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Using Calculator (yes)

University of Palestine

Final Exam
2nd Semester 2017/2018
Total Grade: 50

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

Answer 5 Questions Only

Question 1: **(10 marks)**

Bullen & Company makes and sells high-quality glare filters for microcomputer monitors. John Crave, controller, is responsible for preparing Bullen's master budget and has assembled the following data for 2010.

	2018			
	January	**February**	**March**	**April**
Estimated unit sales	20,000	24,000	16,000	18,000
Sales price per unit	$80	$80	$75	$75
Direct labor hour per unit	4.0	4.0	3.5	3.5
Direct labor hourly rate	$15	$15	$16	$16
Direct materials cost per unit	$10	$10	$10	$10

The direct labor rate includes wages and all employee-related benefits. Labor saving machinery will be fully operational by March. Also, as of March 1, the company's union contract calls for an increase in direct labor wages that is included in the direct labor rate. Bullen expects to have 10,000 glare filters in inventory at December 31, 2017, and has a policy of carrying 50 percent of the following month's projected sales in inventory.

Required:

Prepare the following monthly budgets for Bullen & Company for the first quarter of 2018:

a) Production budget in units
b) Direct labor budget in hours
c) Sales budget

Question 2: **(10 marks)**

Dolby Ukes makes various types of ukuleles. The Company is divided into a number of autonomous divisions that can either sell to internal units or sell externally. All divisions are located in buildings on the same piece of property. The Alto Division has offered the Peg Division $0.26 per peg to supply it with 200,000 pegs. It has been purchasing these pegs for $0.28 per unit from outside suppliers. The Peg Division receives $0.30 per unit for sales made to outside customers on this type of peg. The variable cost of pegs sold externally by the peg division is $0.18. It estimates that it will save $0.04 per peg of selling expenses on units sold internally to the Alto Division. The Peg Division has no excess capacity.

Required:

a) Calculate the minimum transfer price that the Peg Division should accept. Discuss whether it is in the Peg Division's best interest to accept the offer.
b) Suppose that the Peg Division decides to reject the offer. What are the financial implications for each division, and for the company as a whole, of this decision?

Question 3: **(10 marks)**

Milton Corporation manufactures skateboards and is in the process of preparing next year's budget. The pro forma income statement for the current year is as follows:

Sales		$1,500,000
Cost of Sales:		
Direct materials	$250,000	
Direct labor	150,000	
Variable overhead	80,000	
Fixed Overhead	100,000	580,000
Gross Profit		**$920,000**
Selling and administrative expenses:		
Variable	$300,000	
Fixed	250,000	550,000
Operating Income		**$370,000**

Required:

a) What is the break-even revenue (rounded to the nearest dollar) for Milton Corporation for the current year?

b) For the coming year, the management of Milton Corporation anticipates a 10 percent increase in variable costs and a $45,000 increase in fixed expenses. What is the break-even revenue for next year?

Question 4: **(10 marks)**

Teri Hong opened a tanning salon in a new shopping center. She had anticipated that the costs for the tanning service would be primarily fixed, but she found that tanning salon costs increased with the number of visits. Costs for this service over the past nine months are as follows:

Month	Tanning Visits	Total Costs
March	700	$2,628
April	1,500	4,000
May	3,100	6,564
June	1,700	4,205
July	2,300	5,350
August	1,800	4,000
September	1,400	3,775
October	1,200	2,800
November	2,000	4,765

Required:

a) Compute the cost formula for tanning services using the high-low method.
b) Calculate the predicted cost of tanning services for December for 1,900 visits using the formula found in Requirement (a).

Question 5: **(10 marks)**

Armstrong Bike Repair shop has budgeted the following time and material for 2017

Armstrong Bike Repair shop
Budgeted Costs for the Year 2017

	Time Charges	Material Loading Charges
Shop employees' wages and benefits	$36,000	--
Parts supervisor's salary and benefits	--	$20,000
Office employee's salary and benefits	15,000	10,000
Overhead (supplies, depreciation, advertising, utilities)	19,000	15,000
Total budgeted costs	$70,000	$45,000

Armstrong budgets 2,500 hours of repair time in 2017 and will bill a profit of $5 per labor hour with a 15% profit markup on the invoice costs of parts. The estimated invoice cost for parts to be used is $75,000. On January 5, 2017, Armstrong is asked to submit a price estimate to fix a Superior Mountain bike. Armstrong estimates that this job will consume 4 hours of labor and $200 in parts.

Required:

a) Compute the labor rate for Armstrong Bike Repair Shop for the year 2017.
b) Compute the material loading charge percentage for Armstrong Bike Repair Shop for the year 2017.
c) Prepare a time-and-material price quotation for fixing the Superior Mountain bike.

Question 6: **(10 marks)**

Ohio Sports Inc. manufactures basketballs for the National Basketball Association (NBA). For the first 6 months of 2017, the company reported the following operating results while operating at 80% of plant capacity and producing 240,000 units.

	Amount
Sales	$9,600,000
Cost of goods sold	7,200,000
Selling & Administrative expenses	810,000
Net Income	**$1,590,000**

Fixed costs for the period were cost of goods sold $1,920,000 and selling & administrative expenses $450,000.

In July, normally a slack manufacturing month, Ohio Sports receives a special order for 20,000 basketballs at $27 each from the France Basketball Association (FBA). Acceptance of the order would increase variable selling and administrative expenses $0.50 per unit because of shipping costs but would not increase fixed costs and expenses.

Required:

a. Prepare an incremental analysis for the special order.
b. Should Ohio Sports Inc. accept the special order? Explain your answer.
c. What is the minimum selling price on the special order to produce net income of $4.00 per ball?

<<< Good Luck >>>