

**ADM 2341 Winter 2013 MANAGERIAL ACCOUNTING Quiz 1**

Student Name \_\_\_\_\_ 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. Except multiple choice.
6. Time allotted: 30 minutes

**Grade for the question is in brackets**

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**Q1. (1)** Manufacturing cost is synonymous with the following a) indirect cost; \*\*b) inventoriable cost; c) period cost; d) direct cost. (Circle one of a to d.)

**Q2. (1)** If the activity level drops by 5%, one would expect the fixed cost: \*\*a) to increase per unit; b) to drop in total by 5%; c) to remain constant per unit d) to decrease per unit. (Circle one of a to d.)

**Q3. (5)** Wente Company incurred the following overhead costs in the months of October and December 2012:

	October	December
Machine Hours	80,000	150,000
Indirect Material Costs	\$208,000	\$390,000
Indirect labour cost	240,000	408,000
Maintenance Costs	<u>232,000</u>	<u>344,000</u>
Total Overhead Costs	\$680,000	\$1,142,000

Required: Estimate the cost of the **individual** overhead items and the **total** overhead in January if the machine hours incurred is expected to be 110,000. Use the high low method to estimate any mixed costs. Show calculations. ....

	October	<i>Per unit</i>	December	<i>Per unit</i>	
Machine Hours	80		150		
Indirect Material Costs	\$208	2.60	\$390	2.60	VC(.5)
Indirect labour cost	240	3.00	408	2.72	MC(.5)
Maintenance Costs	<u>232</u>	<u>2.90</u>	<u>344</u>	<u>2.29</u>	MC(.5)
Total Overhead Costs	\$840		\$1,278		

$VC(ILC) = (408k - 240k) / (150k - 80k) = 168k / 70k = \$2.40(.5)$

$FC(ILC) = \$408k - \$2.40 * 150k = \$48(.5)$

$VC(Main) = (344k - 232k) / (150k - 80k) = 112k / 70k = \$1.60(.5)$

$FC(Main) = \$344k - \$1.60 * 150k = \$104k(.5)$

'000s

	<i>Per unit</i>	<i>January</i>
MH		110
IM VC	\$2.60	\$286(.5)
IL VC	\$2.40	264(.5)
IL FC		48
Main	1.60	176(.5)
Main FC		<u>104</u>
Total		\$878

**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.(1)** Conversion cost consists of: \*\*a)direct labour and manufacturing overhead; b)direct materials and manufacturing overhead.; c)direct materials and direct labour; d)direct materials, direct labour and manufacturing overhead. Circle one of a to d.

**Q.5.(2)** If the cost of goods manufactured is greater than the manufacturing costs incurred, then: \*\*a)work in process inventory has decreased during the period; b)finished goods inventory has decreased during the period; c)total manufacturing costs must be greater than cost of goods manufactured; d)finished goods inventory has increased during the period. Circle one of a to d.

**Q.6 (10)** A company's manufacturing operations recorded the following information for January 2012.

<u>Inventories</u>	<u>January 1</u>	<u>January 31</u>
Direct materials	\$140,000	\$160,000
Work-in-process	160,000	60,000
Finished goods	180,000	220,000

Additional information for the month of January, 2012:

Direct materials used	\$ 580,000
Cost of goods manufactured	1,472,000

Direct labour cost incurred is 1.667 of manufacturing overhead,

**Required:**

For the month of January, what was the amount of Direct materials Purchased? Direct Labour incurred? Manufacturing overhead Incurred? The Cost of Goods Sold?

Show calculations

<i>DM(BB)</i>	<i>140</i>	
<i>+DM Purchased</i>	<i>600?</i>	<i>580 + 160 -140</i>
<i>- DM(EB)</i>	<i>160</i>	
<i>=DM Used</i>	<i>580(2)</i>	
<i>DM Used</i>	<i>580</i>	<i>DL + MOH = MCI - DM; 1,372 - 580 =792</i> <i>DL = 167%*MOH; So MOH +1.667MOH = 792</i> <i>MOH = 792/2.667=297,DL=792-297 =495</i>
<i>+ DL</i>	<i>495 (2)</i>	
<i>+ MOH</i>	<i>297 (2)</i>	
<i>= MCI</i>	<i>1,372?(2)</i>	<i>1472+60 - 160</i>
<i>+WIP(BB)</i>	<i>160</i>	
<i>-WIP(EB)</i>	<i>60</i>	
<i>=COGM</i>	<i>1,472</i>	
<i>FG(BB)</i>	<i>180</i>	
<i>+COGM</i>	<i>1,472</i>	
<i>-FG(EB)</i>	<i>220</i>	
<i>=COGS</i>	<i>1,432? (2)</i>	<i>1472 + 180 - 220</i>