ACC1103 Review for Final

Important: All work done throughout the term must be studied to prepare you for the final exam. The purpose of the review is to provide examples on topics you MUST understand. Your final WILL have other questions.

Part 1: CLASSIFICATION OF COSTS

The data below belongs to Morelli's Gelato, which produces Ice Cream

1. The cost of milk used in the manufacturing of ice cream

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2. Salaries paid to the general manager of the head office

____

3. Salary paid to the supervisor in the ice cream factory

____

4. Wages paid to production workers in the ice cream factory

____

5. Wages paid to workers in the ice cream store

____

6. The cost of rent for the head office laser printer

____

7. The water and electricity cost for the Ice cream factory:

____

Required

Indicate whether the above costs would most likely be classified as; Direct Labor (DL), Direct Materials (DM), Manufacturing Overhead (MOH), Selling (S), or an Administrative Cost (A).

Part 2: Schedule of Goods Manufactured

Information given below has been taken from Alpha Company accounting records for September, all amounts are in UAE Dirhams:

Beginning balance, work in process inventory	150,000
Beginning balance, direct materials inventory	100,000
Ending balance, direct materials inventory	90,000
Ending balance, work in process inventory	130,000
Sales commissions	95,000
Depreciation, factory	45,000
Salary, general manager	340,000
Depreciation office building	9,500
Insurance sales vehicles	12,000
Direct labor	770,000
Insurance, factory	100,000
Direct materials purchase	890,000
Electricity, factory	70,000

Required:

1. Prepare a schedule of cost of goods manufactured in good form for the month.

PART 3: Cost Volume Profit, Target net income, Break-even point, CM income statement

The information below belongs to Jumbo Electronics which sells one product for $90 per unit.

Sales revenue	$900,000
Variable expenses	630,000
Contribution margin	270,000
Fixed expenses	108,000
Operating income	$162,000

Required:

A

Calculate the:

a. Contribution margin per unit.
b. Breakeven point in units.
c. Contribution margin ratio
d. Breakeven point in dollars

B

Salama makes and sells toys for $45 each. Her variable costs are $25 per toy and she incurs $10,000 in fixed costs each year.

Required

How many toys will Salama have to sell this year if she wants to earn $50,000 in operating income?

C

Last year's income statement for Alpha Company is as follows:

	Total	Per unit
Sales revenue	$600,000	$15.00
Variable expenses	320,000	8.00
Contribution margin	280,000	$7.00
Fixed expenses	175,000	
Operating income	$105,000	

In planning for the coming year, the company is considering the following scenario:
The sales price increases by 10% and sales volume decreases by 5%.

Required.
Using the above scenario, prepare a contribution margin income statement, including per unit data, showing the anticipated operating income.

PART 4 : Variable and Absorption Costing system

(A)

Noora designs and sells hand-made jewelry. She incurs the following unit costs to produce 50,000 items.

Direct materials	$2.00
Direct labor	$1.50
Variable overhead	$0.75
Fixed overhead	$4.00

Noora began the year with no inventory. During the year she sold 40,000 items for $15 each, incurring $0.50 in selling costs per item plus $7,000 in advertising and other selling expenses.

Required

Under variable costing, what is Sarah's operating income?

(B)

Noora designs and sells hand-made jewelry. She incurs the following unit costs to produce 50,000 items.

Direct materials	$2.00
Direct labor	$1.50
Variable overhead	$0.75
Fixed overhead	$4.00

Noora began the year with no inventory. During the year she sold 40,000 items for $15 each, incurring $0.50 in selling costs per item plus $7,000 in advertising and other selling expenses.

Required

Under absorption costing, what is Noora's ending Finished Goods Inventory balance?

PART 5 : Direct Material Purchased Budget

Milligan Manufacturing Company produces and sells garden tools. The company has developed the following production plan for its new electric trimmer

	January	February	March	April
Budgeted production (in units)	4,000	4,000	5,000	6,000

Each unit requires three feet of metal tubing. The company wishes to have ending inventory equal to 110% of its next month's production needs, plus an additional 100 feet. January's beginning inventory meets this requirement. Milligan's standard cost per foot is $2.80.

Required

Prepare the 1st quarter direct materials purchases budget for metal tubing.

END OF REVIEW