

Telfer School of Management, University of Ottawa

ADM2341 (Section B)
Introduction to Management Accounting

Quiz # 1 - September 27, 2012

NAME: _____

STUDENT #: _____

Seat #: _____

VERSION: A

Instructor: Shujun Ding

Instructions

1. This is a closed book examination and no collaboration is allowed.
2. There are a total of 20 marks.
3. Write your name, student number, and pre-assigned seat number in the designated area at the top of this page.
4. It is highly recommended that you use blue or black ink for your answers. **If you do use pencil, you will not be able to submit your quiz for re-appraisal should you believe that the marking key was not applied appropriately to your answers.**
5. You have 40 minutes, no additional time provided for lateness.
6. **If you leave early, please respect your fellow students by leaving quietly.**
7. Place photo identification on your desk at the beginning of the quiz to facilitate verification.
8. Formula sheets are not allowed. You may use a calculator.
9. **Cell phones must be turned off.**
10. The class resumes at 7:50PM.

Questions 1-4 (6 marks, 1.5 marks each)

Please write down your answers to the multiple choice questions (questions 1 to 4) below:

Question 1	<u> A </u>
Question 2	<u> D </u>
Question 3	<u> A </u>
Question 4	<u> D </u>

1. Upon which of the following does managerial accounting place considerable weight?
 - A. Detailed segment reports about departments, products, and customers.
 - B. The financial history of the entity.
 - C. Ensuring that all transactions are properly recorded.
 - D. Generally accepted accounting principles.
2. The three primary inventory accounts in a manufacturing company are
 - A. Merchandise Inventory, Supplies, and Finished Goods.
 - B. Merchandise Inventory, Work in Process, and Finished Goods.
 - C. Supplies, Work in Process, and Finished Goods.
 - D. Raw Materials, Work in Process, and Finished Goods.

The cost of making a unit of Product ADM is as follows:

Direct material per unit	\$0.60
Direct labour per unit	\$0.12
Variable factory overhead per unit	\$0.06
Fixed factory overhead per unit	\$0.02

3. See the production information above. Prime cost per unit is
 - A. \$0.72.
 - B. \$0.78.
 - C. \$0.66.
 - D. \$0.68.
4. See the production information above. The total product cost of one unit of ADM is
 - A. \$.60.
 - B. \$.72.
 - C. \$.78.
 - D. \$.80.

Question 5 (8.5 marks)

Logan Products, a small manufacturer, has submitted the items below concerning last year's operations. The president's secretary, trying to be helpful, has alphabetized the list.

Administrative salaries	\$2,400
Advertising expense	\$1,200
Depreciation—factory building	\$800
Depreciation—factory equipment	\$1,600
Depreciation—office equipment	\$180
Direct labour cost	\$21,900
Raw materials inventory, beginning	\$2,100
Raw materials inventory, ending	\$3,200
Finished goods inventory, beginning	\$46,980
Finished goods inventory, ending	\$44,410
General liability insurance expense	\$240
Indirect labour cost	\$11,800
Insurance on factory	\$1,400
Purchases of raw materials	\$14,600
Repairs and maintenance of factory	\$900
Sales salaries	\$2,000
Taxes on factory	\$450
Travel and entertainment expense	\$1,410
Work-in-process inventory, beginning	\$1,670
Work-in-process inventory, ending	\$1,110

Required:

- a.) Calculate the raw materials used for production [1.5 marks].
- b.) Calculate manufacturing overhead [3 marks].
- c.) Calculate the cost of goods manufactured [2.5 marks].
- d.) Calculate the cost of goods sold [1.5 marks].

LOGAN COMPANY
 Schedule of Cost of Goods Manufactured

Raw materials used:		
Beginning inventory	\$ 2,100	
Purchases	<u>14,600</u>	
Available	16,700	
Less ending inventory	<u>3,200</u>	\$13,500
Direct labor		21,900
Manufacturing overhead:		
Depreciation -- factory building	800	
Depreciation -- factory equipment	1,600	
Indirect labor cost	11,800	
Insurance on factory	1,400	
Repairs and maintenance	900	
Taxes on factory	<u>450</u>	<u>16,950</u>
Total manufacturing cost		52,350
Add work in process inventory, beginning		<u>1,670</u>
		54,020
Less work in process inventory, ending		<u>1,110</u>
Cost of goods manufactured		<u><u>\$52,910</u></u>

Finished goods inventory, beginning	\$46,980
Cost of goods manufactured (above)	<u>52,910</u>
Available for sale	99,890
Less finished goods inventory, ending	<u>44,410</u>
Cost of goods sold	<u><u>\$55,480</u></u>

Question 6 (5.5 marks)

Mateo Company's average cost per unit is \$1.425 at the 16,000-unit level of activity and \$1.38 at the 20,000-unit level of activity.

Assume that all of the activity levels mentioned in this problem are within the relevant range.

Required:

Predict the following items for Mateo Company:

(a) Variable cost per unit [2.5 marks].

(b) Total fixed cost per period [1.5 marks].

(c) Total expected costs at the 18,000-unit level of activity [1.5 marks].

	Cost
High level of activity (20,000 units x \$1.38)	\$27,600
Low level of activity (16,000 units x \$1.425)	<u>22,800</u>
Change	<u>\$ 4,800</u>

(a) $\$4,800 \div 4,000 \text{ units} = \$1.20 \text{ per unit variable cost}$

(b.) Total cost at the high level	\$27,600
Less: Variable element (\$1.20 x 20,000 units)	<u>24,000</u>
Fixed element	<u>\$ 3,600</u>

(c.) Variable cost (\$1.20 x 18,000 units)	\$21,600
Fixed cost	<u>3,600</u>
Total cost	<u><u>\$25,200</u></u>