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Using Calculator (Yes)

University of Palestine

Final Exam
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Dep. / Specialist: Accounting
Using Dictionary (No)

Answer six questions only, question 1 is compulsory.

Question One: (10 Marks)

On Jan 1, 2013, the Green Valley Company budget committee has reached agreement on the following data for the 6 months ending June 30, 2013.
Sales units: First quarter 6,500; second quarter 7,000; third quarter 7,500.
The sales price is agreed to be $50 per unit in the first quarter, and $52 in second and third quarter.
Ending raw materials inventory: 35% of the next quarter's production requirements.
Ending finished goods inventory: 20% of the next quarter's expected sales units.
Third-quarter production: 8,200 units.
The ending raw materials and finished goods inventories at Dec 31, 2012, follow the same percentage relationships to production and sales that occur in 2013. **2.5** pounds of raw materials are required to make each unit of finished goods. Raw materials purchased are expected to cost $5 per pound.

Required

a) Prepare a sales budget by quarters for the 6-month period ended June 30, 2013.
b) Prepare a production budget by quarters for the 6-month period ended June 30, 2013.
c) Prepare a direct materials budget by quarters for the 6-month period ended June 30, 2013.

Question Two: (8 Marks)

Alghadeer Company's budgeted sales and direct materials purchases are as follows.

Month	Budgeted Sales	Budgeted D.M. Purchases
March	$250,000	$35,000
April	$280,000	$40,000
May	$300,000	$42,000

Alghadeer's sales are 40% cash and 60% credit. Credit sales are collected 15% in the month of sale, 55% in the month following sale, and 30% in the second month following sale. Alghadeer's purchases are 55% cash and 45% on account. Purchases on account are paid 35% in the month of purchase, and 65% in the month following purchase.

Required:

a) Prepare a schedule of expected collections from customers for May.
b) Prepare a schedule of expected payments for direct materials for May.

Question Three: **(8 Marks)**

A plumbing company sells and installs complete central water systems for homes. On newly constructed homes it provides bids using time-and-material pricing. The following budgeted cost data are available.

	Time Charges	Material Loading Charges
Technicians' wages and benefits	$210,000	----
Parts manager's salary and benefits	---	$ 80,000
Office employee's salary and benefits	$60,000	$25,000
Other overhead	$18,000	$22,000
Total budgeted costs	**$288,000**	**$127,500**

The company has budgeted for 7,200 hours of technician time during the coming year. It desires a $32 profit margin per hour of labor and a 70% profit on parts. It estimates the total invoice cost of parts and materials in 2015 will be $850,000.

Required:

a) Compute the rate charged per hour of labor.
b) Compute the material loading percentage.
c) The Company has just received a request for a bid from a builder on a new home. The company estimates that it would require 105 hours of labor and $60,000 of parts. *Compute the total estimated bill*.

Question Four: **(8 Marks)**

Disimond Corporation makes mechanical Toys. The following information is available for Disimond Corporation's anticipated annual volume of 630,000 units.

	Per Unit	Total
Direct materials	$12	
Direct labor	$10	
Variable manufacturing overhead	$16	
Fixed manufacturing overhead		$6,300,000
Variable selling and administrative expenses	$7	
Fixed selling and administrative expenses		$1,890,000

The company has a desired ROI of 22%. It has invested assets of $30,000,000.

Required:

a) Compute the total cost per unit.
b) Compute the desired ROI per unit.
c) Compute the markup percentage using total cost per unit.
d) Compute the target selling price.

Question Five: (8 Marks)

Best Elc, Inc. has recently started the manufacture of a new home appliance that functions through a mobile phone app. The cost structure to manufacture 25,000 units is as follows.

	Cost
Direct materials ($55 per unit)	$1,375,000
Direct labor ($42 per unit)	1,050,000
Variable overhead ($5 per unit)	125,000
Allocated fixed overhead ($30 per unit)	750,000
Total	**$3,300,000**

Best Elc, is approached by a manufacturer, which offers to make the appliance for $125 per unit or $3,125,000.

Required:

Using incremental analysis, determine whether Best Elc, should accept this offer under each of the following independent assumptions.

a) Assume that $600,000 of the fixed overhead cost can be reduced (avoided).

b) Assume that none of the fixed overhead can be reduced (avoided). However, if the appliances are purchased from the manufacturer, Best Elc, can use the released productive resources to generate additional income of $450,000.

Question Six: (8 Marks)

Blue Ball Company had sales in 2018 of $1,400,000 on 50,000 units. Variable costs totaled $700,000, and fixed costs totaled $500,000. A new raw material is available that will decrease the variable costs per unit by 25% (Or $3.50). However, to process the new raw material, fixed operating costs will increase by $120,000. Management feels that sales price should be reduced to $26. The marketing department expects that this sales price reduction will result in a 7% increase in the number of units sold.

Required:

Prepare a projected CVP income statement for 2019 (a) assuming the changes have not been made, and (b) assuming that changes are made as described.

Question Seven: (8 Marks)

Raedco Company estimates that variable costs will be 60% of sales, and fixed costs will total $800,000. The selling price of the product is $5.

Required:

a) Compute the break-even point in (1) units and (2) dollars.

b) Compute the margin of safety in (1) dollars and (2) as a ratio, assuming actual sales $2,300,000.

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