

FATIH UNIVERSITY  
 FACULTY OF ECONOMIC AND ADMINISTRATIVE SCIENCES  
 DEPARTMENT OF MANAGEMENT  
**MAN 305 COST ACCOUNTING**

Duration: 90 minutes

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**FINAL EXAM QUESTIONS**  
CHOOSE 5 OF THE QUESTIONS AND ANSWER

**Question 1** (20 points) Smart Company manufactures three models: Model S, P and R. The Company uses activity based costing. Its costing system has two direct cost categories and three indirect cost pools. Three activities have been identified as cost drivers and the related indirect manufacturing costs pooled together to arrive at the following information:

Product	Number of unit produced	Number of Shipments	Number of Components	Number of Testing hour	Number of Direct labor hour
Model S	20,000	250	125	1,200	2,000
Model P	15,000	300	260	2,000	1,500
Model R	10,000	150	315	1,600	2,200

Activity	Costs	Cost allocation base
Assembly	\$56,000	Components
Shipments	\$21,000	Number of shipments
Testing	\$16,800	Testing hours

Total direct material costs are \$44,400, \$12,000 and \$33,500 for model S, P and R respectively. Direct labor cost is \$20 per direct labor hour. Compute the unit manufacturing costs of each product.

**Question 2** (20 points) Active Company had the following account balances for the year ending December 31, 2008:

Depreciation of manufacturing equipment ...	\$ 32,000
Depreciation of office equipment .....	7,500
Direct manufacturing labor .....	50,000
Direct materials used .....	78,000
Distribution costs .....	15,000
Factory utilities .....	8,500
Finished goods inventory (December 31).....	12,000
Finished goods inventory (January 1).....	24,000
General office expenses .....	12,000
Indirect manufacturing labor .....	10,000
Indirect materials used .....	3,000
Sales Revenue.....	260,000
Selling and marketing costs .....	18,000
Work-in-process inventory (December 31)....	15,000
Work-in-process inventory (January 1) .....	4,000

- a. Prepare a cost of goods sold schedule for the year.
- b. Prepare an income statement for the year.

**Question 3** (20 points) Red Tomato Canning Company processes tomatoes into tomato juice, tomato sauce and tomato paste. During July 2008, the joint costs of processing the tomatoes were \$150,000. There was no beginning inventory for the month. Production and sales value information for July were as follows:

Product	Number of Cases Produced	Sales Value at Split off Point	Separable Costs
Tomato Sauce	20,000	\$12 per case	\$ 75,000
Tomato Juice	40,000	\$ 5 per case	\$ 82,500
Tomato Paste	24,000	\$15 per case	\$ 40,500

- Determine the amount allocated to each product if the sales value at split off method is used.
- Compute the cost per case for each product.
- Compute the company's gross profit from the sales of these products in July based on the information below:

Product	Number of Cases Sold	Number of Cases in ending inventory	Selling price
Tomato Sauce	15,000	5,000	\$ 14 per case
Tomato Juice	30,000	10,000	\$ 7 per case
Tomato Paste	24,000	0	\$ 16 per case

**Question 4** (20 points) Blue Sports Company sells a special product for \$ 40 each. In May, it sold 10,000 units while manufacturing 12,000 units. There was no beginning inventory on May 1. Production information for May was:

Direct manufacturing labor cost per hour	\$ 36 per hour
Direct manufacturing labor per unit	15 minutes/per unit
Direct materials cost per unit	\$ 10 per unit
Fixed manufacturing overhead costs	\$ 96,000 per month
Fixed selling and administrative costs	\$ 30,000 per month
Variable manufacturing overhead per unit	\$ 4 per unit
Variable selling expenses per unit	\$ 2 per unit

- Compute the cost of ending inventory under variable costing.
- Compute operating income under variable costing.

**Question 5** (20 points) Twin Company uses the weighted-average method in its process costing system. It has two departments that process items: Department A and Department B. In Department A at the beginning of May direct materials were 80% complete and conversion costs were 40% complete with respect to the 5,000 units in work in process on May 1. On May 31st direct materials are 70% completed and conversion costs are 60% completed with respect to the 8,000 units in work in process. During May, 12,000 units were completed and transferred to the Department B. An analysis of the costs relating to work in process on May 1 and to production activity for May follows:

	Materials	Conversion
Work in Process (Beginning)	\$12,480	\$8,820
Cost Added During May	\$72,000	\$49,140

Prepare a production cost worksheet with supporting schedules using weighted-average method of process costing. How much is the cost of units in ending work in process and the cost of units transferred to Department B in May?

**Question 6** (20 points) Pink Clinic has three support and two operating departments. The following data from operations were collected for analysis.

Budgeted manufacturing overhead costs

Human Resource	HR (Support Dept.)	\$ 90,000
Information Systems	IS (Support Dept.)	\$ 72,000
Maintenance	M (Support Dept.)	\$ 84,000
Pediatric	P (Operating Dept.)	\$ 520,000
Cardiology	C (Operating Dept.)	\$ 375,000

Service furnished:	HR	IS	M	P	C
By Human Resource (number of employees)	15	20	30	120	130
By Information Systems (number of computers)	12	27	10	60	50
By Maintenance (budgeted maintenance hours)	80	120	50	250	500

What are the costs of the Human Resource, Information Systems and Maintenance allocated to Pediatric and Cardiology using the step down method? The order of allocation will be: first HR second IS, and finally M.

**Question 7** (20 points) TLM Company has two departments, A and B. Overhead is allocated based on machine-hours in Department A and direct labor costs in Department B. The following additional information is available:

<u>Budgeted Amounts</u>	<u>Department A</u>	<u>Department B</u>
Direct labor cost	\$180,000	\$120,000
Manufacturing overhead	\$125,000	\$180,000
Machine-hours	50,000 mh	40,000 mh

The following information is the actual data for one of the jobs completed during the month:

<u>Actual data for Job no:37</u>	<u>Department A</u>	<u>Department B</u>
Direct materials used	\$ 10,000	\$ 16,000
Direct labor hours	2,000 DLH	1,500 DLH
Machine-hours	7,000 mh	2,200 mh

Direct labor cost is \$20 for Department A and \$18 for Department B

- Compute the budgeted manufacturing overhead rates for Department A and Department B.
- What is the total cost of Job 37?

**Question 8** (20 points) Flower Travel intends to sell his customers a special round-trip airline ticket package. He is able to purchase the package from the airline carrier for \$600 each. The airline intends to reimburse Flower Travel for any unsold ticket packages. The round-trip tickets will be sold for \$800 each. Variable selling expenses are \$50 per ticket. Fixed administrative and selling expenses are \$6,000 per month. Assume that currently number of packages to be sold is expected to be 50 per month.

- How many ticket packages will he need to sell in order to break even?
- How many units would have to be sold to yield a target income of \$10,000?
- If Flower Travel spends \$3,000 to advertise, the number of packages sold is expected to increase to 60. Should he advertise?
- If Flower Travel does not advertise but reduces selling price to \$770, the number of packages sold is expected to be 75. Should he decrease the price to \$770?