

Student Name Solution Student Number: _____ Grade /20

INSTRUCTIONS

1. Books and notes **are not** permitted.
2. Calculators and dictionaries **are** permitted.
3. All questions are to be answered in this examination paper. No other paper will be corrected.
4. Do not remove any page or the staple from this paper.
5. **You must** show the calculations that you have made in arriving at your answer
6. Exams written in pencil cannot be re-submitted for revaluation.
7. Time allotted: 40 minutes

Grade for the question is in brackets

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Q.1.(2) A company maintains finished goods inventory at a specified percentage of the next month's budgeted sales. In this company, budgeted December ending inventory will exceed budgeted January ending inventory when:

- a. December sales exceed budgeted January sales.
- b. ****January sales exceed budgeted February sales.
- c. December sales exceed budgeted February sales.
- d. February sales exceed budgeted December sales.

Q.2.(1) Which of the following is the least likely use of the cash budget?

- a. predicting the need for short-term borrowing
- b. measuring the performance of the accounts receivable and accounts payable departments
- c. ****determining achievement of the company's goals
- d. predicting the availability of surplus cash for investing

Q.3.(5) Projected sales (in units) for Jarvis Fabricators for the first half of 2012 are:

<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>
2,000	2,300	2,700	2,400	1,700	1,400

Jarvis management has a policy of ending each month with finished goods equal to 30% of the next month's projected sales. The December 2011 ending inventory was 750 units.

Required:

1. How many units of production should Jarvis budget for the first quarter of 2012?
2. How many units will be in the ending inventory at the end of the quarter?

	January	February	March	April	Quarter 1
Sales	2,000	2,300	2,700	2,400	
+EB	(30%*2,300)690	(30%*2,700)810	(30%*2,400)720		720(1)
-BB	750	690	810		
=Production	1,940(1)	2,420(1)	2,610(1)		6,970(1)

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Statement of Academic Integrity

The School of Management does not condone academic fraud, an act by a student that may result in a false academic evaluation of that student or of another student. Without limiting the generality of this definition, academic fraud occurs when a student commits any of the following offences: plagiarism or cheating of any kind, use of books, notes, mathematical tables, dictionaries or other study aid unless an explicit written note to the contrary appears on the exam, to have in his/her possession cameras, radios (radios with head sets), tape recorders, pagers, cell phones, or any other communication device which has not been previously authorized in writing. **Statement to be signed by the student:** I have read the text on academic integrity and I pledge not to have committed or attempted to commit academic fraud in this examination.

Signed: _____ Note: an examination without this signed statement will not be graded and will receive an exam grade of zero

Q.4.(8) Shellfish Co. has the following balances at January 31, 2012:

Cash	\$ 8,000
Accounts Receivable	40,000
Accounts Payable	82,500

Additional information: February and March sales are budgeted at \$110,000 and \$120,000, respectively. Collections are expected to be 60% in the month of sale, 38% the next month, and 2% uncollectible.

Planned purchases for February are \$90,000. Purchases are paid in full in the month following the purchase. Monthly cash expenses are expected to be \$16,500. Monthly depreciation is \$5,000.

Required:

What are budgeted cash collections for February and March 2012?

What are budgeted cash disbursements for February and March 2012?

	February	March
Sales	\$110,000	\$120,000
Collections:		
From: January	(40,000/.4)*.38 =) 38,000(1)	--
February	(.6*110,000 =)66,000(1)	(.38*110,000=) 41,800(1)
March	---	(.60*120,00=) 72,000(1)
Total	104,000	113,800
Purchases	90,000	--
Disbursements:		
For: January purchases	82,500(1)	--
February purchases	--	90,000(1)
Cash expenses	16,500(1)	16,500
Depreciation	Non cash	Non cash(1)
Total	99,000	106,500

Q.5. (4) The following data are for Extra Company for 2012.

	<u>Actual</u>	<u>Flexible Budget</u>	<u>Master Budget</u>	<u>Per unit</u>
Units	<u>9,000?</u> (.5)	<u>9,000</u>	<u>10,000</u>	<u>(\$180,000/9,000)= \$20</u>
Sales	\$ 186,000	\$180,000	<u>200,000?</u> (.5)	<u>(108,000/9,000)= \$12</u>
Variable costs	<u>117,000</u>	<u>108,000</u>	<u>120,000?</u> (.5)	<u>8</u>
Contribution margin	\$ 63,000	72,000	<u>80,000?</u>	
Fixed costs	<u>38,000</u>	<u>40,000</u>	<u>40,000?</u> (.5)	
Operating income	<u>\$ 25,000</u>	<u>\$ 32,000</u>	<u>40,000?</u>	

Required:

1. Fill in the blanks where there is a ?.

2. Briefly, what would be the cause of the differences between the Sales dollars in the Master vs the Flexible budget?

Volume of sales 10,000 > 9,000 (1).....

2. Briefly, what would be the cause of the differences between the Sales dollars in the Actual vs the Flexible budget?

Price \$186,000/9,000 = \$22 > \$20 (1).....