

ACCT 226 Managerial Accounting
Exam 2
March, 2013
Albrecht

USC Upstate - JCBE

Name _____

Distributed reading: Benefits and costs of quality

Q1 Definitions 6 min 8 pts

Chapter 2: Accounting for Jobs

Q2 Definitions @ 3-4 minutes each 6 min 6 pts

Q3 Costing for jobs 20 min 28 pts

Q4 Overhead applied 5 min 6 pts

31 min 40 pts

Chapter 5: Cost-volume-profit (CVP)

Q5 Basic CVP with cm/unit 15 min 22 pts

Q6 CVP for alternate cost structures 8 min 10 pts

Q7 Complex CVP 8 min 10 pts

31 min 42 pts

Total 68 min 86 pts

Instructions:

1. Budget your time wisely. This exam should take about 68 minutes to complete. You have 85 total minutes to work the test: 12:10 to 1:35.
2. Show all work and computations. Incorrect answers that are accompanied by computations are eligible for partial credit. Incorrect answers that are not accompanied by computations are not eligible for partial credit.
3. You may use a calculator and a straight-edge. You may not use your text or any notes. **This exam is closed-book, closed-notes, and closed-neighbor.**
4. **Please do not cheat.** An exam is not important enough to compromise your honor. Anyone caught cheating will be severely disciplined according to school policy.
5. Dr. Albrecht believes that each question has sufficient information to be worked.
6. Good luck.

Useful Equations

Traditional statement

Sales revenue
- Cost of Goods Sold
 Gross Margin
- Selling, General & Admin
 Income

Contribution margin statement

Sales revenue
- Variable costs
 Contribution margin
- Fixed costs
 Income

Sales rev
- CGS
 GM
- S&A
 Income

Beg FG
 + CGM
- End FG
 CGS

Beg WIP
 + DM used
 + DL
 + MOH
- End WIP
 CGM

Beg Mat
 + Mat Purchases
- End Mat
 DM used

Total Revenue - Total Variable Cost - Total Fixed Cost = Income

Units:

$$(SP - V) * X - F = \pi$$

$$CM * X - F = \pi$$

$$CM * \Delta X = \Delta \pi$$

X = number of units

Sales Revenue:

$$(100\% - V\%) * R - F = \pi$$

$$CM\% * R - F = \pi$$

$$CM\% * \Delta R = \Delta \pi$$

R = Sales revenue

Question 1 For each of the following terms, please provide (1) clear, precise definitions, and (2) a good example. You are trying to convince me that you truly know and understand what these terms mean. Plan on spending no more than five minutes each. Place your answers in the space provided below and on the reverse side of this page.

Appraisal cost

External failure cost

Question 2 For each of the following terms, please provide (1) clear, precise definitions, and (2) a good example of its use. You are trying to convince me that you truly know and understand what these terms mean. Plan on spending no more than five minutes each. Place your answers in the space provided below and on the reverse side of this page.

Beginning work in process

Cost of goods manufactured

Question 3 Information for the Veronica job-order system.

Job	Started	Costs Sept	DM Oct	DL Oct	OH Oct	Completed	When sold
A	Oct 17	\$0	\$400	\$700	\$850	Nov 14	Sold in December, \$4,750
B	Oct 17	\$0	\$1,200	\$250	\$420	Oct 21	Sold in October, \$2,600
C	Oct 23	\$0	\$600	\$800	\$400	Nov 15	Sold in November, \$1,900
D	Sept 3	\$610	\$0	\$0	\$0	Sept 9	Sold in November, \$1,200
E	Oct 11	\$0	\$800	\$435	\$725	Oct 19	Sold in October, \$4,700
F	Sept 5	\$110	\$0	\$0	\$0	Sept 13	Sold in Sept, \$400
G	Oct 4	\$0	\$560	\$430	\$880	Oct 21	Sold in November, \$4,500
H	Oct 12	0	\$500	\$400	\$60	Oct 21	Sold in October, \$1,250
I	Sept 8	\$900	\$0	\$0	\$0	Sept 17	Sold in October, \$1,700
J	Sept 7	\$410	\$210	\$470	\$690	Nov 19	Sold in November, \$6,800
K	Sept 19	\$250	\$570	\$350	\$670	Oct 3	Sold in October, \$1,950

Overhead costs incurred (actual) during October are \$4,870.

Required: Identify the jobs associated with each of the following, and compute the costs for:
Identify the jobs associated with each of the following, and compute the costs for:

Work-in-process, October 1

Jobs:

Costs:

Work-in-process, October 31

Jobs:

Costs:

Finished goods, October 1

Jobs:

Costs:

Finished goods, October 31

Jobs:

Costs:

Cost of goods manufactured (CGM), October [Show all work]

Jobs:

Compute CGM

Compute CGM a second way:

Cost of goods sold unadjusted (CGS), October [Show all work]

Jobs:

Compute CGS:

Compute CGS a second way:

Amount of over- or under-applied overhead (designate over or under)

Gross Margin, October

Question 4 The Xiao Company applies overhead to jobs on the basis of machine hours. The following information is available.

Estimated overhead before period starts	\$90,000
Actual machine hours during the period	10,000
Actual overhead accumulated by the period end . . .	\$60,000
Estimated machine hours before period starts	15,000

Required:

1. What is the *predetermined* overhead rate?

2. How much overhead is applied to jobs for the period at the Xiao Company?

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Question 5 Alex Company produces and sells MP3 players. It projects the following revenue and costs for production and sales:

Sales price	\$70 per unit
Fixed production cost	\$136,000 total
Fixed selling cost	\$84,000 total
Variable production cost	\$19 per unit
Variable selling cost	\$11 per unit

Required:

- (1) What is profit/loss at 36,000 units? ***Prepare a contribution margin income statement to prove your answer. Also prepare a traditional income statement to prove your answer..***
- (2) What is the break even point in units for Alex's MP3 players?
- (3) How many MP3 players in total are needed to generate a profit of \$60,000? ***Prepare a contribution margin income statement to prove your answer.***
- (4) How many units must be produced and sold to generate a profit of 10% of total sales revenue? How much is this profit?
- (5) By how much does profit change going from 50,000 units to 55,000 units?

Clearly mark your answers with a circled number, ①, ②, ③, ④, or ⑤ based on which part of the question the answer is for.

Question 7 At 80,000 units, the Eliza Company loses \$60,000. At 160,000 units, the Eliza Company makes a profit of \$100,000. At 180,000 units, the Eliza Company makes a profit of \$140,000.

Required:

1. What is the contribution margin per unit?
2. What is the amount of total fixed costs?
3. What is the breakeven point in units?