Course Title: Adv. Cost Accounting **Date: 18/ 04/2019** **No. of Questions: (2)** **Time: 1 hours** **Using Calculator (Yes)**	**University of Palestine** **2nd Midterm Exam.** **2nd Semester 2018/2019** **Total Grade: 15**	**Instructor Name: Yousef El-Mudallal** **Student Name: _______________** **College Name: ________________** **Dep. / Specialist: ______________** **Using Dictionary (No)**

Answer the following questions:

Q.1: Answer the following question **7 marks**

- Såpe AS produces two joint products, **cooking oil** and **soap oil**, from a single vegetable oil refining process. In July 2018, the joint costs of this process were €210,000.
- Separable processing costs beyond the split-off point were cooking oil, €270,000; and soap oil, €65,000.
- Cooking oil sells for €60 per drum. Soap oil sells for €30 per drum.
- Såpe produced 10,000 drums of cooking oil and sold 7,000 drums
  produced 5000 drums of soap oil and sold 4,500 drums
- There are no beginning inventories of cooking oil or soap oil.

Required

1- Allocate the € 210,000 joint costs using the estimated NRV method.
2- Allocate the € 210,000 joint costs using the Constant gross margin NRV method.
3- Prepare product-line income statements for Såpe AS under the NRV method.

Q.2: Answer the following question **8 marks**

Sparta Company processes 15,000 gallons of direct materials to produce two products, Product X (by-product) and Product Y (main product). Product X is sold for $4 per gallon and Product Y, the main product, is sold for $50 per gallon. The following information is for August:

	Production	**Sales**	**Beginning Inventory**	**Ending Inventory**
Product X:	4,375	4,000	0	375
Product Y:	10,000	9,500	0	500

The manufacturing costs totaled $350,000 (200,000 Direct Material and 150,000 Conversion Costs)

1. Assuming Sparta accounts for the byproduct using the production method, what is the inventoriable cost for each product and Sparta's gross margin?
2. Assuming Sparta accounts for the byproduct using the Sales method, what is the inventoriable cost for each product and Sparta's gross margin?
3. Show journal entries at the time of production and at the time of sale assuming that Sparta Company accounts for the byproduct using the Sales method.
4. Why might managers seeking a monthly bonus based on a target operating income prefer the sales method of accounting for byproducts?