

Course No: ACNE 3308
Course Title: Managerial Accounting
Date: 10/03/2019
No. of Questions: (2)
Time: 1 hour
Using Calculator (yes)

University of Palestine



First Mid-term Exam
2nd Semester 2018/2019
Total Grade: 15

Instructor Name: Dr. Khaled Eissa

Mr. Gehad Slebi

Student No.: _____

Student Name: _____

College Name: Business Administration

Dep. / Specialist: Accounting

Using Dictionary (No)

Answer all the following questions

Question One: Multiple Choice Questions

(3.0 Marks, ½ Each)

- 1- -----is the relative proportion of fixed versus variable costs that a company incurs.
 - a. Fixed Cost.
 - b. Variable Cost.
 - c. Cost Structure.
 - d. Mixed Cost.
- 2- Which of the following statement is Correct?
 - a. Variable costs remain the same in total regardless of changes in the activity level. While, fixed costs vary in total directly and proportionately with changes in the activity level.
 - b. Fixed costs remain the same in total regardless of changes in the activity level. While, variable costs vary in total directly and proportionately with changes in the activity level.
 - c. Mixed costs change in total and proportionately with changes in the activity level. While, fixed costs remain the same in total regardless of changes in the activity level.
 - d. None of the Above.
- 3- Cost-volume-profit (CVP) analysis assists management in:
 - a. Determining product mix.
 - b. Maximizing use of production facilities.
 - c. Setting selling prices.
 - d. All of the Above.
- 4- Which of the following is a false statement?
 - a. CVP Income Statement classifies costs and expenses as fixed or variable.
 - b. CVP Income Statement reports the same net income as a traditional income statement.
 - c. CVP Income Statement is a statement for external use.
 - d. None of the Above.
- 5- Break Even Point in Dollars amount:
 - a. Increases as the fixed costs increase.
 - b. Declines as the fixed costs increase.
 - c. Increases as the contribution margin ratio declines.
 - d. a & c
- 6- -----provides a measure of a company's earnings volatility.
 - a. Margin of safety ratio.
 - b. Operating leverage degree.
 - c. Contribution margin ratio.
 - d. Sales mix.

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Question Two: Problem Solving

(12 Marks)

a. The figure below represents the monthly maintenance expenses within *Besan Co.* **(2.0 Marks)**

Month	Total Maintenance Costs	Total Machine Hours
March	\$3,010	480
April	3,370	560
May	3,550	600
June	3,865	670
July	4,180	740
August	4,540	820

Required:

- Determine the fixed and variable cost components using the high low method.
- Determine the total cost at 930 total machine hours.

b. **Al-Slam Tours & Travel Corp** provides transportation Services between the City Center and suburbs. It uses 50-Passengers Buses to offer several round trips daily. The 2018, Feb month's activity in the form of a cost volume profit income statement is shown below: **(5.0 Marks)**

Fare Revenues (2,250 fares)		\$94,500
Variable costs:		
Fuel	\$24,750	
Tolls	4,500	
Maintenance	1,575	30,825
Contribution margin		63,675
Fixed Costs:		
Salaries	25,700	
Depreciation	6,300	
Insurance	2,500	34,500
Net Income		\$29,175

Required:

- Calculate the contribution margin per fare and as a ratio.
- Calculate the break-even point in dollars and number of fares.
- If management considering a decision of adopting a new fuel system that saves 20% percent of the current fuel consumption. However, to process the new fuel system, fixed cost will increase by \$9000. Management is considering also a 10% percent reduction per fare which it believes that the number of fares will increase to 2320 fares. **(Prepare a projected a CVP income statement assuming the mentioned changes).**
- Should Management adopt the new fuel system? Why?

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- c. The CVP income statements shown below are available for two drugs manufacturing firms:
Oregano Co. and Wild Plants Co. (5.0 Marks)

	Oregano Co.	Wild Plants Co.
Sales	\$1,500,000	\$1,500,000
Variable Costs	620,000	330,000
Contribution margin	880,000	1,170,000
Fixed Costs	430,000	720,000
Net Income	\$450,000	\$450,000

Required:

- (1) Compute the degree of operating leverage of each company.
- (2) Which company generate higher net income if sales increased by \$120,000. (**Show your computations**).
- (3) Using the margin of safety ratio, determine which company could sustain the greater decline before operating at loss.

<<< *Good Luck* >>>