


Course No: ACC 3308 – MAN 3310
 Course Title: Managerial Accounting
 Date: 12/08/2012
 No. of Questions: (6)
 Time: 2 hour
 Using Calculator (yes)

University of Palestine



Final Exam
3rd Semester 2011/2012
Total Grade: 60

Instructor Name: Dr. Khaled Eissa
 Student No.: _____
 Student Name: _____
 College Name: Business Administration
 Dep. / Specialist: Accounting
 Using Dictionary (No)

- Answer 5 Questions only
- The students who didn't examine the mid-term answer all the questions

- أجب عن 5 أسئلة فقط
- الطلبة الذين لم يتقدموا للإمتحان النصفى أجب عن جميع الأسئلة

Question 1:

Kaly Custom Electronics (KCE) sells and installs complete security, computer, audio, and video systems for homes. On newly constructed homes it provides bids using time-and-materials pricing. The following budgeted cost data are available:

	<u>Time charges</u>	<u>Material loading charges</u>
Technicians' wages and benefits	\$ 100,000	-
Parts manger's salary and benefits	-	\$ 20,000
Office employee's salary and benefits	15,000	10,000
Other overhead	10,000	25,000
Total budgeted costs	<u>\$ 125,000</u>	<u>\$ 55,000</u>

The company has budgeted for 6,250 hours of technician time during the coming year. It desires a \$25 profit margin per hour of labor and a 50% profit on parts. It estimates the total invoice cost of parts and materials in 2014 will be \$550,000

Required:

- a. Compute the rate charged per hour of labor.
- b. Compute the material loading percentage.
- c. KCE has just received a request for a bid from Adams Builders on a \$1,000,000 new home. The company estimates that it would require 60 hours of labor and \$30,000 of parts. Compute the total estimated bill.

Question 2:

Hall Company had sales in 2014 of \$1,560,000 on 60,000 units. Variable costs totaled \$720,000, and fixed costs totaled \$500,000.

A new raw materials is available that will decrease the variable costs per unit by 25%. However, to process the new raw material, fixed operating costs will increase by \$15,000. Management feels that one-half of the declines in the variable costs per unit should be passed on to customers in the form of a sales price reduction. The marketing department expects that this sales price reduction will result in a 5% increase in the number of units sold.

Required:

Prepare a projected CVP income statement for 2014 (a) assuming the changes have not been made, and (b) assuming that changes are made as described.

Course No: ACC 3308 – MAN 3310
Course Title: Managerial Accounting
Date: 12/08/2012
No. of Questions: (6)
Time: 2 hour
Using Calculator (yes)

University of Palestine



Final Exam
3rd Semester 2011/2012
Total Grade: 60

Instructor Name: Dr. Khaled Eissa

Student No.: _____

Student Name: _____

College Name: Business Administration
Dep. / Specialist: Accounting
Using Dictionary (No)

Question 3:

Raslan Company produces golf discs which it normally sells to retailers for \$7 each. The cost of manufacturing 20,000 golf discs is:

Materials	\$ 10,000
Labor	30,000
Variable overhead	20,000
Fixed overhead	40,000
Total	<u>\$ 100,000</u>

Raslan also incurs 5% sales commission (\$0.35) on each disc sold.

McDonald Corporation offers Raslan \$4.80 per disc for 5,000 discs. McDonald would sell the discs under its own brand name in foreign markets not yet served by Raslan. If Raslan accepts the offer, its fixed overhead will increase by \$6,000 due to the purchase of a new imprinting machine. No sales commission will result from the special order.

Required:

- Prepare an incremental analysis for the special order.
- Should Raslan accept the special order? Why or why not?

Question 4:


Crede Inc. has 2 divisions. Division A makes and sells student desks. Division B manufactures and sells reading lamps. Each desk has a reading lamp as one of its components. Division A can purchase reading lamps at a cost of \$20 from an outside vendor. Division A needs 20,000 lamps for the coming year.

Division B has the capacity to manufacture 100,000 lamps annually. Sales to outside customers are estimated at 80,000 lamps for the next year. Reading lamps are sold at \$22 each. Variable costs are \$14 per lamp and include \$2 of variable sales costs that are not incurred if lamps are sold internally to division A. The total amount of fixed costs for division B is \$80,000.

Required:

- What should be the minimum transfer price accepted by division B for the 20,000 lamps and the maximum transfer price paid by division A?
- Suppose division B could use the excess capacity to produce and sell externally 30,000 units of a new product at a price of \$14 per unit. The variable cost for this new product is \$10 per unit. What should be the minimum transfer price accepted by division A?

Course No: ACC 3308 – MAN 3310
 Course Title: Managerial Accounting
 Date: 12/08/2012
 No. of Questions: (6)
 Time: 2 hour
 Using Calculator (yes)

University of Palestine

Final Exam
3rd Semester 2011/2012
Total Grade: 60

Instructor Name: Dr. Khaled Eissa
 Student No.: _____
 Student Name: _____
 College Name: Business Administration
 Dep. / Specialist: Accounting
 Using Dictionary (No)

Question 5:

Stahl Inc. produces three separate products from a common process costing \$100,000. Each of the products can be sold at the split-off point or can be processed further and then sold for a higher price. Shown below are cost and selling price data for a recent period.

	<u>Sales value at split-off point</u>	<u>Cost to process further</u>	<u>Sales value after further processing</u>
Product 10	\$ 60,000	\$ 100,000	\$ 190,000
Product 12	15,000	30,000	35,000
Product 14	55,000	150,000	215,000

Required:

- Determine total net income if all products are sold at the split-off point.
- Determine total net income if all products are sold after further processing.
- Using incremental analysis, determine which products should be sold at the split-off point and which should be processed further.
- Determine total net income using results from (c).

Question 6:

Arquitectos Interiors of Juarez, Mexico, is contemplating a major change in its cost structure. Currently all of its drafting work is performed by skilled draftsmen. Alfonso Jiminez, Arquitectos' owner, is considering replacing the draftsmen with a computerized drafting system. However, before making the change, Alfonso would like to know the consequences of the change, since the volume of business varies significantly from year to year. Shown below are CVP income statements for each alternative.

	Manual System	Computerized system
Sales	\$ 1,500,000	\$ 1,500,000
Variable costs	1,200,000	600,000
Contribution margin	300,000	900,000
Fixed costs	50,000	650,000
Net income	\$ 250,000	\$ 250,000

Required:

- Determine the degree of operating leverage for each alternative
- Which alternative would produce the higher net income if sales increases by \$150,000?

<<< **Good Luck** >>>