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VOTRE LIEN AVEC CE QUI COMPTE — CONNECTS YOU TO WHAT MATTERS

ADM 2341X
MANAGERIAL ACCOUNTING
Spring/Summer 2017
Quiz No. 1
Solutions

. . . . . / 20 marks

NAME: _____

STUDENT #: _____

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.

Name:_____ (signature)

Note:
A quiz received without the signature of the student will not be graded and will receive a score of zero.

Question No. 1 (10 marks)

Partial cost information relating to Bedford Manufacturing Company for two consecutive months is presented below:

	March 31, 2017	April 30, 2017
Beginning work in process	$ 22,000	?
Direct materials used	169,000	$173,000
Direct labour	157,000	110,000
Manufacturing overhead	149,000	136,000
Ending work in process inventory	33,000	?
Cost of goods manufactured	?	381,000
Cost of goods available for sale	502,000	?
Ending finished goods inventory	?	34,000
Cost of goods sold	486,000	?

Required: (**Show supporting computations).**

Calculate the following:

(a) Beginning finished goods inventory on March 1, 2017
(b) Sales incurred during the month of April, 2017

Answer:

(a)

(i) Total mfg costs incurred in March = $169,000 +$157,000 + $149,000 = $475,000

(ii) CGM for March = $22,000 + $475,000 - $33,000 = $464,00

(iii) Beginning FG Inventory on March 1 = $502,000 - $464,000 = ***$38,000***

(b)

(i) Total mfg costs incurred in April = $173,000 + $110,000 + $136,000 = $419,000

(ii) Beginning FG Inventory on April 1, 2017 = Ending FG Inventory on March 31, 2017 = $502,000 CGA - $486,000 CGS = $16,000

(iii) CGA = $16,000 (Beginning FG Inventory as calculated above) + $381,000 (CGM given) = $397,000

(iv) CGS for April 2017 = $397,000 (above) - $34,000 (Ending FG Inventory given) = $363,000

(v) Therefore: April 2017 sales = CGS + CGA = $363,000 + $397,000 = ***$760,000***

Question No. 2 (6 marks)

Forrester Corporation manufactures bicycles and uses the following cost classifications: direct material (DM), direct labour (DL), manufacturing overhead (MOH), prime cost, conversion cost (CC), product cost, period cost.

Required:

Complete the following table and use as many of the above cost classifications as they apply.

Note:

Each item is worth ½ mark, if it is correctly classified. If an item is misclassified in any way, no partial mark will be applied.

Answer:

	DM	*DL*	*MOH*	*Prime Cost*	*CC*	*Product Cost*	*Period Cost*
1. Factory supervisor's salary			*x*		*x*	*x*	
2. Aluminum tubing	*x*			*x*		*x*	
3. Insurance expense on the office space							*x*
4. Wheel rims	*x*			*x*		*x*	
5. Electricity used in the factory			*x*		*x*	*x*	
6. Depreciation on office equipment							*x*
7. Bicycle fenders	*x*			*x*		*x*	
8. Quality inspector's salary			*x*		*x*	*x*	
9. Supplies used by sales people							*x*
10. Handlebars	*x*			*x*		*x*	
11. Supplies used in the factory			*x*		*x*	*x*	
12. Sales commissions							*x*

Question No. 3 (4 marks)

Cranster Manufacturing Company makes one product. During 2016, the unit cost to produce one unit of product was $2.00 at the 16,000-unit level of activity, and $1.95 at the 21,000-unit level of activity.

Required: (Show supporting calculations)

(a) Using the high-low method, calculate the company's variable cost per unit. (2 marks)
(b) Using the high-low method, calculate Cranster's total fixed costs incurred during 2016. (2 marks)

Answer:

(a) TC at 16,000-unit level = $2.00 x 16,000 = $32,000
TC at 21,000-unit level = $1.95 x 21,000 = $40,950

Change in cost / change in activity level = $40,950 – $32,000 / (21,000 – 16,000) = $8,950 / 5,000 = $1.79

(b) At high point: $40,950 – ($1.79 x $21,000) = $40,950 - $37,590 = $3,360

or

At low point: $32,000 – ($1.79 x $16,000) = $32,000 - $28,640 = $3,360