

Course No: ACC 2302  
Course Title: Cost Accounting  
Date: 26 / 03/ 2012  
No. of Questions: 3  
Time: 1.15 hour  
Using Calculator :(Yes)

University of Palestine



Midterm Exam  
Second Semester  
2011/2012  
Total Grade: 20

Instructor Name:Mr.Tareq Y. Abu Al-Ajeen  
Student No.: \_\_\_\_\_  
Student Name: \_\_\_\_\_  
College Name: \_\_\_\_\_  
Dep. / Specialist: \_\_\_\_\_  
Using Dictionary (No)

• Answer all Questions

<b>First Question:</b> True or false	<b>No. of Branches (6)</b> <i>Answer (4) questions only</i>	( / 2)
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- 1-The supply chain refers to the sequence of business functions in which customer usefulness is added to products or services (.....)
- 2-Work-in-process inventory are goods partially worked on but not yet completed (.....)
- 3- The balance sheet, income statement, and statement of cash flows are used for financial accounting, and also for management accounting (.....)
- 4- The cost of electricity used in the production of multiple products would be classified as an indirect cost (.....)
- 5- If the selling price per unit is \$50 and the contribution margin percentage is 40%, then the variable cost per unit must be \$20(.....)
- 6- Costs are accounted for in two basic stages: assignment followed by accumulation (.....)

<b>Second Question:</b> Multiple Choice	<b>No. of Branches (5)</b> <i>Answer (4) questions only</i>	( /4)
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**1- Which one of the following is a variable cost for an insurance company?**

- A) rent
- B) president's salary
- C) sales commissions
- D) property taxes

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2- The Singer Company manufactures several different products. Unit costs associated with Product ICT are as follows:

Direct materials	\$ 60
Direct manufacturing labor	10
Variable manufacturing overhead	18
Fixed manufacturing overhead	32
Sales commissions (2% of sales)	4
Administrative salaries	16
Total	\$140

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**3- What are the inventoriable costs per unit associated with Product ICT?**

- A) \$120
  - B) \$140
  - C) \$50
  - D) \$88
- 

**4- The most important planning tool is a :**

- A) performance evaluation report
  - B) balanced scorecard
  - C) goal
  - D) budget
- 

Assume the following cost information for Fernandez Company:

Selling price	\$120 per unit
Variable costs	\$80 per unit
Total fixed costs	\$80,000
Tax rate	%40

**5- What is the number of units that must be sold to earn an after-tax net income of \$42,000?**

- A) 3,750 units
  - B) 4,625 units
  - C) 3,050 units
  - D) 1,875 units
- 

**6- If a company has a degree of operating leverage of 3.0 and sales increase by 25%, then:**

- A) total variable costs will increase by 75%
  - B) total variable costs will not change
  - C) profit will increase by 30%
  - D) profit will increase by 75%
-

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**Third Question** **No. of Branches (3)** **( /14)**

**Q3 B1:** **( / 4)**

**For last year, Lewisburn Manufacturing reported the following:**

Revenue	\$420,000
Beginning inventory of direct materials, January 1	22,000
Purchases of direct materials	146,000
Ending inventory of direct materials, December 31	16,000
Direct manufacturing labor	18,000
Indirect manufacturing costs	40,000
Beginning inventory of finished goods, January 1	35,000
Cost of goods manufactured	104,000
Ending inventory of finished goods, December 31	36,000
Operating costs	140,000

**Required:**

- 1- What was Lewisburn's cost of goods sold?*
- 2- What was Lewisburn's gross margin (or gross profit)?*
- 3- What was Lewisburn's operating income?*
- 4- How much of the above would be considered period costs for Lewisburn Manufacturing*

**The Answer:**

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## Continue the Answer

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**Q3 B2:**

( / 6 )

Alex Miller, Inc., sells car batteries to service stations for an average of \$30 each. The variable cost of each battery is \$20 and monthly fixed manufacturing costs total \$10,000. Other monthly fixed costs of the company total \$8,000.

**Required:**

- 1- *What is the breakeven point in batteries?*
- 2- *What is the margin of safety, assuming sales total \$60,000?*
- 3- *What is the breakeven level in batteries, assuming variable costs increase by 20%?*
- 4- *What is the breakeven level in batteries, assuming the selling price goes up by 10%, fixed manufacturing costs decline by 10%, and other fixed costs decline by \$100?*

**The Answer:**

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**Continue the Answer**

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**Q3 B3:**

( / 4 )

Mount Carmel Company sells only two products, Product A and Product B.

	Product A	Product B	Total
Selling price	\$40	\$50	
Variable cost per unit	\$24	\$40	
Total fixed costs			\$840,000

Mount Carmel sells two units of Product A for each unit it sells of Product B. Mount Carmel faces a tax rate of 30%.

**Required:**

- 1- What is the breakeven point in units for each product assuming the sales mix is 2 units of Product A for each unit of Product B?*
- 2- How many units of each product would be sold if Mount Carmel desired an after-tax net income of \$73,500, facing a tax rate of 30%?*

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**The Answer:**

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**End of Questions**  
***Good Luck***