

FATİH UNIVERSITY
 FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES
 MANAGEMENT DEPARTMENT
MAN 306 MANAGERIAL ACCOUNTING
FINAL EXAM

Question 1 The following information pertains to Eagle Company:

<u>Month</u>	<u>Sales</u>	<u>Purchases</u>
January	€ 60,000	€ 32,000
February	€ 80,000	€ 40,000
March	€ 100,000	€ 56,000

- Cash is collected from customers in the following manner:

Month of sale	40%
Month following the sale	60%
 - 30% of purchases are paid in cash in the month of purchase, and the remaining balance is paid in the following month.
 - Labor costs are 25% of sales. Other operating costs are €30,000 per month (including €8,000 of depreciation). Both of these are paid in the month incurred.
 - The cash balance on March 1 is € 8,000. A minimum cash balance of € 5,000 is required at the end of the month. Money can be borrowed in multiples of €1,000.
- a. How much cash will be collected from customers in March?
 - b. How much cash will be paid to suppliers in March?
 - c. How much cash will be disbursed in total in March?
 - d. What is the ending cash balance for March?

Question 2 Smile Company is planning to hold a place to sell cookies at a spring feast in one local college. Smile has three options for the place:

1. Option: Fixed rental fee of € 1,500.
2. Option: Fixed rental fee of € 500 plus 10% of sales.
3. Option: 30% of sales.

Smile buys cookies to € 0.30 and sells them at € 1.00. There will be an additional € 750 expenses during the feast.

- a. Write the profit functions for each option.
- b. Draw the PV (Profit-Volume) graph and show three functions on it.
- c. Which option would be the best alternative if the company estimates to sell 2,000 cookies?

Question 3 Green Company sells a special product for € 20 each. In March, it sold 28,000 units while manufacturing 30,000 units. The company has a normal capacity of 33,000 units a month. There was no beginning inventory on March 1.

Production information for March was:

Direct manufacturing labor per unit	20 minutes
Fixed selling and administrative costs	€ 40,000
Fixed manufacturing overhead	€ 132,000
Direct materials cost per unit	€ 2
Direct manufacturing labor per hour	€ 24
Variable manufacturing overhead per unit	€ 4
Variable selling expenses per unit	€ 2

- a. Prepare income statement of the company using absorption costing method.
- b. Prepare income statement of the company using variable costing method.

Question 4 Tea Shop Co. has four shops in various malls in Beylikdüzü area. Data for the most recent year is presented below:

	Fox City	5M	Beylicium	Real
Sales	€5,000	€6,000	€5,500	€3,000
Variable expenses	2,500	3,200	2,850	1,500
Fixed expenses:				
Fixed Selling Expenses	800	1,000	900	300
Fixed Admin. Expense	2,000	2,500	2,400	1,100

All fixed selling expenses are avoidable, whereas 80% of the fixed administrative expenses is unavoidable.

Required

- Compute the operating income of each department.
- Should any shop(s) be eliminated? Which one(s) and why?

Question 5 Kelebek Manufacturing manufactures and sells a model of tables called Ocean. Following data was gathered to prepare the budget for 2008:

Direct Material (Wood) 4 m² per table at €10 per m²
 Direct manufacturing labor 2 hours per table at €25 per hour

Kelebek 's management expects to sell 3.900 tables during 2008 at an estimated selling price of €250 per table.

Variable manufacturing overhead is allocated at the rate of € 5 direct labor hour. There are also € 40,000 fixed manufacturing overhead costs budgeted for 2008. Budgeted marketing and other non-manufacturing costs are € 60,000 for 2008.

Inventory estimations:	01/01/2008	31/12/2008
Direct material- wood	1,000 m ²	2,000 m ²
Ocean tables	600 units	500 units

Assume that Kelebek uses FIFO inventory method. There was no ending or beginning WIP inventory.

Prepare ending inventory budget for both direct materials and finished goods.

Question 6 Albatros Corporation manufactures chairs that have a price of €35. Its monthly sales volume is 2.000 units and each product has a cost of € 25. A competitor is introducing a new chair that will sell for €28. Management believes it must lower the price to €30 in order to compete in this highly competitive chair market. Marketing believes that the new price will increase sales by 15%.

- What is the target cost if target profit is 25 percent of sales at new price?
- What is the target selling price if costs cannot be reduced and target profit is changed to 20 percent of sales?
- What is the change in income if the new price is achieved and the costs could only be reduced by € 1 ?