

FATİH UNIVERSITY
FACULTY OF ECONOMIC AND ADMINISTRATIVE SCIENCES
DEPARTMENT OF MANAGEMENT
MAN 306 MANAGERIAL ACCOUNTING
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Duration: 90 Minutes

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Questions 1. (20 points) A customer has asked Star Corporation to supply 3,000 units of product HR5, with some modifications, for \$34.70 each. The normal selling price of this product is \$46.35 each. The normal unit product cost of product HR5 is computed as follows:

Direct materials.....	\$14.70
Direct labor.....	1.30
Variable manufacturing overhead	7.00
Fixed manufacturing overhead	<u>7.90</u>
Unit product cost.....	<u>\$30.90</u>

Direct labor is a variable cost. The special order would have no effect on the company's total fixed manufacturing overhead costs. The customer would like some modifications made to product HR5 that would increase the variable costs by \$3.80 per unit and that would require a one-time investment of \$24,000 in special molds that would have no salvage value. This special order would have no effect on the company's other sales. The company has ample spare capacity for producing the special order.

Required:

Determine the effect on the company's total net operating income of accepting the special order.

Questions 2. (20 points) Kahvekeyfi Company sells coffee in Shopping Malls in Istanbul. Average monthly data for its three shops is presented below:

	Fox City	Marka City	Beylicium	Real
Sales	13,000 TL	18,000 TL	28,000 TL	21,000 TL
Variable expenses	6,000	8,000	13,000	12,000
Fixed expenses:				
Fixed Selling Expenses	5,000	8,000	12,000	10,000
Fixed Admin. Expense	5,000	5,000	5,000	5,000

90% of fixed selling expenses and 20% of the fixed administrative expenses are avoidable.

Required

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

Questions 3. (20 points) Allseasons Hotel has 200-rooms. Manager of the hotel anticipates that she will rent these rooms for 60,000 nights next year. All rooms similar and will rent for the same price. Estimated operating costs for the next year are as follows:

Variable-operating costs	€ 10 per room-night
Fixed costs:	
Salaries and wages	€ 300,000
Maintenance	150,000
Advertising	50,000
Other administration costs	150,000

Capital invested in hotel is €2,500,000. The owner's target return on investment is 22 %. The manager plans to price the rooms at full cost plus a markup on full cost to earn the target return on investment.

Required

- a. What price should Allseasons Hotel charge for a room night?
- b. What is the markup as a percentage of the full cost of a room night?

Questions 4. (20 points) Ocean Co's income statement for the most recent month is given below.

	Total	Store A	Store B
Sales	\$300,000	\$100,000	\$200,000
Variable expenses	<u>192,000</u>	<u>72,000</u>	<u>120,000</u>
Contribution margin.....	108,000	28,000	80,000
Traceable fixed expenses.....	<u>76,000</u>	<u>21,000</u>	<u>55,000</u>
Segment margin.....	32,000	<u>\$ 7,000</u>	<u>\$ 25,000</u>
Common fixed expenses	<u>27,000</u>		
Net operating income.....	<u>\$ 5,000</u>		

For each of the following questions, refer back to the original data.

Required:

- If Store B sales increase by \$20,000 with no change in traceable fixed expenses, how much should the overall company net operating income increase/decrease? (Contribution margin ratio for each section will remain the same)
- The marketing department believes that a promotional campaign at Store A costing \$5,000 will increase sales by \$15,000. If its plan is adopted, how much should the overall company net operating income increase/decrease? (Contribution margin ratio for each section will remain the same)
- A proposal has been made that will lower variable expenses in Store A to 62% of sales. However, this reduction can only be accomplished by an increase in fixed expenses of \$8,000. If this proposal is implemented and sales remain constant, how much should the overall company net operating income increase/decrease?
- Currently the sales clerks receive a salary of \$7,000 per month in Store B. A proposal has been made to change from a fixed salary to a sales commission of 5%. Assume that this proposal is adopted, and that as a result sales increase by \$20,000. How much should be the new segment margin for Store B?

Questions 5. (20 points) Uphill Company is considering the purchase of a machine that would cost \$150,000 and would last for 6 years.

At the end of 6 years, the machine would have a salvage value of \$23,000.

The machine would reduce labor and other costs by \$36,000 per year.

Additional working capital of \$6,000 would be needed immediately.

All of this working capital would be recovered at the end of the life of the machine.

The company requires a minimum pretax return of 12% on all investment projects.

How much would be the net present value of the proposed project?

12% Factors for 6 years "0.507" & "4.111"