

# Managerial Accounting

EXAMINATION NUMBER:

**06168501**

**Note:** You should complete *all* lesson exams before you take the final exam.

Complete the following exam by answering the questions and compiling your answers into a word-processing document. When you're ready to submit your answers, refer to the instructions at the end of your exam booklet. Be certain to indicate the proper question number before each of your answers. Remember to show your work if an answer requires a mathematical solution.

Answer each of the following 20 questions. Each answer is worth 5 points.

1. The work-in-process inventory account of a manufacturing company shows a balance of \$3,000 at the end of an accounting period. The job-cost sheets of the two incomplete jobs show charges of \$500 and \$300 for direct materials, and charges of \$400 and \$600 for direct labor. From this information, it appears that the company is using a predetermined overhead rate as a percentage of direct labor costs. What percentage is the rate?
2. The break-even point in dollar sales for Rice Company is \$480,000 and the company's contribution margin ratio is 40 percent. If Rice Company desires a profit of \$84,000, how much would sales have to total?
3. Williams Company's direct labor cost is 25 percent of its conversion cost. If the manufacturing overhead for the last period was \$45,000 and the direct material cost was \$25,000, how much is the direct labor cost?

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4. Grading Company's cash and cash equivalents consist of cash and marketable securities. Last year the company's cash account decreased by \$16,000 and its marketable securities account increased by \$22,000. Cash provided by operating activities was \$24,000. Net cash used for financing activities was \$20,000. Based on this information, was the net cash flow from investing activities on the statement of cash flows a net increase or decrease? By how much?
5. Gladstone Footwear Corporation's flexible budget cost formula for supplies, a variable cost, is \$2.82 per unit of output. The company's flexible budget performance report for last month showed an \$8,140 unfavorable spending variance for supplies. During that month, 21,250 units were produced. Budgeted activity for the month had been 20,900 units. What is the actual cost per unit for indirect materials?
6. Lyons Company consists of two divisions, A and B. Lyons Company reported a contribution margin of \$60,000 for Division A, and had a contribution margin ratio of 30 percent in Division B, when sales in Division B were \$240,000. Net operating income for the company was \$22,000 and traceable fixed expenses were \$45,000. How much were Lyons Company's common fixed expenses?
7. Atlantic Company produces a single product. For the most recent year, the company's net operating income computed by the absorption costing method was \$7,800, and its net operating income computed by the variable costing method was \$10,500. The company's unit product cost was \$15 under variable costing and \$24 under absorption costing. If the ending inventory consisted of 1,460 units, how many units must have been in the beginning inventory?

8. Black Company uses the weighted-average method in its process costing system. The company's ending work-in-process inventory consists of 6,000 units, 75 percent complete with respect to materials and 50 percent complete with respect to labor and overhead. If the total dollar value of the inventory is \$80,000 and the cost per equivalent unit for labor and overhead is \$6.00, what is the cost per equivalent unit for materials?
9. At Overland Company, maintenance cost is exclusively a variable cost that varies directly with machine-hours. The performance report for July showed that actual maintenance costs totaled \$11,315 and that the associated rate variance was \$146 unfavorable. If 7,300 machine-hours were actually worked during July, what is the budgeted maintenance cost per machine-hour?
10. The cost of goods sold in a retail store totaled \$650,000. Fixed selling and administrative expenses totaled \$115,000 and variable selling and administrative expenses were \$420,000. If the store's contribution margin totaled \$590,000, how much were the sales?
11. Denny Corporation is considering replacing a technologically obsolete machine with a new state-of-the-art numerically controlled machine. The new machine would cost \$600,000 and would have a 10-year useful life. Unfortunately, the new machine would have no salvage value. The new machine would cost \$20,000 per year to operate and maintain, but would save \$125,000 per year in labor and other costs. The old machine can be sold now for scrap for \$50,000. What percentage is the simple rate of return on the new machine rounded to the nearest tenth of a percent? (Ignore income taxes in this problem.)

12. Lounsberry Inc. regularly uses material O55P and currently has in stock 375 liters of the material, for which it paid \$2,700 several weeks ago. If this were to be sold as is on the open market as surplus material, it would fetch \$6.35 per liter. New stocks of the material can be purchased on the open market for \$7.20 per liter, but it must be purchased in lots of 1,000 liters. You've been asked to determine the relevant cost of 900 liters of the material to be used in a job for a customer. What is the relevant cost of the 900 liters of material O55P?
13. Harwichport Company has a current ratio of 3.0 and an acid-test ratio of 2.8. Current assets equal \$210,000, of which \$5,000 consists of prepaid expenses. The remainder of current assets consists of cash, accounts receivable, marketable securities, and inventory. What is the amount of Harwichport Company's inventory?
14. Tolla Company is estimating the following sales for the first six months of next year:

|          |           |
|----------|-----------|
| January  | \$350,000 |
| February | \$300,000 |
| March    | \$320,000 |
| April    | \$410,000 |
| May      | \$450,000 |
| June     | \$470,000 |

Sales at Tolla are normally collected as 70 percent in the month of sale, 25 percent in the month following the sale, and the remaining 5 percent being uncollectible. Also, customers paying in the month of sale are given a 2 percent discount. Based on this information, how much cash should Tolla expect to collect during the month of April?



15. Trauscht Corporation has provided the following data from its activity-based costing system:

| Activity Cost Pool | Total Cost | Total Activity         |
|--------------------|------------|------------------------|
| Assembly           | \$704,880  | 44,000 machine-hours   |
| Processing orders  | \$91,428   | 1,900 orders           |
| Inspection         | \$117,546  | 1,950 inspection-hours |

The company makes 360 units of product P23F a year, requiring a total of 725 machine-hours, 85 orders, and 45 inspection-hours per year. The product's direct materials cost is \$42.30 per unit and its direct labor cost is \$14.55 per unit. The product sells for \$132.10 per unit. According to the activity-based costing system, what is the product margin for product P23F?

16. Williams Company's direct labor cost is 30 percent of its conversion cost. If the manufacturing overhead for the last period was \$59,500 and the direct materials cost was \$37,000, what is the direct labor cost?
17. In a recent period, 13,000 units were produced, and there was a favorable labor efficiency variance of \$23,000. If 40,000 labor-hours were worked and the standard wage rate was \$13 per labor-hour, what would be the standard hours allowed per unit of output?
18. The balance in White Company's work-in-process inventory account was \$15,000 on August 1 and \$18,000 on August 31. The company incurred \$30,000 in direct labor cost during August and requisitioned \$25,000 in raw materials (all direct material). If the sum of the debits to the manufacturing overhead account total \$28,000 for the month, and if the sum of the credits totaled \$30,000, then was Finished Goods debited or credited? By how much?



19. A company has provided the following data:

|               |               |
|---------------|---------------|
| Sales         | 4,000 units   |
| Sales price   | \$80 per unit |
| Variable cost | \$50 per unit |
| Fixed cost    | \$30,000      |

If the dollar contribution margin per unit is increased by 10 percent, total fixed cost is decreased by 15 percent, and all other factors remain the same, will net operating income increase or decrease? By how much?

20. For the current year, Paxman Company incurred \$175,000 in actual manufacturing overhead cost. The manufacturing overhead account showed that overhead was overapplied in the amount of \$9,000 for the year. If the predetermined overhead rate was \$8.00 per direct labor-hour, how many hours were worked during the year?

