

Cost Accounting
Proctored Final Examination
Exam Number: 0615971

PART A: Solve the following problems on the answer paper provided. Each answer is worth 20 points.

1. Xander Company anticipates that usage of Component T will be 100 units daily, which equates to around 25,000 for the year. The material is expected to cost \$5 per unit. Once an order is placed with the vendor, it takes five days to receive the goods, and the cost of placing each order is \$50. As a result, Xander keeps 1,000 units on hand to avoid stockouts. The carrying cost associated with each unit is \$10.
 - a. Compute the order point.
 - b. Determine the most economical order quantity.

2. Consider the following cost of production summary for Carrigan Products for May:

Carrigan Products
Cost of Production Summary
For the Month Ended May 31, 20—

Cost of work in process, beginning of month:		
Materials	\$8,200	
Labor	5,500	
Factory overhead	<u>2,000</u>	\$15,700
Cost of production for month:		
Materials	\$24,000	
Labor	17,600	
Factory overhead	<u>16,900</u>	<u>58,500</u>
Total costs to be accounted for		<u>\$74,200</u>
Unit output for month:		
Finished and transferred to finished goods		2,000
Equivalent units of work in process, end of month (1,000 units, 80% completed)		<u>800</u>
Total equivalent production		<u>2,800</u>
Unit cost for month:		
Materials $[(\$8,200 + \$24,000) \div 2,800]$		\$11.50
Labor $[(\$5,500 + \$17,600) \div 2,800]$		8.25
Factory overhead $[(\$2,000 + \$16,900) \div 2,800]$		<u>6.75</u>
Total		<u>\$26.50</u>
Inventory costs:		
Cost of goods finished and transferred to finished goods during month: $(2,000 \times \$26.50)$		\$53,000
Cost of work in process, end of month:		
Materials $(1,000 \times .8 \times \$11.50)$	\$9,200	
Labor $(1,000 \times .8 \times \$8.25)$	6,600	
Factory overhead $(1,000 \times .8 \times \$6.75)$	<u>5,400</u>	<u>21,200</u>
Total production costs accounted for		<u>\$74,200</u>

Prepare the journal entries to record the production activity.

3. Perez Company adopted a standard cost system several years ago. The standard costs for the prime costs of its single product follow:

Material: 10 kilograms @ \$4.50 per kilogram	\$45.00
Labor: 6 hours @ \$8.50 per hour	\$51.00

The following operating data were taken from the records for November:

- (1) Units completed: 5,800 units
- (2) Budgeted output: 6,000 units
- (3) Materials purchased: 60,000 kilograms
- (4) Total actual labor costs: \$306,600
- (5) Actual hours of labor: 36,500 hours
- (6) Materials quantity variance: \$2,250 unfavorable
- (7) Materials price variance: \$1,800 favorable

Compute the following:

- a. Labor rate variance
- b. Labor efficiency variance

PART B: Answer each of the following questions. Each answer is worth 4 points.

1. What is the business entity that converts purchased raw materials into finished goods by using labor, technology, and facilities?
2. What considerations should an effective cost control system include? (Name four of the six considerations.)
3. What type of wage plan is based solely on an employee's quantity of production?
4. Which costs vary in direct proportion to volume changes?
5. What costing techniques should be used in assigning costs to products if the product is composed of mass-produced homogenous units?
6. How are normal losses that occur in the manufacturing process properly classified when considered as part of the total cost of production?
7. What type of budget is prepared for a single level of volume based on management's best estimate of the level of production and sales for the coming period?
8. What is the purpose of standard costing?
9. What type of report compares the budgeted costs for the job to the actual costs incurred and indicates the variances?
10. On a variable costing income statement, what is the difference between sales and variable cost of goods sold?