

FATİH UNIVERSITY
FACULTY OF ECONOMIC AND ADMINISTRATIVE SCIENCES
DEPARTMENT OF MANAGEMENT

MAN 306 MANAGERIAL ACCOUNTING

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Duration: 75 Minutes

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QUESTIONS

Question 1. (20 points) Late Company reports the first quarter of 2008 as follows:

Sales (7,000 units)	€ 56,000
Cost of goods sold	<u>21,000</u>
Gross margin	35,000
Administration costs	7,000
Marketing and Distribution costs	<u>11,000</u>
Operating income	<u>€ 17,000</u>

The Company is developing the budget for the second quarter of 2008.

- Second Quarter the company would like to increase selling prices by 5%, and as a result expects a decrease in sales volume of 10%.
- Assume that all of the COGS is a variable cost.
- All of the administration expenses are fixed costs and are expected to remain constant.
- € 4,000 of the marketing costs was fixed. Unit variable marketing cost will remain the same.

Prepare a budgeted income statement for the second quarter of 2008.

Question 2. (20 points) The following information pertains to Tiffany Company:

<u>Month</u>	<u>Sales</u>	<u>Purchases</u>
January	€ 30,000	€ 16,000
February	€ 40,000	€ 20,000
March	€ 50,000	€ 28,000

- Cash is collected from customers in the following manner:

Month of sale	30%
Month following the sale	70%
- 40% of purchases are paid for in cash in the month of purchase, and the balance is paid the following month.
- Labor costs are 20% of sales. Other operating costs are €15,000 per month (including €4,000 of depreciation). Both of these are paid in the month incurred.
- The cash balance on March 1 is € 4,000. A minimum cash balance of € 3,000 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 3 (20 points) Flamingo Cellular sells phones for € 100. The unit variable cost per phone is € 50 plus a selling commission of 10%. Fixed manufacturing costs total € 1,250 per month, while fixed selling and administrative costs total € 2,500.

- What is the contribution margin per phone?
- What is the breakeven point in units?
- How many phones must be sold to earn € 7,500 income before tax?

Question 4 (20 points) Sew Entertainment Company is planning to hold a concert at one of the local country clubs. It has three options for the place:

- Light Club: Fixed rental fee of € 10,000 and € 5 per person for food.
- Moon Club: Fixed rental fee of € 5,000 and € 10 per person for food.
- Star Club: Fixed rental fee of € 7,000 and € 7 per person for food.

Sew Company has budgeted € 2,000 for administrative and marketing expenses. Tickets are expected to be € 50 per person. There will be no additional cost.

- Which option should be chosen assuming 200 people attend?
- At which level of quantity option one should be chosen?

Question 5 (20 points) Root Industries, developed standard costs for direct material and direct labor. In 2007, Root estimated the following standard costs for one of their major products, plastic container.

	<u>Budgeted quantity</u>	<u>Budgeted price</u>
Direct materials	0.10 kg	€ 20 per kg
Direct labor	0.05 hour	€ 15 per hour

- During June, Root produced and sold 5,000 containers.
 - The company purchased and used 480 kg of direct materials at €22 per kg.
 - 250 direct manufacturing labor-hours used at an average wage of € 16 per hour.
- Find the direct material and direct labor flexible-budget variances.
 - Find the direct material price and efficiency variances.
 - Find the direct manufacturing labor rate and efficiency variances.