ISCTE Business School
Instituto Universitário de Lisboa

MANAGEMENT ACCOUNTING I

1st Mid-term Test
School Year 2012/2013
1st Year Management

March 20, 2013 **Time: 75 minutes**

Course ____________________________ Class _________

Name____ No. _____________

Attention:

1 – You must keep the test stapled. You have to deliver it with the test sheet .

2 – The questions are only considered correct if duly justified by the calculations.

PART I

(Based on this test sheet answer the questions 1 to 7 inclusive)

SOFOP company produces and markets only one product S from the conversion of the raw material M.

Regarding the accounting of February, year N, the following data are known:

- Costs and expenses per functions (in €):

Description	Manufacturing Function	Distribution Function	Administrative Function	Total
Cons. secondary materials	5 000	4 000	-	9 000
Supplies and services	20 000	6 000	4 000	30 000
Salaries	25 000	10 000	5 000	40 000
Depreciation	10 000	5 000	6 000	21 000
Total	60 000	25 000	15 000	100 000

- Theoretical social expenses calculated at the rate of 50% have an effect on the salaries. This rate is used both in Profit & Loss Statement per Natures and in Profit & Loss Statement per Functions.
- The salaries of the manufacturing function correspond 80% to Direct Labour and 20% to Indirect Labour.

- Monthly variation of the raw materials stocks:

Description	MU	Quantity	Unit Cost
Opening stock	ton	2 000 tons	30€
Purchases	ton	3 000 tons	25€
Consumptions	ton	?	-
Closing stock	ton	500 tons	-

- Monthly variation of the products stocks:

Description	Finished Product	PiP
Opening stock	1.000 Units at 25 €/Unit	22 000€
Production	7 000 Units	-
Sales	7 500 Units at 40€/ unit	-
Closing stock	?	6 000€

PART II

(Based on this test sheet answer the questions 8 to 15 inclusive)

CAT company produces and markets the product G. The profit & loss statement per functions regarding January, year N, using the variable costing system, is as follows.

Description	**Value (€)**
Sales	180 000
MCPS + NPMC	98 000
Gross profit	82 000
Distribution expenses	
Variable	24 000
Fixed	30 000
Administrative expenses (fixed)	20 000
Operational profit	8 000
Financing expenses (fixed)	12 500
Profit before taxes	(4 500)

Supporting data:

- Selling price: 75 €/unit
- Quantity produced: 3 000 units
- Standard (normal) capacity : 4 000 units
- Manufacturing fixed costs: 50 000 €
- There were no opening stocks of finished products

Course ____________________________ Class _________

Name____ No. ______________

PART I

(Based on this test sheet answer the questions 1 to7 inclusive)

Mark for each correct answer - 1,2 values

Questions	**Solving**
1. The value of monthly expenses for Direct Labour is: a) **30 000€** b) 20 000€ c) 37 500€ d) None of the previous ones	Direct Labour = 25 000 x 0.8 x 1.5 = **30 000€**
2. Monthly Manufacturing Overheads are: a) 40 000€ **b) 42 500€** **c)** 35 000€ d) None of the previous ones	Manufacturing Overheads = 25 000 x 0.2 x 1.5 + 5 000 + 20 000 + 10 000 = **42 500€**
3. Considering that the monthly conversion costs are 72 500 € and that the company adopts the <u>weighted average cost</u>, the value of MCMP is: a) **194 000€** b) 121 500€ c) 195 000€ d) None of the previous ones	MCMP = consumed RM + CC = 121 500 + 72 500 = **194 000 €** Quantities consumed = 2 000 + 3 000 – 500 = 4 500 tons WAC = (2 000 x 30€ + 3 000 x 25€) /5 000 tons = 27€/ton Consumed RM = 4 500 tons x 27€= 121 500 €
4. Considering that the MCMP is 194 000 €, the unit MCFP of product S is: a) 25€/Unit b) 35 €/Unit c) **30 €/Unit** d) None of the previous ones	MCFP = Opening stock PiP + MCMP – Closing stock PiP = 22 000 + 194 000 – 6 000 = 210 000€ Unit MCFP = 210 000 / 7 000 units = **30€/Unit**

Questions	Solving
5. Assuming that the unit MCFP of S is 30 €/unit, and that the company adopts <u>FIFO</u>, the MCPS of S would be: a) 225 000€ b) **220 000€** c) 222 500€ d) None of the previous ones	MCPS = 1 000 x 25 + 6 500 x 30 = 25 000 + 195 000 = **220 000€**
6. Assuming that the unit MCFP of S is 30 €/unit, and that the company adopts <u>FIFO</u>, the variation of stocks in production to include in the P&L per natures is: a) (6 000 €) b) (10 000 €) c) **(26 000 €)** d) None of the previous ones	Closing stock – Opening stock (S) = 500 x 30 – 1 000 x 25 = 15 000 – 25 000 = - 10 000 € Closing stock – Opening stock (PiP) = 6 000 – 22 000 = - 6 000€ Stocks variation = - 10 000 – 16 000 = **- 26 000€**
7. Assuming that the monthly MCPS is 202.500 €, the monthly operational profit is: a) 57 500€ b) **50 000€** c) 67 500€ d) None of the previous ones	Operational Profit = Sales – MCPS – Distribution expenses – Administrative Expenses = 7 500 x 40 – 202 500 – 30 000 – 17 500 = **50 000 €** Distribution expenses = 4 000 + 6 000 + 10 000 x 1.5 + 5 000 = 30 000€ Administrative Expenses = 4 000 + 5 000 x 1.5 + 6 000 = 17 500 €

PART II

(Based on this test sheet answer the questions 8 to 15 inclusive)

Mark for each correct answer - 1,2 values

Questions	Solving
8. The variable manufacturing costs of the monthly production are: a) **60 000€** b) 48 000€ c) 80 000€ d) None of the previous ones	Units sold = 180 000€/75€ = 2 400 units MCPS + NPMC (using VC system) = 98 000 € Manufacturing variable costs in MCPS = 98 000 – 50 000 = 48 000 € Variable manufacturing costs of the monthly production = 48 000/2 400 x 3 000 = **60 000€**
9. Assuming that the variable manufacturing costs of the monthly production are 60 000 €, using the rational costing (RC) system, the sales cost (MCPS) is: a) 88 000€ b) 97 500€ c) **78 000€** d) None of the previous ones	RC System ⇒ MCFP = 60 000 + (50 000/4 000 x 3 000) = 97 5000€ MCPS = 97 500 /3 000 x 2 400 = **78 000€**
10. Assuming the same as in the previous question, using the absorption costing (AC) system, the manufacturing costs to include in the P&L per functions are: a) **88 000€** b) 110 000€ c) 50 000€ d) None of the previous ones	AC system ⇒ MCFP = 60 000 + 50 000 = 110 000€ MCPS = 110 000 /3 000 x 2 400 = **88 000€**
11. Using the VC system, the amount of the manufacturing fixed costs to include in the P&L per functions are: a) 0€ b) **50 000€** c) 40 000€ d) None of the previous ones	VC System ⇒ All manufacturing fixed costs in NPMC = **50 000 €**

Questions	Solution
12. Assuming that the variable manufacturing costs of the month are 60 000 €, the unit variable cost of the company (manufacturing and non-manufacturing) is: a) **30€** b) 20€ c) 28€ d) None of the previous ones	Quantities sold = 180 000/75 = 2 400 units Unit variable manuf. cost = 60 000/3 000 uni = 20 €/uni Unit variable non-manuf. cost = 24 000/2 4000 = 10 €/uni Unit variable cost (total) = 30 €/ton
13. Assuming that the unit variable cost of the company (manufacturing and non-manufacturing) is 30€, the break-even point of the company is: a) **2 500 Units** b) 3 750 Units c) 3 000 Units d) None of the previous ones	FC = 50 000 + 30 000 + 20 000 + 12 500 = 112 500€ Q´= 112 500 / (75 – 30) = 2 500 Units
14. Assuming that the break-even point of the company is 2 500 units, the margin of safety of the company in January year N was: a) +4% b) **-4%** c) 20% d) None of the previous ones	Margin of Safety = (2 400 – 2 500) / 2 500 x 100 = **- 4%**
15. Assuming the same as in the previous question, the foreseeable profit for the company, in the relevant range, in case of selling all the monthly production is: a) 67 500€ b) 85 000€ c) **22 500€** d) None of the previous ones	R = (3 000 – 2 500) x 45 = 22 500€ Or 45 x 3 000 – 112 500 = 22 500 €

Now answer the following theoretical questions. Each CORRECT answer IS WORTH 1 MARK. Attention! If you make a MISTAKE, 0.25 MARKS per answer will be DISCOUNTED

Questions
16. The difference between the cost of sales (MCPS) and the manufacturing costs of production of a specific period results from: a) Existing closing stocks (inventory) of finished production; b) **Existing variations of stocks of finished products and of products in progress;** c) Not all bought materials are consumed; d) None of the previous ones.
17. Using the rational costing system (RCS), the fixed manufacturing costs included in the calculation of the MCFP are: a) **The manufacturing fixed costs proportional to the capacity of production effectively being used;** b) The manufacturing fixed costs of the period when all production is sold; c) The manufacturing fixed costs proportional to the capacity of production not being used; d) None of the previous ones.