ISCTE Business School
Instituto Universitário de Lisboa

MANAGEMENT ACCOUNTING I

1st Mid Term Test
School Year 2014/2015
1st Year MANAGEMENT

11 th March, 2015 **Time: 75 min**

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)

ICE company converts the raw material M to obtain the product GL.

a) In January of the year N the following data on expenses/costs (values in €) were registered:

	Manufact. Function	Selling (Distrib) Function	Adminis./Financ. Function	Total
Fuel	6 000	5 000	1 500	12 500
Electricity	5 000	2 000	1 000	8 000
Buildings Insurance	2 500	1 000	500	4 000
Other Supplies and Services	8 500	3 500	2 000	14 000
Salaries	60 000	15 000	10 000	85 000
Depreciation	8 000	2 500	2 000	12 500
Financial expenses	-	-	7 000	7 000
Total	**90 000**	**29 000**	**24 000**	**143 000**

- Direct Labour corresponds to 80% of the salaries of the manufacturing function.
- Theoretical expenses occur on the salaries, calculated at the rate of 50%. This rate is used both in Profit & Loss Statement per Natures and in Profit & Loss Statement per Functions.

b) Raw materials variation:

	MU	Opening Stock	Purchases	Consumptions
Material M	Ton	500 tons at 25 € each	2 000 tons at 20 €/ton	1 800 tons

c) Secondary materials variation (fully registered in the company's manufacturing function):

Opening Stocks	Purchasess	Closing Stocks
1 000 €	5 000 €	1 500 €

d) Finished products variation in the month:

Description	Finished Product GL	PiP
Opening Stock	5 000 Units at 8 €/Unit	10 500€
Production	20 000 Units	-
Sales	25 000 Units at 15€/Unit	-
Closing Stock	?	5 500€

e) The company adopts FIFO as valuation criterion for outputs.

PART II

(Based on this test sheet answer the questions 8 to15 inclusive)

FESTA company produces and markets the product F. Regarding January of the year N and using the Rational Costing System (RCS), the Profit and Loss Statement per Functions is presented:

P & L Stat per Functions	**Values in €**
Sales	175 000
MCPS+ NPMC	161 200
Gross Profit	**13 800**
Selling (Distribution) Expenses	
Variable	3 500
Fixed	8 000
Administrative Expenses (fixed)	2 500
Profit before Taxes	**- 200**

Additional data:

- Sales price 25 € / Unit
- Quantities produced 10 000 Units
- Monthly fixed manufacturing costs 120 000 €
- Rate of Capacity Use 80 %
- There were neither opening stocks of finished products nor of products in progress.

Course ____________________________ Class _________

Name____ No _____________

PART I

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

Each correct answer is worth 1.2 marks

Questions	Solution
1. The monthly prime cost is: a) **110 500 €** b) 98 500 € c) 128 500 € d) None of the previous ones	Consumption of M = 500 x 25 + 1 300 x 20 = 38 500 € DL= 60 000 x 0.8 x 1.5 = 72 000 € Prime cost = 38 500 + 72 000 =**110 500 €**
2. The value of the monthly MO is: a) **52 000 €** b) 48 000 € c) 34 500 € d) None of the previous ones	MO = 6 000 + 5 000 + 2 500 + 8 500 + (60 000 x 0.2 x 1.5) + 8 000 + (1 000 + 5.000 – 1 500) = **52 500 €**
3. The Unit MCFP of the product GL is: **a)** 7.25 €/Unit **b)** 8.15 €/Unit **c) 8.4 €/Unit** **d)** None of the previous ones	MCP = 110.500 + 52.500 = 163.000 € MCFP = 163.000 + 10.500 – 5.500 = 168.000 € Unit MCFP =168 000/ 20 000 Units = **8.4 €/Unit**
4. Assuming that the company uses the Weighted Average Cost as valuation criterion, the value of the cost of the materials consumed in Profit & Loss Statement per Natures is: a) 37 800 € **b) 42 300 €** c) 43 000 € d) None of the previous ones	Weighted Average Cost = 500 x 25 € + 2 000 x 20 €/ 2 500 tons = 21 €/ton Cost of materials consumed = 21 x 1 800 tons + (1 000 + 5 000 – 1 500) = 37 800 + 4 500 = **42 300 €**

5. Assuming that the unit MCFP of GL is 8.5 €/unit, and that the company adopts LIFO, the MCPS of GL would be: a) 212 500 € b) 208 000 € c) **210 000 €** d) None of the previous ones	MCPS = 20 000 x 8.5 + 5 000 x 8 = **210 000€**
6. Assuming that the unit MCFP of GL is 8.5 €/unit, and that the company adopts FIFO, the stocks variation in the production to present in the P&L Statement per Natures is: a) **– 45 000 €** b) – 35 000 € c) – 40 000 € d) None of the previous ones	Closing Stock – Opening Stock (GL) = (0 – 5 000 x 8) = – 40 000 € Closing Stock – Opening Stock (PiP) = 5 500 – 10 500 = – 5 000€ Stocks Variation = – 40 000 + (– 5 000) = **– 45 000 €**
7. Assuming that the MCPS is 210 000 €, the Profit before Taxes of the month is: a) **99 500 €** b) 112 000 € c) 92 500 € d) None of the previous ones	Profit before Taxes = Sales – MCPS – Distribution Expenses – Administrative Exp. – Financial Exp. = 375 000 – 210 000 – 36 500 – 22 000 – 7 000 = **99 500 €** MCPS = 210 000 Dist. Exp.= 29 000 + 15 000 x 0.5 = 36 500 € Admin. Exp.. = 24 000 – 7 000 + 10 000 x 0.5 = 22 000 € Financ. Exp. = 7 000 €

PART II

(Based on this test sheet answer the questions 8 to15 inclusive)

Each correct answer is worth 1.2 marks

Questions	Solution
8. The variable manufacturing costs of the monthly production amount to: a) **100 000€** b) 196 000€ c) 137 200€ d) None of the previous ones	Quantities sold = 175 000/25€ = 7 000 units MCPS + NPMC using RC System = 161 200 € MCPS + 120 000 x 0.2 = 161 200 € MCPS = 161 200 – 24 000 = 137 200 € MCFP = 137 200/7 000 x 10 000 = 196 000 € Variable manufacturing costs of the monthly production = 196 000 – 120 000 x 0.8 = **100 000 €**
9. Assuming that the monthly variable manufacturing costs amount to 100 000 €, using the absorption costing system (ACS) the sales cost (MCPS) is: a) 196 000 € b) 220 000 € c) **154 000 €** d) None of the previous ones	AC System ⇒ MCFP = 100 000 + 120 000 = 220 000€ MCPS = 220 000 /10 000 x 7 000 = **154 000€**
10. Assuming the same, using the variable costing system (VCS), the variable manufacturing costs to consider in P&L Statement per Functions are: a) 100 000€ b) 120 000 € c) **70 000 €** d) None of the previous ones	MCPS (VC System) = 100 000 €/10 000 x7 000 = 70 000 €
11. Assuming the same, using the absorption costing system (ACS), the fixed manufacturing costs in P&L Statement per Functions are: a) **84 000 €** b) 154 000 € c) 220 000 € d) None of the previous ones	Fixed manufacturing costs in P&L Statement per Functions: fixed costs/production x sales Fixed manufacturing costs in P&L Statement per Functions = 120 000 /10 000 x 7 000 = **84 000 €**
Questions	**Solution**

12. Assuming the same, the contribution margin of the product F is: a) **14 5 €/Unit** b) 15 €/Unit c) 14.65 €/Unit d) None of the previous ones	Quantities sold = 175 000/25€ = 7 000 units Unit variable manufacturing cost = 100 000/10 000 unit = 10 €/unit Unit variable non-manuf. cost = 3 500/7 000 = 0.5 €/unit Margin = 25 – (10+0.5) = 14.5 € /Unit
13. Assuming the same, the Breakeven Point of the company is: a) **9 000 Units** b) 8 700 Units c) 8 000 Units d) None of the previous ones	Q´= Fixed Costs/m = (120 000 + 8 000 + 2 500)/14.5 = 130 500/14.5 = 9 000 Units
14. Assuming that the Breakeven Point of the company is 9 000 Units, the sales which allow to reach a Safety Margin (SM) of + 10% would be: a) 8 100 Units b) 7 700 Units c) **9 900 Units** d) None of the previous ones	10%= (Sales – 9 000)/9 000 x 100 Sales = 9 900 Units
15. Considering what was previously assumed, the profit that the company will be able to reach, within the Relevant Range, in case of selling the whole production of the month, is a) 15 000 € b) **14 500 €** c) 25 000 € d) None of the previous ones	P = (10 000 – 9 000) x 14.5 = **14 500 €** Or P = 14.5 x 10 000 – 130 500 = **14 500 €**

Now, answer the following theoretical questions. Each CORRECT answer IS WORTH 1 MARK. Attention! If a MISTAKE is made, 0.25 MARKS per question are DISCOUNTED.

Questions
16. In the Profit & Loss Statement per Natures, the item of stocks variation in the production: a) Corresponds to the opening stocks, deduced from the closing stocks of finished products, intermediate products and products in progress; b) **Corresponds to the difference between the closing stocks and the opening stocks of the finished products, intermediate products and products in progress;** c) Corresponds to the value of MCPS (sales cost) in the P&L Stat per Functions; d) None of the previous ones.
17. When preparing the P&L Statement per Functions, the MCPS (sales cost) corresponds: a) To multiply the quantities sold times the unit manufacturing cost of the finished production in the month; b) To the manufacturing cost of the finished production in the period; c) **To multiply the quantities sold times the unit manufacturing cost of the finished production, assuming that there are no opening stocks of finished products;** d) To the costs of the manufacturing function.