

FATİH UNIVERSITY
 FACULTY OF ECONOMIC AND ADMINISTRATIVE SCIENCES
 DEPARTMENT OF MANAGEMENT
MAN 306 MANAGERIAL ACCOUNTING
 MIDTERM EXAM II

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 Duration: 75 Minutes

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QUESTION 1. Green Golf Company sells a special product for €20 each. In March, it sold 28,000 units while manufacturing 30,000 units. There was no beginning inventory on March 1. Production information for March was:

Direct manufacturing labor per unit	15 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. Compute the inventoriable cost per unit under both absorption and variable costing.
- b. Compute the ending inventories under both absorption and variable costing.
- c. Compute operating income under both absorption and variable costing.

QUESTION 2. Smart Co. manufactures two models, Standard and Premium. Weekly demand is estimated to be 100 units of the Standard Model and 70 units of the Premium Model. The following per unit data apply:

	<u>Standard</u>	<u>Premium</u>
Contribution margin per unit	€18	€20
Number of machine-hours required	3	4

- a. Compute the contribution per machine-hour for each product.
- b. If there are 496 machine-hours available per week, how many rockers of each model should be produced to maximize profits?
- c. If there are 600 machine-hours available per week, how many rockers of each model should be produced to maximize profits?

QUESTION 3. Flower Company is considering replacing a machine. The following data are available:

	<u>Old Machine</u>	<u>Replacement Machine</u>
Original cost	€45,000	€35,000
Useful life in years	10	5
Current age in years	5	0
Book value	€25,000	-
Disposal value now	€8,000	-
Disposal value in 5 years	0	0
Annual cash operating costs	€7,000	€4,000

Ignoring income taxes, prepare a cost comparison of all relevant items for the next five years together. Indicate the best alternative for the company

QUESTION 4. Feldland Company manufactures a part for use in its production of hats. When 10,000 items are produced, the costs per unit are:

Direct materials	€ 0.60
Direct manufacturing labor	3.00
Variable manufacturing overhead	1.20
Fixed manufacturing overhead	<u>1.60</u>
Total	<u>€ 6.40</u>

Mike Company has offered to sell to Feldland Company 10,000 units of the part for €6.00 per unit. The plant facilities could be used to manufacture another item at a savings of €9,000 if Feldland accepts the offer. In addition, €1.00 per unit of fixed manufacturing overhead on the original item would be eliminated.

Which alternative is best for Feldland Company? By how much?

QUESTION 5. After conducting a market research study, Schultz Manufacturing decided to produce a new interior door to complement its exterior door line. It is estimated that the new interior door can be sold at a target price of €60. The annual target sales volume for interior doors is 20,000 units. Schultz has target operating income of 20% of sales.

- What are target sales revenues?
- What is the target operating income?
- What is the target cost?
- What is the target cost for each interior door?