

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

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Duration: 70 Minutes

March 30, 2010

QUESTIONS

Question 1. The Dolphin Company has planned the following sales for the next three months:

	January	February	March
Budgeted sales	\$70,000	\$60,000	\$50,000

Sales are made 20% for cash and 80% on account. From experience, the company has learned that a month's sales on account are collected according to the following pattern:

Month of sale	60%
First month following sale ...	30%
Second month following sale	8%
Uncollectible	2%

The company requires a minimum cash balance of \$5,000 to start a month. The beginning cash balance in March is budgeted to be \$7,000.

Required:

- a. Compute the budgeted cash receipts for March.
- b. The following additional information has been provided for March:

Inventory purchases (all paid in March)	\$38,000
Operating expenses (all paid in March)	\$55,000
Depreciation expense for March	\$5,000
Dividends paid in March	\$4,000

Prepare a cash budget in good form for the month of March, using this information and the budgeted cash receipts you computed for part (1) above. The company can borrow in any dollar amount and will not pay interest until April.

Question 2. A sales budget is given below for one of the products manufactured by the ABC Co.:

January	25,000 units	February	40,000 units	March	65,000 units
April	45,000 units	May	35,000 units	June	30,000 units

The inventory of finished goods at the end of each month must equal 20% of the next month's sales.

However, on December 31 the finished goods inventory totaled only 4,000 units.

Each unit of product requires three pounds of specialized material (Switches). Since the production of this specialized material by ABC's suppliers is sometimes irregular, the company has a policy of maintaining an ending inventory at the end of each month equal to 30% of the next month's production needs. This requirement had been met on January 1 of the current year.

Required:

Prepare a budget showing the quantity of material to be purchased each month for January, February, and March and in total for the quarter.

	January	February	March	Quarter
Budgeted sales (units)				
Desired ending inventory				
Total needs				
(-) Beginning inventory				
Units to be produced				
Switches per unit				
Production needs				
Desired ending inventory				
Total needs				
(-) Beginning inventory				
Required purchases				

Question 3. The Moore Company produces and sells a single product. A standard cost card for the product follows:

Standard Cost Card--per unit of product:

Direct materials, 4 yards at \$4.00	\$ 16.00
Direct labor, 1.5 hours at \$12.00	18.00
Variable overhead, 1.5 hours at \$3.00 ..	4.50
Fixed overhead, 1.5 hours at \$7.00	<u>10.50</u>
Standard cost per unit	\$ 46.00

The company manufactured and sold 18,000 units of product during the year. A total of 70,200 yards of material was purchased during the year at cost of \$4.10 per yard. All of this material was used to manufacture the 18,000 units. The company records showed no beginning or ending inventories for the year.

The company worked 29,250 direct labor-hours during the year at a cost of \$9.75 per hour. Overhead cost is applied to products on the basis of direct labor-hours. The denominator activity level (direct labor-hours) was 22,500 hours. Budgeted fixed overhead costs as shown on the flexible budget were \$157,500, while actual fixed overhead costs were \$146,000. Actual variable overhead costs were \$95,000.

Required:

- Compute the direct materials price and quantity variances for the year.
- Compute the direct labor rate and efficiency variances for the year.
- Compute the variable overhead spending and efficiency variances for the year.
- Compute the fixed overhead budget and volume variances for the year.

Question 4. Flower Company is a manufacturing company.

Budgeted standards and actual results are provided below for the month of May 2010:

	Budgeted for May	Actual May results
Unit sales	1,800 units	1,500 units
Selling price per unit	\$ 120 per unit	\$ 130 per unit
Direct material cost per unit	\$ 40 per unit	\$ 45 per unit
Direct manufacturing labor cost per hour	\$ 26 per hour	\$ 22 per hour
Direct manufacturing labor hour	0.5 hours per unit	Total 800 hours for the month
Variable overhead cost	\$ 25 per unit	\$ 23
Fixed manufacturing overhead cost	\$ 40,000 per month	\$ 48,000 per month
Fixed selling and administration cost	\$ 20,000 per month	\$ 24,000 per month

- Fill the information for the static budget, flexible budget and actual results in the following table.
- Calculate total static budget variance, total sales volume variance and total flexible budget variance.

	STATIC BUDGET	FLEXIBLE BUDGET	ACTUAL RESULTS
Sales Revenue			
Direct material cost			
Direct labor cost			
Variable overhead cost			
Total variable cost			
Contribution margin			
Fixed manufacturing overhead cost			
Fixed selling and administration cost			
Operating Income			