Course No: ACNE 3308 **Course Title: Managerial Accounting** **Date: 14/04/2019** **No. of Questions: (2)** **Time: 1 hour** **Using Calculator (yes)**	**University of Palestine** **Second 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 1: Multiple choice questions (6 marks)

1. A company is considering the following alternatives:

	Alternative A	Alternative B
Revenues	$50,000	$50,000
Variable costs	24,000	24,000
Fixed Costs	12,000	12,000

Which of the following are relevant in choosing between these alternatives?

a) Revenues, variable costs, and fixed costs
b) Variable costs and fixed costs
c) Variable costs only
d) Fixed costs only

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2. Classic Toys has examined the market for toy train locomotives. It believes there is a market niche in which it can sell locomotives at $80 each. It estimates that it could sell 10,000 of these locomotives annually. Variable costs to make a locomotive are expected to be $25. Classic anticipates a profit of $15 per locomotive. The target cost for the locomotive is:

a) $80 c) $40
b) $65 d) $25

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3. Cost-plus pricing means that:

a) Selling price = Variable cost + (Markup percentage + Variable cost)
b) Selling price = Cost + (Markup percentage x cost)
c) Selling price = Manufacturing cost + (Markup percentage + Manufacturing cost)
d) Selling price = Fixed cost + (Markup percentage x fixed cost)

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4. If an unprofitable segment is eliminated:

a) Net income will always increase
b) Variable expenses of the eliminated segment will have to be absorbed by other segments
c) Fixed expenses allocated to the eliminated segment will have to be absorbed by other segments
d) Net income will always decrease.

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5. It costs a company $14 of variable costs and $6 of fixed costs to produce product S.D. Product S.D. sells for $30. A buyer offers to purchase 3,000 units at $18 each. The seller will incur special shipping costs of $5 per unit. If the special offer is accepted and produced with unused capacity, net income will:

a) Increase $3,000 c) Decrease $12,000
b) Increase $12,000 d) Decrease $3,000

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6. The Plastics Division of Weston Company manufactures plastic models and then sells them to customers for $70 per unit. Its variable cost is $30 per unit, and its fixed cost per unit is $10. Management would like the plastic division to transfer 10,000 of these molds to another division within the company at a price of $40. The Plastics division is operating at full capacity. What is the minimum transfer price that the plastics division should accept?

   a) $10
   b) $30
   c) $40
   d) $70

Question 2: **(3 marks)**

Kobe Company has a factory machine with a book value of $90,000 and a remaining useful life of 5 years. It can be sold for $30,000. A new machine is available at a cost of $300,000. This machine will have a 5 year useful life with no salvage value. The new machine will lower annual variable manufacturing costs from $600,000 to $500,000. Prepare an analysis showing whether the old machine should be retained or replaced.

Question 3: **(3 marks)**

Chudrick Inc. makes unfinished bookcases that it sells for $62> Production costs are $36 variable and $10 fixed. Because it has unused capacity, Chudrick is considering finishing the bookcases and selling them for $70. Variable finishing costs are expected to $7 per unit with no increase in fixed costs. Prepare an analysis on a per unit basis showing whether Chudrick should sell unfinished or finished bookcases.

Question 4: **(3 marks)**

Morales Corporation produces microwave units. The following per unit cost information is available: direct materials $36; direct labor $24; variable manufacturing overhead $18; fixed manufacturing overhead $40, variable selling and administrative expenses $14; and fixed selling and administrative expenses $28. Its desired ROI per unit is $30. Compute its markup percentage using a total-cost approach.

<<< Good Luck >>>