

Cost accounting (Accounting)
Midterm Exam (first semester 2016/2017)

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Section: 2

Multiple Choice Questions

1	A
2	B
3	B
4	A
5	B
6	C
7	B

For Instructor Use

Question 1	<u>12</u>	/14
Question 2	<u>20</u>	/20
Question 3	<u>14</u>	/14
Question 4	<u>7</u>	/7
Total	<u>53</u>	/55

✓ good

Question 1: Cost classifications

(14 points)

(a) Aleph Manufacturing produces two product lines: ^{Job 1} Tennis equipment and ^{Job 2} football equipment. With respect to the tennis equipment line, classify each item as either *Direct (D)* costs or *Indirect (IN)* costs. (7 points)

		D/IN
1	Beverages (soft drinks) provided daily in the <u>factory</u> break room	IN
2	Monthly <u>lease</u> payments for a specialized piece of equipment needed to manufacture the tennis equipment	IN
3	Salary paid to plant <u>supervisor</u>	IN
4	Salaries of security and cleaning staff	IN
5	Material used to make tennis balls	D
6	Labor to shape the leather used in making the tennis balls	D
7	Property Insurance and taxes	IN

lease
new

6/7

[Handwritten scribble]

Product

(b) Catalyst is a Manufacturing plant. Classify each item as either Inventoriable (Inv.) costs or Period (P) costs. (7 points)

		Inv./P
1	Depreciation of production equipment	Inv
2	Sales commissions	P
3	Insurance on <u>factory</u> building	Inv
4	Cost of storing finished goods until it is shipped to customers	Inv
5	Rent for company headquarters building	P
6	Company <u>president's</u> salary	P
7	Factory Insurance and taxes	Inv

6/7

C.G.S

Question 2: Job Costing

(20 points)

During July, Nolan Inc. started working on two jobs. Job A and Job B. At year end, Job A was completed and sold, while Job B remains in process. Nolan Inc. uses a job order cost system, and Manufacturing overhead is allocated based on direct labor costs. The company presented the following information:

	Job A	Job B
Raw materials 1/1/2015	\$ 5,000	\$ 6,100
Raw materials 12/31/2015	3,000	4,000
Raw materials purchases	148,000 (A)	120,900
Direct Materials Used	150,000	(C) 123,000
Direct Labor	80,000	150,000
Manufacturing Overhead Applied	56,000	(D) 105,000
Work in Process, 1/1/2015	30,000	46,000
Work in process, 12/31/2015	107,000 (B)	43,000
Cost of Goods Manufactured	209,000	(E) 381,000

Handwritten T-account for Job A:

5,000	
150,000	
30,000	

Handwritten T-account for Job B:

30,000	
286,000	
107,000	

Instructions

(a) Indicate the missing amount for each letter. (5 points)

A	148,000
B	107,000
C	123,000
D	105,000
E	381,000

$$80,000 \times X = 56,000$$

rate = $\frac{56,000}{80,000} = 0.7$

0.7 rate

Handwritten T-account for Job B:

46,000	
123,000	
150,000	
43,000	

C.G.M.?

$$56,000 = \square \times 80,000$$

(b) Record all the journal entries related to Job A assuming that the job was completed and then sold for \$300,000 on account (Use simple entries) (12 point)

1) purchase of raw materials on Cash or A/P

Dr. Raw materials 148 000

Cr. Cash/~~A/P~~ amount paybl. 148000

2) Job A requisitioned 150,000 DM

Dr. WIP Job A 150,000

Cr. raw materials 150,000

3) Direct labor incurred for Job A. / or. payed for cash.

Dr. WIP Job A 80,000

Cr. Wages paybl 80,000
or. "cash"

4) ~~MOH~~ MOH applied ~~off~~ "allocated for Job A"

Dr. WIP Job A 56000

Cr. MOH applied 56000

Dr. ^{actual} MOH	جواز entry	مورد <u>جل</u>
		Cr. Accounts paybl.

5) Finished goods from Job A are 209000.

Dr. Finished goods 209000
Job A

Cr. WIP Job A 209000

Completed and sold = "A" Dr. C.G.S 209000

1-1 ~~Account~~ Receivables 300 000

Cr. Finished goods 209000
Job A

Fig 5, 12
عل

(c) Assume that at year end, actual manufacturing overhead was \$ 180,000. Make the necessary adjusting entry assuming that the difference is immaterial.

(3 points)

C.G.S

actual 180,000

$$\text{MOH applied} = \text{Job A} + \text{Job B} \\ 56,000 + \cancel{24,000} + \cancel{24,000} = 105,000 = \underline{161,000}$$

$$\text{actual} > \text{applied} = \text{under applied} \\ 180,000 - 161,000 = 19,000$$

Dr. C.G.S 19,000

Dr. MOH applied 161,000

Cr. actual MOH 180,000

immaterial
goes directly
to C.G.S

3
3

Question 3: Process Costing

Timekeeper Inc. manufactures clocks on a highly automated assembly line. Its costing system uses two cost categories, direct materials and conversion costs. Each product must pass through the Assembly Department and the Testing Department. Direct materials are added at the beginning of the production process. Conversion costs are allocated evenly throughout production.

Data for the Assembly Department for June 2015 are:

Work in process, beginning inventory
Direct materials (100% complete)
Conversion costs (50% complete)

300 units

Units started during June

900 units

Work in process, ending inventory:

100 units

Direct materials (100% complete)

Conversion costs (75% complete)

Costs for June 2015:

Work in process, beginning inventory:

Direct materials

\$90,000

Conversion costs

\$135,000

Costs added during June

Direct materials costs added during June

\$600,000

Conversion costs added during June

\$400,000

Beg 90,000
135,000
666,000
400,000

Required

A. Calculate the number of equivalent units for direct materials

B. Calculate the number of equivalent units for conversion costs

C. Calculate cost per equivalent unit for direct materials

D. Calculate cost per equivalent unit for conversion costs

E. Calculate the total amount debited to the Work-in-Process

F. Calculate the cost of goods completed during the month

G. Calculate the cost of goods in Ending Work In process

W.

~~1200~~ 1200
~~1175~~ 1175

DM? DL

WIP
Compl 1100
end 100

1100 1100
100 75
1200 1175

costs. DM = 690,000

Con. 535,000

455.3

Fill your answers in the table in the next page.

DM DL

300 0 150

800 800 800

100 100 75

900 1025

57500 + 341475

533360 + 37069

	Average Cost	FIFO
A	1200 ✓	900 ✓
B	1175 ✓	1025 ✓
C	575	666.7
D	455.3 455.3	390.2
E	1225600 1225600	only June 1000 and Total amount debited 1225600 ✓
F	1133330 1133330	1129050 ✓
G	91647.5 ✓	95935 ✓

2015
In the debit column or debited in this period

June 1000 5000
1000 5000

average

-WIP

Beg DM 90000
Beg Inv. 135000
added DM 6001000
added Inv 4001000

Total amount Debited
= 1225600

amount debited this period 100000

→ complete 1133330

End 91647.5

FIFO
WIP

Beg DM 90000
Beg Inv 135000
added DM 6001000
added 4001000

95935

1129050

14
14

Question 4: Multiple Choice questions

Circle the correct answer

Use the following information to answer questions 1-4

Baby Boom Incorporated prepares processed baby food. Direct materials are added at the initiation (beginning) of the cycle. Conversion costs are incurred evenly throughout the production cycle. Before inspection, some baby food jars are spoiled due to nondetectable defects. Inspection occurs when units are 100% converted. Spoiled fillets generally constitute 3% of the good jars. Data for January, 2015 are as follows:

WIP, beginning inventory 1/1/2015 65,000 jars
 Direct materials (100% complete)
 Conversion costs (50% complete)
 Started during January 170,000 jars
 Good units Completed 1/31/2015 200,000 jars
 WIP, ending inventory 1/31/2015 20,000 jars
 Direct materials (100% complete)
 Conversion costs (20% complete)

Costs for January:

WIP, beginning Inventory:
 Direct materials \$ 87,500
 Conversion costs 97,500
 Direct materials added 265,000
 Conversion costs added 450,000

235,000

(15,000 spoiled)

600

DM CM

215,000 215,000

20,000 20,000 4,000

235,000 219,000

352,500

1.5

2.5

1. Normal spoilage totals _____.

- (A) 6,000 unit
 (B) 9,000 unit
 (C) 0 units
 (D) 15,000 unit

2. Abnormal spoilage totals _____.

- (A) 6,000 units
 (B) 9,000 units
 (C) 0 units
 (D) 15,000 units

3. What is the total cost per equivalent unit using the weighted-average method of process costing?

- A) \$4.2
- ☒ B) \$4.00
- C) \$1.5
- D) \$2.5

4. What cost is allocated to abnormal spoilage using the weighted-average process-costing method?

- ☒ A) \$36,000
- B) \$13,500
- C) \$0
- D) \$22,500

5. Rawling Manufacturing Corp. provided the following information for last month:

Sales	\$50,000
Variable costs	16,000
Fixed costs	<u>12,000</u>
Operating income	<u>\$22,000</u>

25,000
- 12,000
- 8,000

50,000 → 16,000
25,000

If sales reduce to half of the amount in the next month, what is the projected operating income?

- A) \$22,000
- ☒ B) \$5,000
- C) \$15,000
- D) \$11,000

6. When will the weighted average and FIFO methods compute the same dollar amount for the costs to be transferred to the next department?

- A) When there are no units in ending inventory
- B) When beginning and ending inventory were at the same stage of completion
- ☒ C) When there are no units in beginning inventory
- D) When the number of units in beginning inventory equals the number of units in ending inventory

7. Maize Plastics manufactures and sells 40 bottles per day. Fixed costs are \$18,000 and the variable costs for manufacturing 40 bottles are \$10,000. Each bottle is sold for \$1,000. How would the daily profit be affected if the daily volume of sales drop by 20%?

- A) Profits are reduced by \$4,000
- ☒ B) Profits are reduced by \$6,000
- C) Profits are reduced by \$5,000
- D) Profits are reduced by \$2,400

40,000
profit 12000

Fixed cost = 18000

32

6000

40 → 10,000

32 → ?
8000

32000
- 18000
- 8000

New 6000