Shahjalal University of Science & Technology, Sylhet

Institute of Information & Communication Technology (IICT)

2nd Year 1st Semester (Session: 2019-2020)

Course Code: BUS 201W (SWE): Course Title: Cost & Management Accounting

Term Test -2; Marks: 20; Time: 01 Hour

[Answer all the two questions]

Q.N. 01:

Peak sales for Midwest Products, a wholesale distributor of leaf rakes, occur in August. The company's sales budget for the third quarter showing these peak sales is given below:

	July	August	September	Total
Budgeted sales (all on account)	$600,000	$900,000	$500,000	$2,000,000

From past experience, the company has learned that 20% of a month's sales are collected in the month of sale, another 70% are collected in the month following sale, and the remaining 10% are collected in the second month following sale. Bad debts are negligible and can be ignored. May sales totaled $430,000, and June sales totaled $540,000.

Required:

1. Prepare a schedule of expected cash collections from sales, by month and in total, for the third quarter.
2. Assume that the company will prepare a budgeted balance sheet as of September 30. Compute the accounts receivable as of that date.

Q.N. 02:

The Production Department of the Riverside Plant of Junnen Corporation has submitted the following forecast of units to be produced at the plant for each quarter of the upcoming fiscal year. The plant produces high-end outdoor barbecue grills.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Units to be produced	5,000	4,400	4,500	4,900

Each unit requires 0.40 direct labor-hours and direct labor-hour workers are paid $11 per hour.

Required:

1. Construct the company's direct labor budget for the upcoming fiscal year, assuming that the direct labor workforce is adjusted each quarter to match the number of hours required to produce the forecasted number of units produced.
2. Construct the company's direct labor budget for the upcoming fiscal year, assuming that the direct labor workforce is *not* adjusted each quarter. Instead, assume that the company's direct labor workforce consists of permanent employees who are guaranteed to be paid for at least 1,800 hours of work each quarter. If the number of required direct labor-hours is less than this number, the workers are paid for 1,800 hours anyway. Any hours worked in excess of 1,800 hours in a quarter are paid at the rate of 1.5 times the normal hourly rate for direct labor.