

Candidate: Last name:

First name:

Matriculation Number:

For use of examiner only →	1	2	3	4	5	6	Σ	Grade

The following aids can be used: calculator, English language dictionary

A total of 120 points can be achieved. For each problem 20 points are achievable. You are advised to base your time allocation on these points.

Please write down the solution to each problem coherently. Later additions to a solution apart from the main body of the solution will not be recognized. All of the following 6 problems are to be solved. Check whether you received 3 pages with 6 problems.

Problems:

1. Inventory valuation. Cheaney Inc. reports the following information.

On January 31, 2006, Job #101 was the only job in process with accumulated costs of:

Direct materials	\$2,000
Direct manufacturing labor	1,000
Manufacturing overhead	<u>1,000</u>
Total	<u>\$4,000</u>

During February, Job #102 and Job #103 were started and the following costs were added:

	<u>Job #101</u>	<u>Job #102</u>	<u>Job #103</u>
Direct materials	\$4,000	\$5,000	\$6,000
Direct manufacturing labor	1,000	2,000	3,000
Manufacturing overhead	<u>2,000</u>	<u>3,000</u>	<u>4,000</u>
Total	<u>\$7,000</u>	<u>\$10,000</u>	<u>\$13,000</u>

On February 28, 2006:

Job #101 was completed and sold for \$20,000.

Job #102 was completed but not sold.

Job #103 remains in production.

Required:

Using the above information, determine the following amounts:

- Work-in-process inventory on February 1, 2006.
- Work-in-process inventory on February 28, 2006.
- Finished goods inventory on February 28, 2006.
- Cost of goods manufactured for February.
- Cost of goods sold for February.
- Gross margin for February.

2. CVP-Analysis. Karen Hefner, a florist, operates retail stores in several shopping malls. The average selling price of an arrangement is \$30 and the average cost of each sale is \$18. A new mall is opening where Karen wants to locate a store. The mall operator offers the following three options for its retail store rentals:

1. paying a fixed rent of \$15,000 a month,
2. paying a base rent of \$9,000 plus 10% of revenue received, or
3. paying a base rent of \$4,800 plus 20% of revenue received up to a maximum rent of \$25,000.

Required: a. For each option, compute the breakeven sales and the monthly rent paid at break-even.
b. Show the range of sales levels at which each option is preferable.

3. Costing systems. CP Corporation manufactures two models of coffee dispensers, a standard and a deluxe model. The following activity and cost information has been compiled.

<u>Product</u>	<u>Number of Setups</u>	<u>Number of Components</u>	<u>Number of Direct Labor Hours</u>
Standard	3	30	650
Deluxe	7	50	150
Overhead costs	\$20,000	\$60,000	

Required: Assume a traditional costing system applies the \$80,000 of overhead costs based on direct labor hours.

- a. What is the total amount of overhead costs assigned to the standard model?
- b. What is the total amount of overhead costs assigned to the deluxe model?

Assume an activity-based costing system is used and that number of setups and number of components are identified as the activity-cost drivers for overhead.

- c. What is the total amount of overhead costs assigned to the standard model?
- d. What is the total amount of overhead costs assigned to the deluxe model?

4. Cash Budget. The following information pertains to Amigo Corporation:

<u>Month</u>	<u>Sales</u>	<u>Purchases</u>
July	\$30,000	\$10,000
August	34,000	12,000
September	38,000	14,000
October	42,000	16,000
November	48,000	18,000
December	60,000	20,000

- Cash is collected from customers in the following manner:

Month of sale (2% cash discount)	30%
Month following sale	50%
Two months following sale	15%
Amount uncollectible	5%
- 40% of purchases are paid for in cash in the month of purchase, and the balance is paid the following month.

Required: a. Prepare a summary of cash collections for the 4th quarter.
b. Prepare a summary of cash disbursements for the 4th quarter.