

FATIH UNIVERSITY
FACULTY OF ECONOMIC AND ADMINISTRATIVE SCIENCES
DEPARTMENT OF MANAGEMENT
MAN 305 COST ACCOUNTING
MIDTERM EXAM QUESTIONS

Duration: 90 minutes

December 3, 2008

1. Crocus Corporation uses direct labor-hours in calculating its predetermined overhead rate. At the beginning of the year, manufacturing overhead for the year was estimated to be \$250,860. At the end of the year, actual direct labor-hours for the year were 20,800 hours, the actual manufacturing overhead for the year was \$245,860, and manufacturing overhead for the year was under applied by \$10,820.

- a) Compute the predetermined overhead rate.
- b) Compute estimated (budgeted) direct labor hours.

2. Barnett Company uses the weighted-average method in its process costing system. The company adds materials at the beginning of the process in Department A. Direct materials were 100% complete and conversion costs were 75% complete with respect to the 4,000 units in work in process at May 1. On May 31st direct materials are 100% completed and conversion costs are 50% completed with respect to the 6,000 units in work in process. During May, 12,000 units were completed and transferred to the next department. An analysis of the costs relating to work in process at May 1 and to production activity for May follows:

	Materials	Conversion
Work in Process (Beginning)	\$13,800	\$3,740
Cost Added During May	\$42,000	\$26,260

Calculate cost per equivalent unit.

3. The Gencay Factory produces chairs. It has two departments that process all the items, cutting and finishing. The beginning work-in-process in the cutting department was 60 percent complete as to direct materials and 50 percent complete as to conversion. Ending work-in-process inventory in the cutting department was 80 percent complete as to direct materials and 60 percent complete as to conversion.

Additional information about the two departments follows:

	<u>Cutting</u>
Beginning work-in-process units	10,000
Units started this period	93,000
Ending work-in-process units	12,000

Calculate equivalent units using first in first out costing for the cutting department.

4. Reddicks Clinic uses the step-down method to allocate service department costs to operating departments. The clinic has three service departments, Personnel (P), Information Technology (IT), and, Maintenance (M) and two operating departments, Family Medicine and Pediatric. Data concerning those departments follow:

	SUPPORT DEPARTMENTS			OPERATING DEPARTMENTS	
	Personnel	IT	Maintenance	Family Medicine	Pediatric
Departmental Costs	\$ 84,000	\$ 42,000	\$ 25,000	\$ 650,000	\$ 350,000
Employees	18	25	50	110	165
PCs	19	29	50	120	130
Maintenance Hours	20	40	50	120	80

Personnel costs are allocated first on the basis of employees, IT costs are allocated second on the basis of PCs, and Maintenance costs are allocated third on the basis of maintenance hours.

Required:

Allocate costs of support departments to operating departments using step down method.

5. The information below relates to Derby Manufacturing Company's operations for a recent month.

Administrative Costs	\$56,000
Direct Labor Cost	\$122,000
Manufacturing Overhead Costs	\$340,000
Net Sales	\$700,000
Purchases of Direct Materials	\$91,000
Selling and Marketing Costs	\$42,000
Work in Process Inventory, Beginning	\$27,000
Work in Process Inventory, Ending	\$35,000
Direct Materials Inventory, Beginning	\$22,000
Direct Materials Inventory, Ending	\$7,000
Finished Goods Inventory, Beginning	\$42,000
Finished Goods Inventory, Ending	\$15,000

Prepare income statement.

6. Dora Company uses a job-order costing system for manufacturing parts of calculators. Summary of the some transactions for a month included:

- a. Materials purchased on account \$25,000.
- b. Direct materials used \$18,000 and indirect material used \$1,000.
- c. Direct labor incurred, \$15,000 and indirect manufacturing labor costs were \$1,500.
Wages will be paid in next month.
- d. Factory utilities were \$1,200, depreciation was \$5,500. Utilities expense was paid.
- d. Indirect manufacturing cost applied 2,000 machine hours at \$4.50 per machine hour.
- f. Costs of orders completed, \$40,000.
- g. Costs of goods sold, \$45,000.

Prepare necessary journal entries for the transactions.

7. The following data pertain to a recent period's operations:

Sales	?
Beginning Finished Goods Inventory	\$12.000
Cost of Goods Manufactured	\$36.000
Ending Finished Goods Inventory	\$6.000
Cost of Goods Sold	?
Gross Margin	40 % of Sales
Administrative and Selling Expenses	\$10.000
Net Operating Income	?

Calculate the missing parts in the table.

8. Classify the following costs for an auto manufacturer as either direct materials, direct labor, manufacturing overhead, or period costs. Put a (X) for the appropriate bracket.

	Direct Materials	Direct Labor	MOH	Period Costs
a. Steel used in automobiles				
b. Assembly department employee wages				
c. Utility costs used in office building				
d. Travel costs used by sales personnel				
e. Cost of shipping goods to customers				
f. Property taxes on assembly plant				
g. Glass used in automobiles				
h. Maintenance supplies				
i. Salary of marketing executive				
j. Advertising				