid Rent of $4,500			
Decrease in Inventory of $5,300			
Purchase of equipment for $17,600 cash.			
Sale of land originally costing $60,000 for $66,000			
Decrease in Taxes Payable for $2,100			

4. The inventory at June 1 and costs charged to Work in Process - Department 60 during June are as follows:

3,800 units, 60% completed	$ 60,400
Direct materials, 32,000 units	378,000
Direct labor	274,000
Factory overhead	168,000
Total cost to be accounted for	$880,400

   During June, 32,000 units were placed into production and 31,200 units were completed, including those in inventory on June 1. On June 30, the inventory of work in process consisted of 4,600 units which were 85% completed. Inventories are costed by the first-in, first-out method and all materials are added at the beginning of the process.

   Determine the following, presenting your computations (Prepare your computations using unit cost data to four decimal places, i.e. $4.4444, to minimize rounding differences):

   (a) equivalent units of production for conversion cost
   (b) conversion cost per equivalent unit
   (c) total and unit cost of finished goods started in prior period and completed in the current period
   (d) total and unit cost of finished goods started and completed in the current period
   (e) total cost of work in process inventory at June 30

5. The inventory at April 1, 2012, and the costs charged to Work in Process--Department B during April for Hawk Company are as follows:

500 units, 60% completed	$ 3,460
From Department A, 10,000 units	36,300
Direct labor	7,960
Factory overhead	12,500

During April, all direct materials are transferred from Department A, the units in process at April 1 were completed, and of the 10,000 units entering the department, all were completed except 1,200 units which were 25% completed as to conversion costs. Inventories are costed by the first-in, first-out method.

Prepare a cost of production report for April.