Course No: ACC 2302 Course Title: Cost Accounting Date: 27/05/2013 No. of Questions: 5 Time: 135 Minutes Using Calculator :(Yes)	University of Palestine Final Exam Second Semester 2012/2013 Total Grade: 60	Instructor Name: Mr.Tareq Abu Al-Ajeen Student No.: ________________ Student Name: _______________ College Name: _______________ Dep. / Specialist: _____________ Using Dictionary (No)

- ***Answer all Questions***

First Question: True or False	**No. of Branches (11)** *Answer (9) questions only*	(/09) (6-9 Minutes)

1- Jacob's Manufacturing sales is equal to production. If Jacob's Manufacturing presented a Financial Accounting Income Statement emphasizing gross margin showing operating income of $180,000, a Contribution Income Statement emphasizing contribution margin would show a different operating income(…..)

2- Contribution margin = Contribution margin percentage * Revenues (in dollars) (....)

3-Margin of safety measures the difference between budgeted revenues and breakeven revenues. (....)

4- Direct costs are traced the same way for actual costing and normal costing (….)

5- The ending balance in Work-in-Process Control represents the total costs of all jobs that have not yet been completed (….)

6- Work-in-Process Control will be decreased (credited) for the amount of direct-labor costs incurred (….)

7- Variable costing includes all variable costs both manufacturing and non-manufacturing inventory (....)

8- The main difference between variable costing and absorption costing is the way in which fixed manufacturing costs are accounted for. (....)

9- A cost object is anything for which a measurement of costs is desired (....)

10- If a company has a degree of operating leverage of 4.0, that means a 10% increase in sales will result in a 40% increase in variable costs (....)

11- Normal costing is a costing system that traces direct costs to a cost object by using the actual direct-cost rates times the actual quantities of the direct-cost inputs (....)

Second Question: Multiple Choice — **No. of Branches (11)** *Answer (10) questions only* — **(/10)** **(18-22 Minutes)**

1- Copley Enterprises manufactures digital video equipment. For each unit $775 of direct material is used and there is $1,500 of direct manufacturing labor at $30 per hour. Manufacturing overhead is applied at $35 per direct manufacturing labor hour.

Calculate the cost of each unit.

A) $2,975
B) $4,025
C) $4,725
D) $3,150

2-**The strategy most likely to reduce the breakeven point would be to**:

A) increase both the fixed costs and the contribution margin
B) decrease both the fixed costs and the contribution margin
C) decrease the fixed costs and increase the contribution margin
D) increase the fixed costs and decrease the contribution margin

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3- **How many units would have to be sold** to yield a target operating income of $22,000, assuming variable costs are $15 per unit, total fixed costs are $2,000, and the unit selling price is $20 ?

A) 4,800 units
B) 4,400 units
C) 4,000 units
D) 3,600 units

4- **Assigning direct costs to a cost object is called**:

A) cost allocation
B) cost assignment
C) cost pooling
D) cost tracing

Answer the following questions (5-6) using the information below :

Beginning finished goods	$ 80,000
Ending finished goods,	67,000
Cost of goods sold	270,000
Sales revenue	500,000
Operating expenses	145,000

5- What is cost of goods manufactured?

A)$230,000
B) $257,000
C) $283,000
D)$355,000

6- What is operating income?

A) $85,000
B)$12,000
C) $62,000
D) $230,000

The following information is for Barnett Corporation:

Product X: Revenue	$10.00
Variable Cost	$2.50
Product Y: Revenue	$15.00
Variable Cost	$5.00
Total fixed costs	$50,000

7- **What is the breakeven point** assuming the sales mix consists of two units of Product X and one unit of Product Y?

A) 1,000 units of Y and 2,000 units of X
B) 1,013 units of Y and 2,025 units of X
C) 2,013 units of Y and 4,025 units of X
D) 2,000 units of Y and 4,000 units of X

8-**Variable costing:**

A) expenses administrative costs as cost of goods sold
B) treats direct manufacturing costs as a product cost
C) includes fixed manufacturing overhead as an inventoriable cost
D) is required for external reporting to shareholders

Tom & Jerry co. produces and sells an auto part for $30.00 per unit. In 2010, 100,000 parts were produced and 75,000 units were sold. Other information for the year includes:

Direct materials	12.00	$per unit
Direct manufacturing labor	2.25	$per unit
Variable manufacturing costs	0.75	$per unit
Sales commissions	3.00	$per part
Fixed manufacturing costs	375,000	$per year
Administrative expenses, all fixed	135,000	$per year

9- **What is the inventoriable cost per unit using throughput costing ?**

A) $14.25
B) $15.00
C) $18.00
D)$12.00

10-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%

For 2010, Jake's Dog Supply Manufacturing uses machine-hours as the only overhead cost-allocation base. The accounting records contain the following information:

	Estimated	**Actual**
Manufacturing overhead costs	$200,000	$240,000
Machine-hours	40,000	50,000

11-Using job costing, the 2010 budgeted manufacturing overhead rate is:

A) $4.00 per machine-hour
B) $4.80 per machine-hour
C) $5.00 per machine-hour
D) $6.00 per machine-hour

The Third Question	**No. of Branches (2)**	**(/13)**

Q3 B1: **(/05)** **(8-10 Minutes)**

Moira Company has just finished its first year of operations and must decide which method to use for adjusting cost of goods sold. Because the company used a budgeted indirect-cost rate for its manufacturing operations, the amount that was allocated ($435,000) to cost of goods sold was different from the actual amount incurred ($425,000).

Ending balances in the relevant accounts were:

Work-in-Process	$ 40,000
Finished Goods	80,000
Cost of Goods Sold	680,000

Instructions:

1- Prepare a journal entry that prorates the write-off of the difference between allocated and actual overhead using ending account balances.

The Answer:

Q3 B2: **(/08)** **(8-10 Minutes)**

Tom's Tire Tower, Inc., sells tires for $110. The unit variable cost per tire is $85. Fixed costs total $475,000.

Instructions

1- What is the contribution margin per tire?
2- What is the breakeven point in tires?
3-How many tires must be sold to earn a pretax income of $450,000?
4- What is the margin of safety, assuming 33,000 tires are sold?

The Answer:

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The Fourth Question	**No. of Branches (1)**	**(/12)** **(25-35 Minutes)**

The University of Chicago Press is wholly owned by the university. It performs the bulk of its work for other university departments, which pay as though the press were an outside business enterprise. The press also publishes and maintains a stock of books for general sale. The press uses normal costing to cost each job. Its job-costing system has two direct-cost categories (direct materials and direct manufacturing labor) and one indirect-cost pool (manufacturing overhead, allocated on the basis of direct manufacturing labor costs). **The following data (in thousands) pertain to 2011:**

Direct materials and supplies purchased on credit	$ 800
Direct materials used	710
Indirect materials issued to various production departments	100
Direct manufacturing labor	1,300
Indirect manufacturing labor incurred by various production departments	900
Depreciation on building and manufacturing equipment	400
Miscellaneous manufacturing overhead* incurred by various production departments (ordinarily would be detailed as repairs, photocopying, utilities, etc.)	550
Manufacturing overhead allocated at 160% of direct manufacturing labor costs?	
Cost of goods manufactured	4,120
Revenues	8,000
Cost of goods sold (before adjustment)	4,020
Inventories, December 31, 2010 (not 2011):	
Materials Control	100
Work-in-Process Control	60
Finished Goods Control	500

Instructions

1- Prepare journal entries to summarize the 2011 transactions.

The Answer:

Continue the Answer:

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The Fifth Question	**No. of Branches (1)**	**(/16) (25-35 Minutes)**

Jarvis Golf Company sells a special putter for $20 each. In March, it sold 28,000 putters while manufacturing 30,000. There was no beginning inventory on March 1. Production information for March was:

Direct manufacturing labor per unit	15 minutes
Fixed selling and administrative costs	$ 40,000
Fixed manufacturing overhead	132,000
Direct materials cost per unit	2
Direct manufacturing labor per hour	24
Variable manufacturing overhead per unit	4
Variable selling expenses per unit	2

Instructions

1. Compute the cost per unit under both absorption and variable costing.
2. Compute the ending inventories under both absorption and variable costing.
3. Compute operating income under both absorption and variable costing.

The Answer:

Continue the Answer:

Continue the Answer:

End of Questions
Good Luck