

Course No:
Course Title: Managerial Accounting
Date: 17/08/2011
No. of Questions: (5)
Time: 2 hours
Using Calculator (Yes)

University of Palestine



End Exam.
Summer Semester 2011
Total Grade: 60

Instructor Name: Yousef El-Mudallal
Student No.: _____
Student Name: _____
College Name: _____
Dep. / Specialist: _____
Using Dictionary (No)

Answer the following four questions:

Q.1 : True or False **12 marks**

1. The material quantity variance is computed based on the quantity of all materials purchased during the period ()
2. Purchase of poor quality materials will generally result in a favorable materials price variance and an unfavorable labor rate variance ()
3. The margin of safety percentage is equal to the margin of safety in dollars divided by total sales in dollars ()
4. In order for a cost to be variable it must vary with either units produced or units sold ()
5. The usual starting point in budgeting is to make a forecast of cash receipts and cash disbursements ()
6. All costs incurred in a merchandising firm are considered to be period costs ()
7. A mixed cost is partially variable and partially fixed ()
8. Control involves developing objectives and preparing the various budgets to achieve those objectives ()
9. The break-even point is the level of sales at where total contribution margin equals total cost ()
10. The emphasis in the balanced scorecard is on improvement rather than meeting a preset standard ()
11. A mixed cost is partially variable and partially fixed ()
12. A period cost is a cost that is taken directly to the income statement as an expense in the period in which it is incurred ()

Q.2: Choose the correct answer **15 marks**

1. **The standards that allow for no machine breakdowns or other work interruptions and that require peak efficiency at all times are referred to as:**
 - a. Normal standards.
 - b. Practical standards.
 - c. Ideal standards.
 - d. Budgeted standards
2. **A favorable labor rate variance indicates that**
 - a. Actual hours exceed standard hours.
 - b. Standard hours exceed actual hours.
 - c. The actual rate exceeds the standard rate.
 - d. The standard rate exceeds the actual rate.
3. **Expense A is a fixed cost; expense B is a variable cost. During the current year the activity level has increased, but is still within the relevant range. In terms of cost per unit of activity, we would expect that:**
 - a. Expense A has remained unchanged.
 - b. Expense B has decreased.
 - c. Expense A has decreased.

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- d. Expense B has increased.
4. **The budget or schedule that provides necessary input data for the direct labor budget is the:**
- Raw materials purchases budget.
 - Production budget.
 - Schedule of cash collections.
 - Cash budget.
5. **Pardee Company plans to sell 12,000 units during the month of August. If the company has 2,500 units on hand at the start of the month, and plans to have 2,000 units on hand at the end of the month, how many units must be produced during the month?**
- 11,500.
 - 12,500.
 - 12,000.
 - 14,000.

6-9 The following is Addison Corporation's contribution format income statement for last month:

Sales	\$1,000,000
Less variable expenses	700,000
Contribution margin	300,000
Less fixed expenses	180,000
Net income	\$ 120,000

The company has no beginning or ending inventories. A total of 20,000 units were produced and sold last month.

6. **What is the company's contribution margin ratio?**
- 250%
 - 150%
 - 70%
 - 30%
7. **How many units would the company have to sell to attain target profits of \$150,000?**
- 22,000
 - 37,500
 - 25,000
 - 26,667
8. **What is the company's margin of safety in dollars?**
- \$400,000
 - \$600,000
 - \$120,000
 - \$880,000
9. **What is the company's degree of operating leverage?**
- 0.12
 - 2.5

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- c. 0.4
- d. 3.3

10. North Company sells a single product. The product has a selling price of \$30 per unit and variable expenses of 70% of sales. If the company's fixed expenses total \$60,000 per year, then it will have a break-even of:

- a. \$60,000.
- b. \$85,714.
- c. \$42,000.
- d. \$200,000

Q.3 : Answer two of the following questions 10 marks

1. Who is generally responsible for the material price variance? The material quantity variance? The labor efficiency variance?
2. A balanced scorecard consists of an integrated set of performance measures that are derived from and support a company's strategy, Mention the four Key groups of performance measures.
3. The controller of JoyCo has requested a quick estimate of the manufacturing supplies needed for the month of July when production is expected to be 470,000 units. Below are actual data from the prior three months of operations.

	<u>Production</u> <u>in units</u>	<u>Manufacturing</u> <u>supplies</u>
March	450,000	P723,060
April	540,000	853,560
May	480,000	766,560

Using these data and the high-low method, what is the best estimate of the cost of manufacturing supplies that would be needed for July?

Q.4 : Mini cases : Answer the following questions 24 marks

1. Alberta Limited needs a cash budget for the month of November. The following information is available:
 - a. The cash balance on November 1 is \$6,000.
 - b. Sales for October and November are \$80,000 and \$60,000, respectively.
 - c. Cash collections on sales are 30 percent in the month of sale and 65 percent in the month after the sale; 5 percent of sales are uncollectible.
 - d. General expenses budgeted for November are \$25,000 (depreciation represents \$2,000 of this amount).
 - e. Inventory purchases will total \$30,000 in October and \$40,000 in November.
 - f. The company pays for half of its inventory purchases in the month of purchase and for the other half the month after purchase.
 - g. The company will pay \$4,000 in cash for office furniture in November.
 - h. Sales commissions for November are budgeted at \$12,000.

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- i. The company maintains a minimum ending cash balance of \$4,000 and can borrow from the bank in multiples of \$100. All loans are repaid after 60 days.

Required:

Prepare a cash budget for Alberta Limited for the month of November.

2. The Albright Company uses standard costing and has established the following standards for its single product:

	Standard Quantity	Standard Price or Rate
Direct materials	2 gallons	P 3\$ per gallon
Direct labor.....	0.5 hours	P 8\$ per hour
Variable manufacturing overhead..	0.5 hours	P 2\$ per hour

During November, the company made 4,000 units and incurred the following costs:

Direct materials purchased	8,100 gallons at \$3.10 per gallon
Direct materials used	7,600 gallons
Direct labor hours worked	2,200 hours at \$8.25 per hour
Actual variable manuf. overhead ...	\$4,175

Required:

Compute the materials, labor, and variable manufacturing overhead variances.

Bonus question

4 marks

4. Duffy Corporation has prepared the following sales budget:

<u>Month</u>	<u>Cash Sales</u>	<u>Credit Sales</u>
May	\$16,000	\$68,000
June	20,000	80,000
July	18,000	74,000
August	24,000	92,000
September	22,000	76,000

Collections are 40% in the month of sale, 45% in the month following the sale, and 10% two months following the sale. The remaining 5% is expected to be uncollectible.

Required:

Prepare a schedule of cash collections for July through September.

Good Luck