

**SIR ARTHUR LEWIS COMMUNITY COLLEGE  
DIVISION OF TECHNICAL EDUCATION AND MANAGEMENT STUDIES**

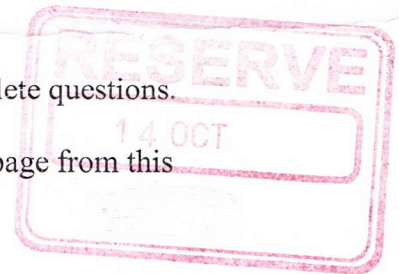
EXAMINATION SESSION : December 2008, Final Examination  
TUTOR(S) : Ms. U Joseph, Mrs. F Beerom-Henry  
PROGRAMME TITLE : Associate Degree - Business Administration  
PROGRAMME CODE : 3BS-ABA-AD  
COURSE TITLE : Introduction to Management Accounting  
COURSE CODE : ACC203  
CLASSES : Year 2  
DATE : Tuesday December 4, 2008  
TIME : 9:00 a.m.  
DURATION : 3 hrs  
ROOMS : CEHI-1H-02, CEHI-1R-02  
INVILGILATORS : F. Paul, M. Renee, L. Joseph  
E. Louisy, N. Hyacinth



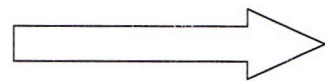
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**INSTRUCTIONS:**

- 1) There are six questions in this paper. Answer **any four (4)** complete questions.
- 2) Write only in the answer booklet provided. Do not remove any page from this booklet.
- 3) Borrowing or lending is strictly prohibited
- 4) Remove calculator cover. Place calculator cover and pencil case in bag stored at the front of the room.
- 5) Turn cell phone off. Place cell phone in bag stored at the front of the room.



**GO TO THE NEXT PAGE**



**Instruction:** Answer any four (4) complete questions.

Question 1

Polar Inc. produces a single product. The standard costs for one unit of this product are as follows:

|                   |                    |       |  |
|-------------------|--------------------|-------|--|
|                   |                    | \$    |  |
| Direct Materials  | 6 lbs @ \$0.50 /lb | 3.00  |  |
| Direct Labour     | 1.8 hrs @ \$10/hr  | 18.00 |  |
| Variable Overhead | 1.8 hrs @ \$5/hr   | 9.00  |  |
|                   |                    | 30.00 |  |

Overhead costs are based on direct labour hours.

During October 2008, the company produced 2 500 units. The associated costs for the month were:

Materials purchased: 18 000 lbs @ \$0.60/lb  
 Material used in production: 15 000 lbs  
 Direct Labour cost incurred for 4 000 hrs: \$39 000  
 Variable Overhead cost incurred: \$20 800

**Required:** Compute the following:

- A) Material Price Variance
- B) Material Quantity Variance
- C) Labour Efficiency Variance
- D) Variable Overhead Spending Variance
- E) Variable Overhead Total Variance

**(15 marks)**

Question 2

Chilly Co. is expected to have a cash balance of \$27 000 at the beginning January 2009. The following information has been provided to aid in the preparation of its next quarter's cash budget.

- i) Payments for purchases are made in the month following the purchase.
- ii) Fixed overheads are paid two months in arrears and include a depreciation charge of \$5 000 per month.
- iii) All other expenses are paid in the month incurred.
- iv) Credit sales are collected as follows:  
     40 percent in the month of sale;  
     45 percent in the month following the sale;  
     10 percent in the second month following the sale. The balance represents bad debts

v)

| Month | Cash Sales | Credit Sales | Purchases | Salaries | Fixed O/H |
|-------|------------|--------------|-----------|----------|-----------|
|       | \$         | \$           | \$        | \$       | \$        |
| Nov   | -          | 74 000       | 55 200    | 9 000    | 30 000    |
| Dec   | -          | 82 000       | 61 200    | 9 000    | 30 000    |

Question 4

- A) The following information is provided about a particular item of inventory, PL202:

|                   |                   |
|-------------------|-------------------|
| Average Sales     | 100 units per day |
| Minimum Sales     | 60 units per day  |
| Maximum Sales     | 130 units per day |
| Procurement time  | 20 – 26 days      |
| Re order quantity | 4 000 units       |

**Required:**

- i) Determine the level of inventory at which a replenishment order should be issued.
  - ii) What is the appropriate number of units of this item of inventory that should be carried as safety (minimum) stocks?
  - iii) What is the approximate level of inventory that would indicate to management when stocks have risen too high?
- B) Courtz, a large retailer with multiple outlets maintains a central warehouse from which the outlets are supplied.

Budgeted demand for toaster ovens is 1 000 units per month. The ordering costs is \$8 per order. The standard cost of each oven is \$680 per oven and it is estimated that carrying costs are 15% of that figure per annum for each oven. The maximum usage in any single month is 1 360 ovens and the minimum usage is 640 ovens. On average, the order takes between 1 to 3 months to be delivered after being placed.

**Required:**

Determine the **economic order quantity** for ovens.

(15 marks)

Question 5

W. Peter commenced business on 1<sup>st</sup> October 2007 as a garage door-fitting specialist. During the first six months his transactions were:

| <b>PURCHASES OF GARAGE DOORS</b> |                 | <b>SALES OF GARAGE DOORS</b> |                 |
|----------------------------------|-----------------|------------------------------|-----------------|
| October 9                        | 15 @ \$160 each | Nov 2                        | 12 @ \$290 each |
| December 3                       | 18 @ \$185 each | Dec 11                       | 6 @ \$320 each  |
| January 17                       | 13 @ \$210 each | Feb 4                        | 16 @ \$355 each |
| March 16                         | 5 @ \$225 each  | Mar 10                       | 9 @ \$375 each  |

- During this time his operating expenses were \$2 780.
- Peter uses a perpetual inventory system.

**REQUIRED:**

Calculate Peter's **Net Profit** for the six months ending 31 March 2008 if:

- A) **FIFO** method of stock valuation was used.
- B) **AVCO** method of stock valuation was used. (Round to nearest whole number)

**(15 marks)**

Question 6

The following balances have been extracted from the books the Kleenex Manufacturing Company Ltd on 30<sup>th</sup> September 2008:

Stocks at 1.10.2007

|   |         |
|---|---------|
| Raw material .....                                    | 18 000  |
| Work-in-progress .....                                | 27 800  |
| Finished Goods .....                                  | 42 500  |
| Loose Tools .....                                     | 8 000   |
| <br>  |         |
| Purchases - Raw Materials .....                       | 45 500  |
| Loose Tools .....                                     | 5 000   |
| Direct wages .....                                    | 65 000  |
| Indirect wages .....                                  | 21 000  |
| Rent and rates - Factory .....                        | 54 000  |
| - Office .....  | 28 000  |
| Electricity - Factory .....                           | 27 000  |
| - Office .....  | 13 500  |
| Repairs and maintenance - Factory .....               | 10 000  |
| - Offices .....                                       | 8 200   |
| Insurance - Factory .....                             | 12 000  |
| - Office .....  | 4 000   |
| Sales .....   | 600 000 |
| Motor vehicles expenses .....                         | 17 600  |
| Carriage inwards .....                                | 1 350   |
| Selling and distribution expenses .....               | 52 190  |
| Administration expenses .....                         | 74 000  |
| Plant and Machinery (cost) .....                      | 215 000 |
| Provision for Depreciation of Plant and Machinery ... | 125 000 |
| Motor Vehicles (cost) .....                           | 84 000  |
| Provision for Depreciation Motor Vehicles .....       | 42 000  |
| Office Machinery (cost) .....                         | 26 000  |
| Provision for Depreciation of Office Machinery .....  | 18 000  |
| Provision for Unrealized Profit .....                 | 4 000   |

**Notes:**

1. Stocks at 30<sup>th</sup> September, 2008

|                  | \$     |
|------------------|--------|
| Raw materials    | 22 000 |
| Work-in-progress | 24 500 |
| Finished goods   | 67 500 |
| Loose Tools      | 9 500  |

Continued .....

2. Accrued expenditures at 30<sup>th</sup> September, 2008

|                          |       |  |
|--------------------------|-------|--|
|                          | \$    |  |
| Direct wages             | 6 000 |  |
| Selling and distribution | 3 000 |  |
  
3. Prepayments at 30<sup>th</sup> September, 2008

|                     |       |  |
|---------------------|-------|--|
|                     | \$    |  |
| Rates – Factory     | 1 000 |  |
| Offices             | 800   |  |
| Insurance - Factory | 1 800 |  |
| - Offices           | 600   |  |
  
4. All motor vehicle costs are to be apportioned 1/4 to factory and 3/4 to administration.
  
5. Depreciation is to be provided for the year as follows:

|                     |             |
|---------------------|-------------|
| Plant and Machinery | 20% on cost |
| Motor Vehicles      | 25% on cost |
| Office Machinery    | 20% on cost |
  
6. Finished goods were transferred from the factory to the warehouse at \$319 000
  
7. Unrealized profit on stock of finished goods is to be provided for at 10 percent of ending finished goods inventory.

**REQUIRED:**

Prepare the Manufacturing, **Trading** and **Profit and Loss** account for year ended 30<sup>th</sup> September, 2008 in good style.

**(15 marks)**

**END OF EXAMINATION**