ISCTE Business School
Instituto Universitário de Lisboa

MANAGEMENT ACCOUNTING II

Mid Term Test
School Year 2013/2014
2nd Year Management

28 November, 2013 **Time: 80 minutes**

Under Graduation_____________/Class______
Name____/No _______

Attention:

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

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

Part I

(Based on this test sheet answer the questions 1 to 8 inclusive)

CENTRE company produces and markets the product CR.

Some forecasted data for the year N are known. For this year the Annual Budget per semesters is being prepared. Such data are as follows:

1. **Sales programme**

	Unit Selling Price	MU	1st Semester	2nd Semester
Product CR	300€	Ton	30 000	24 000

It is expected that the sales are uniform in each semester and that the Term Receipts is 60 days.

2. **Budget of the production costs (per unit produced)**

	MU	Unit Cost (in €)	Unit Consumptions
Direct Materials			
X	Ton	30	1.2
Conversion Costs			
A	Mh	30	1.5
B	Lh	50	0.5

3. **Stocks policy**

- Finished products: the closing stocks of each semester should be equal to half of the sales of the following month; the forecasted sales for January of N+1 will be identical to those of December N.
- Materials: the stocks variance should be – 5 000 tons at the end of N, the purchases being uniform over the course of the year.
- Term Payments: 90 days

4. **Opening stocks**

- Product CR: 6 500 tons.
- Material X: 12 000 tons.

5. **Depreciation:**

- Manufacturing 250 000 €
- Non-manufacturing 150 000 €

6. **Expenses with personnel (80% of manufacturing nature)**

- Salaries: 100 000 €/ month;
- Social expenses on/salaries:
  - Holiday pay paid in July and Christmas pay paid in December; the value of each pay corresponds to one month of salaries;
  - Expenses on payments by the employer to the Social Security: 23.75%;
  - Other expenses with personnel: 142 500 €

The expenses of the employer to the Social Security are paid in the following month.

7. **Other Conversion Costs**

The payment of Other Conversion Costs is made on prompt payment.

8. **Medium Long Term Financing:**

- On 31 October, N-1 a bank loan of 1 000 000 € was taken out to pay in 5 equal and successive six-monthly payments, beginning on 30 April, N. The interest is paid at the annual rate of 5% on the debt, to pay at the time of the loan refunds.

Part II

(Based on this test sheet answer the questions 9 to16 inclusive)

FOCUS company produces and markets the product X and the by-product X1.

Its information system of management accounting adopts the method of the uniform sections and calculates the profits **in Absorption Costing System.** The following sections are defined:

Section 1	work unit:	Mh
Section 2	work unit:	Mh
Section 3	work unit:	Lh

Besides there is a raw materials warehouse (RMW) whose costs are allocated to the quantities bought of the materials A and B.

1 – The annual budget for the year N provided the following forecasted data:

- Production and annual forecasted sales

	Product X	**By-product X1**
Production	30 000 Units	1 800 Units
Sales	25 000 Units at 1 000 € /Unit	1 500 Units at 60 € /Unit

It is forecasted that the distribution of the sales of the product X is 40% in the 1st semester and 60% in 2nd semester, while the sales of the by-product X1 are uniform over the course of the year.

- Unit forecasted costs and consumptions

	MU	Unit Cost (in €)	Unit Consumptions per unit produced
Direct Materials			
A	Ton	275	0.48
B	Ton	215	0.72
Conversion Costs	Mh		
S1	Lh	180	0.21
S2	Uni	350	0.24
By-product X1		60	0.06

- Budget of the main sections:

Description	**S1: 6 300 Mh**	**S2: 7 200 Mh**
1. Direct costs		
Variable	184 500	357 000
Fixed	724 500	1 908 000
Total	909 000	2 265 000
2.Reallocations		
S 3	225 000	255 000
3. Total Cost	1 134 000	2 520 000

- The basic (forecasted) work unit of the S3 is 150 €/Lh and the forecasted allocation unit of the RMW is 25 €/Ton.

2 – Regarding October of the year N, the following data are known:

- Materials

	Purchases	Consumptions
Material A	2 000 tons at 275€/ton	1 500 tons
Material B	2 500 tons at 220 €/ ton	2 100 tons

- Sections (activity and costs)

	Activity	Fixed Direct Costs (€)	Variable Direct Costs (€)	Reallocations of S3 (Lh)
S1	750 Mh	52 500	18.750	400
S2	600 Mh	114 000	27.000	500
S3	?	45 000	90.000	-
RMW	-	93 000	-	100

- Production and sales

	Product X	**By-product X1**
Production	3 000 Units	150 Units
Sales	2 000 Units at 950 € /Unit	150 Units at 65 € /Unit

Name ____ **Class** ______

Part I

Questions 1 to 8 inclusive

<table>
<tr><th>Questions</th><th>Solution</th></tr>
<tr><td>1. The forecasted production of CR for the 2nd semester is:
a) 25 000 Tons
b) 25 500 Tons
c) 24 500 Tons
d) None of the previous ones</td><td><table><tr><th></th><th>1st S</th><th>2nd S</th><th>TOTAL</th></tr><tr><td>Opening stock</td><td></td><td></td><td></td></tr><tr><td>Production</td><td></td><td></td><td></td></tr><tr><td>Sales</td><td></td><td></td><td></td></tr><tr><td>Closing stock</td><td></td><td></td><td></td></tr></table></td></tr>
<tr><td>2. Assuming that the prodution forecasted for the 1st semester is 25 500 tons, the closing stocks of the material X forecasted for the 1st semester are:

a) 8 900 Tons
b) 7 000 Tons
c) 13 900 Tons
d) None of the previous ones</td><td><table><tr><th></th><th>1st S</th><th>2nd S</th><th>TOTAL</th></tr><tr><td>Opening stock</td><td></td><td></td><td></td></tr><tr><td>Purchases</td><td></td><td></td><td></td></tr><tr><td>Consumptions</td><td></td><td></td><td></td></tr><tr><td>Closing stock</td><td></td><td></td><td></td></tr></table></td></tr>
<tr><td>3. Assuming that the annual purchases forecasted for the material X are 55 000 tons, the total amount of the payments to suppliers in the 1st semester will be:

a) 553 500 €
b) 507 375 €
c) 412 500 €
d) None of the previous ones</td><td></td></tr>
<tr><td>4. The amount regarding customers to inscribe in the forecasted Balance Sheet will be:

a) 2 400 000 €
b) 5 904 000 €
c) 2 952 000 €
d) None of the previous ones</td><td></td></tr>
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Questions	Solution
5. The amount regarding the receipts from customers (clients) in the first semester will be? a) 6 000 000 € b) 7 380 000 € c) 3 690 000 € d) None of the previous ones	
6. The value to inscribe in the Forecasted Balance Sheet regarding the expenses on payments by the employer to the Social Security is: a) 23 750 € b) 99 500 € c) 49 750 € e) None of the previous ones	
7. Assuming that the annual forecasted production is 50 000 tons, the value of the payments of Other Conversion Costs forecasted for the year N is: a) 2 000 000 € b) 1 750 000 € c) 3 500 000 € d) None of the previous ones	
8. The value of the loan refund and of the interests associated with the loan of ML Term to include in the Financing Budget in the 2nd semester is: a) 220 000 € b) 225 000 € c) 250 000 € d) None of the previous ones	

Part II
Questions 9 to 16 inclusive

Questions	Solution
9. The monthly allocation unit of the RMW is: a) 23.67 €/ton b) 30 €/ton c) 24 €/ton d) None of the previous ones	
10. The section S1 variance is equal to: a) 3 750 € (Fav) b) 3 750 € (Unfav) c) 9 750 € (Fav) d) None of the previous ones	
11.The purchases variance of the material A is equal to: a) 0 € b) 50 000 € (Fav) c) 50 000 € (Unfav) d) None of the previous ones	
12. The monthly unit MCFP of the Product X is: a) 405 €/Unit b) 400 €/Unit c) 407.25 €/Unit d) None of the previous ones	

Questions	Solution
13. The productivity variance of the material B is: a) 12 900 € (Fav) b) 12 900€ (Unfav) c) 13 200€ (Fav) d) None of the previous ones	
14. The activity variance of S1 is: a) – 86 250€ (Fav) b) -52 660€ (Fav) c) -25 875 € (Fav) d) None of the previous ones	
15. The variance of the sales cost of X is: a) – 202 500 € b) – 200 000 € c) + 135 000 € d) None of the previous ones	
16. The prices variance associated with the sales of the by-product X1 is: a) 500 € (Fav) b) 625 € (Fav) c) 750 € (Fav) d) None of the previous ones	

Questions 17 to 20

Circle each correct answer around the respective paragraph

(each wrong answer discounts 0.25 marks)

Questions
17. **The standard (budgeted) costing system consists:** a) Of a methodology to prepare the annual budget; b) Of a methodology to calculate the profits; c) Of a methodology to analyse the accounting variances d) None of the previous ones.
18.**The Flexible Budget consists:** a) Of the practical investment of the *Rolling Budgeting*; b) Of an alternative to the Annual Budget, proposed in the field of the movement *Beyond Budget*; c) Of an instrument for analysing variances; d) None of the previous ones.
19. There is Activity Variance in a section, if: a) The section has no variable costs, regardless the costing system; b) The monthly activity is one twelfth different from the one forecasted for the year, regardless the costing system; c) The section has no fixed costs, regardless the costing system; d) None of the previous ones.
20. The variance of Variable Selling (Distribution) Costs is due: a) Only to differences in the actual unit variable selling (distribution) cost and that was seen as a goal; b) To differences both in that actual unit variable selling (distribution) cost and that was seen as a goal, and to differences between the actual quantities sold and those that were seen as a goal; c) Only to differences between the actual quantities sold and those that were seen as a goal; d) None of the previous ones.