

BIRZEIT UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
ACCOUNTING DEPARTMENT

43.5

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INSTRUCTOR: SAMIA SHAMMAS

SUMMER SEM. 2014/2015
FIRST HOUR EXAM

ACCT. "331"

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Capital.

Multiple Choices

1	A
2	B
3	X
4	A
5	X
6	D
7	A
8	A
9	C
10	B
11	A
12	B
13	C
14	D
15	A
16	D
17	B
18	A

16

Question 2

(a)	50,000
(b)	132,000
(c)	248,000
(d)	255,000
(e)	240,000
(f)	242,000
(g)	240,000

7.5

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PART 1 - ESSAY QUESTIONS

Question 1 (12 points)

Beirut Manufacturing Company incurs the following manufacturing costs and expenses during the month of May.

1. Assembly line wages. → DL
2. Raw materials used directly in product. → direct
3. Depreciation on office equipment using straight-line method.
4. Rent on factory building.
5. Salesmen Salaries per month \$30,000 plus a sales commission of 5% on sales.
6. Company president salaries of \$10,000 per month.
7. Factory electricity bill.
8. Indirect materials used in production.
9. Research and development costs incurred by the company to develop new products.
10. Rental income forgone on factory space.

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Required

Complete the following matrix by placing an X mark under the appropriate headings.

Cost Item	Product Cost					Cost Behavior			Period Cost		Sunk Cost	Opportunity Cost
	DM	DL	MOH	Prime Cost	Conversion Cost	Fixed Cost	Variable Cost	Mixed Cost	Selling Cost	Administrative Cost		
1.		X		X	X		X					
2.	X			X	X		X					
3.						X				X		
4.			X		X	X						
5.						X		X	X			
6.						X				X		
7.			X		X			X				
8.			X		X		X					
9.											X	
10.												X

EX-100

Question 2 (20 points)

Black Smith Co. is a shoe maker that uses a job-order costing system and applies manufacturing overhead cost to jobs on the basis of direct labor cost. At the start of the year, Black Smith estimated that it would incur \$81,600 of fixed manufacturing overhead cost for the coming year and \$68,000 of estimated direct labor cost. Black Smith also estimated the variable manufacturing overhead at \$0.80 per direct labor cost. ~~Actual supplies (direct materials) used during the year were \$45,000, actual direct labor cost was \$66,000, and actual manufacturing overhead cost was \$130,000.~~

Required

1) Calculate the company's predetermined overhead rate for the coming year. (3 points)

$$y = a + bx$$

$$81,600 + (0.8 \times 68,000)$$

POHR
Estimated
MCH Cost

$$= \frac{\text{Total Estimated MCH Cost}}{\text{Total Estimated Direct Labor}} = \frac{136,000}{68,000} = \$2 \text{ per direct labor}$$

Manufacturing cost data table for Black Smith is presented below:

Direct Materials Used	(a)
Direct Labor Cost	\$66,000
Manufacturing Overhead Applied	Use above information
	(b)
Actual Manufacturing Overhead Cost	\$130,000
Total Manufacturing Costs	(c)
Beginning Raw Materials Inventory	\$5,000
Raw Materials Purchases	\$55,000
Ending Raw Materials Inventory	\$10,000
Beginning WIP Inventory	\$7,000
Ending WIP Inventory	\$15,000
Total WIP	(d)
Cost of Goods Manufactured	(e)
Beginning Finished Goods Inventory	\$20,000
Ending Finished Goods Inventory	\$18,000
Unadjusted Cost of goods sold	(f)
Adjusted Cost of goods sold	(g)

2) Calculate the missing amount for each letter in the above table. Note: Fill-in the missing amount for each letter on the answer sheet on the first page. (7 points)

Account titles and codes table

Account Titles	Code
Raw materials inventory	A
Work in process inventory	B
Finished goods inventory	C
Cost of goods sold	D
Manufacturing overhead	E
Wages and salaries payable	F

3) Use the following table to enter the right codes indicating the account titles debited and credited, as well as the amount under a job-order costing system for each of the following summary transactions: (10 points)

Transactions	Account Titles		
	Debit	Credit	Amount
1) Use of direct material.	B	A	50,000
2) Direct labor cost incurred.	B	F	66,000
3) Manufacturing overhead applied to production.	B	E	132,000
4) Close under/over applied overhead to cost of goods sold.	E	D	2,000

EXCEL

PART 2 – Multiple Choice Questions (18 points)

1. The major reporting standard for presenting managerial accounting information is

- a. relevance.
- b. generally accepted accounting principles.
- c. the cost principle.
- d. the current tax law.

2. Managerial accounting information

- a. pertains to the entity as a whole and is highly aggregated.
- b. pertains to subunits of the entity and may be very detailed.
- c. is prepared only once a year.
- d. is constrained by the requirements of generally accepted accounting principles.

3. Which of the following items is not considered as a preventive costs

- a. Quality training
- b. Statistical process control activities
- c. Final product testing
- d. Quality circles.

4. Which of the following would be classified as an external failure cost on a quality cost report?
on a quality cost report?

- a. Lost sales arising from a reputation for poor quality.
- b. Final product testing and inspection.
- c. Net cost of spoilage.
- d. Quality data gathering, analysis, and reporting.

5. Because of automation, which component of product cost is declining?

- a. Direct labor
- b. Direct materials
- c. Manufacturing overhead
- d. Advertising

Use the following information to answer questions 6 - 8.

Apple Machines has the following costs in a period when production is 2,000 units: Direct materials, \$8,000; direct labor (variable), \$9,000; straight-line depreciation, \$800; rent (same every month), \$1,200; and other fixed costs, \$1,000.

6. The variable cost per unit and fixed cost per unit are, respectively,

- a. \$8.75 and \$1.50.
- b. \$8.75 and \$0.25.
- c. \$4.25 and \$3.00.
- d. \$8.50 and \$1.50.

7. If production changes to 2,400 units, which will stay the same?

- a. variable cost per unit
- b. fixed cost per unit
- c. total variable cost.
- d. total cost per unit.

8. If production changes to 1,800 units, the total variable costs and total fixed costs will be
- \$15,300 and \$3,000.
 - \$15,750 and \$3,000.
 - \$17,500 and \$2,700.
 - \$15,750 and \$2,700.

Use the following information to answer questions 9 - 11.

Month	Miles	Total Cost
January	80,000	\$135,000
February	50,000	100,000
March	70,000	120,000
April	90,000	160,000

9. In applying the high-low method, which months are relevant?
- January and February
 - January and April
 - February and April
 - February and March
10. In applying the high-low method, what is the unit variable cost?
- \$1.60.
 - \$1.50.
 - \$1.80.
 - cannot be determined from the information given.
- $$\frac{\text{high cost} - \text{low cost}}{\text{high unit} - \text{low unit}}$$
11. In applying the high-low method, what is the fixed cost?
- \$25,000.
 - \$40,000.
 - \$20,000.
 - \$60,000.
- $$y = a + bx$$

$$100,000 = a + (.5 \times 50,000)$$
12. In describing the cost formula equation $Y = a + bX$, which of the following statements is correct?
- "X" is the dependent variable.
 - "a" is the fixed component.
 - In the high-low method, "b" equals change in activity divided by change in costs.
 - As "X" increases "Y" decreases.
13. An example of a committed fixed cost is:
- a training program for salespersons.
 - executive travel expenses.
 - property taxes on the factory building.
 - new product research and development.

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14. At the end of the period, the Manufacturing Overhead account had a \$3,000 debit balance. The balances in the Work in Process Inventory, Finished Goods Inventory, and Cost of Goods Sold were \$10,000, \$20,000, and \$70,000, respectively. Assuming that the balance in Manufacturing Overhead is considered material, the journal entry to close the Manufacturing Overhead account will include
- a. a \$3,000 debit to Finished Goods Inventory.
 - b. a \$3,000 debit to Cost of Goods Sold.
 - c. debits to Work in Process Inventory, Finished Goods Inventory, and Cost of Goods Sold for \$1,000 each.
 - d. debits to Work in Process Inventory, Finished Goods Inventory, and Cost of Goods Sold for \$300, \$600, and \$2,100, respectively.

15. Crest Winery in Woodinville leases an automatic corking machine for \$100,000 per year. At full capacity, it can cork 50,000 cases of wine per year. The company estimates 40,000 cases of wine will be produced and sold next year. What is the predetermined overhead rate based on the number of cases of wine at capacity and at activity?

Capacity	Activity
<input checked="" type="radio"/> a. \$2.00	\$2.50
b. \$2.50	\$2.00
c. \$4.00	\$2.50
d. \$2.00	\$4.00

Use the following information to answer questions 16 & 17.

16. Wendy works on the assembly line of a manufacturing company where she installs a component part for one of the company's products. She is paid \$20 per hour for regular time and \$30 per hour for all work in excess of 40 hours per week. Wendy works 45 hours during a week in which there was no idle time. The allocation of Wendy's wages for the week between direct labor cost and manufacturing overhead cost would be:

	Direct Labor	Manufacturing Overhead
A)	\$800	\$150
B)	\$950	\$0
C)	\$875	\$75
<input checked="" type="radio"/> D)	\$900	\$50

40 5
800

- a. Option A
- b. Option B
- c. Option C
- d. Option D

17. Wendy works 46 hours in a given week but is idle for 4 hours during the week due to equipment breakdowns. The allocation of Wendy's wages for the week between direct labor cost and manufacturing overhead cost would be:

	Direct Labor	Manufacturing Overhead
A)	\$920	\$60
<input checked="" type="radio"/> B)	\$840	\$140
C)	\$800	\$180
D)	\$980	\$0

~~42000~~ ~~42000~~
46000

- a. Option A
- b. Option B
- c. Option C
- d. Option D

18. The term differential cost refers to:

- a. a difference in cost which results from selecting one alternative instead of another.
- b. the benefit forgone by selecting one alternative instead of another.
- c. a cost which does not involve any dollar outlay but which is relevant to the decision-making process.
- d. a cost which continues to be incurred even though there is no activity.