

Course No: ACNE 2302  
 Course Title: Cost Accounting  
 Date: 28/05/2018  
 No. of Questions: (6)  
 Time: 2 hour  
 Using Calculator (yes)

**University of Palestine**  
  
**Final Exam**  
**2<sup>nd</sup> Semester 2017/2018**  
**Total Grade: 50**

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

**Answers 5 Questions Only**

**Question 1: (10 marks)**

A) Custom Landscapes began operations on March 1, 2018. Its Work in Process Inventory account on March 31 appeared as follows:

Work in Process Inventory			
Direct materials	554,000	Cost of completed jobs	??
Direct labor	384,000		
Applied overhead	345,600		

The company applies overhead on the basis of direct labor cost. Only one job was still in process on March 31. That job had \$132,600 in direct material and \$93,600 in direct labor cost assigned to it.

**Required:**

- a) What was the predetermined overhead application rate?
- b) How much cost was transferred out for jobs completed during March?

B) Jones Metals has two processing departments, Fabrication and Assembly. Metal is placed into production in the Fabrication Department, where it is cut, formed, or ground into various components. These components are transferred to Assembly, where they are welded, polished, and hot-dip galvanized with sealant. The production data follow for these two departments for March 2018:

Fabrication:	
Beginning WIP inventory (100% complete as to material; 45% complete as to conversion)	5,000
Units started during month	39,000
Ending WIP inventory (100% complete as to material; 80% complete as to conversion)	6,800

Assembly:	
Beginning WIP inventory (100% complete as to material; 15% complete as to conversion)	1,500
Units started during month	?
Ending WIP inventory (100% complete as to material; 75% complete as to conversion)	4,600

**Required:**

Determine the equivalent units of production for each cost component for each department

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**Question 2: (10 marks)**

Montreal Toy Co. makes small plastic toys. Standard quantities and standard costs follow for material and labor.

	Standard Quantity	Standard Cost
Material	½ pound	\$4 per pound
Labor	12 minutes	\$16 per hour

During October 2017, 50,000 toys were produced. The purchasing agent bought 29,000 pounds of material during the month at \$4.13 per pound. October payroll for the factory revealed direct labor cost of \$160,680 on 10,300 direct labor hours. During the month, 26,300 pounds of raw material were used in production.

**Required:**

- Compute material and labor variances.
- Prepare general journal entries for the month.

**Question 3: (10 marks)**

Belton Furniture Corporation has identified activity centers to which overhead costs are assigned. The cost pool amounts for these centers and their selected activity drivers for 2017 are as follows.

Activity Pools	Costs	Activity Drivers
Utilities	\$300,000	60,000 machine hours
Scheduling and setup	273,000	780 setups
Material handling	640,000	1,600,000 pounds of material

The company's products and other operating statistics follow:

	Products		
	A	B	C
Direct costs (material + labor)	\$80,000	\$80,000	\$90,000
Machine hours	30,000	10,000	20,000
Number of setup	130	380	270
Pounds of material	500,000	300,000	800,000
Number of units produced	40,000	20,000	60,000
Direct labor hours	32,000	18,000	50,000

**Required:**

- Determine unit product cost using the appropriate cost drivers for each of the products.
- Before it installed an ABC system, the company used a traditional costing system and allocated factory overhead to products using direct labor hours. Calculate unit costs based on traditional costing.

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**Question 4:**

**(10 marks)**

Beckman Company manufactures staplers. At the beginning of November, the following information was supplied by its accountant:

Direct materials inventory \$48,500  
Work in process inventory 10,000  
Finished goods inventory 10,075

During November, direct labor cost was \$22,000, direct materials purchases were \$70,000, and the total overhead cost was \$216,850. The inventories at the end of November were:

Direct materials inventory \$15,900  
Work in process inventory 6,050  
Finished goods inventory 8,475

**Required:**

- a) Prepare a cost of goods manufactured statement for November.
- b) Prepare a cost of goods sold schedule for November.

**Question 5:**

**(10 marks)**

Harriman Company has two processing departments: cutting and assembly. A predetermined overhead rate of \$10 per direct labor hour is used to assign overhead to production. The company experienced the following operating activity for August:

1. Issued materials to cutting, \$24,000.
2. Incurred direct labor cost: cutting, 500 hours at \$9.20 per hour; assembly, 400 hours at \$8 per hour.
3. Applied overhead to production.
4. Transferred goods to assembly, \$32,500.
5. Transferred goods to finished goods warehouse, \$20,500.
6. Incurred actual overhead, \$10,000.

**Required:**

- a) Prepare the required journal entries for the preceding transactions.
- b) Assuming cutting and assembly have no beginning work-in-process inventories, determine the cost of each department's ending work-in-process inventories.

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**Question 6:**

**(10 marks)**

Burte Corporation uses a standard cost system. During January, the company reported the following manufacturing variances:

Materials price variance	\$1,700 U
Materials quantity variance	850 F
Labor price variance	600 U
Labor quantity variance	340 U
Overhead variance	370 F

In addition, 14,000 units of product were sold at \$9.5 per unit. Each unit sold had a standard cost of \$6.8. Selling and administrative expenses were \$11,380 for the month.

**Required:**

Prepare an income statement for management for the month ended January 31, 2018.

<<< *Good Luck* >>>