LO1: Have a basic understanding of cost terms and purposes

Question 1 (20 pts, 15 min.)

Diageo Co., had the following activities during 2018:

Direct materials:	
Beginning inventory	$ 80,000
Purchases	246,400
Ending inventory	41,600
Direct manufacturing labor	64,000
Manufacturing overhead	48,000
Beginning work-in-process inventory	3,200
Ending work-in-process inventory	16,000
Beginning finished goods inventory	96,000
Ending finished goods inventory	64,000
General and administrative Costs	80,000
Selling costs	100,000

Required:

a. What is the cost of direct materials used during 2018? **(4 pts)**

b. What is cost of goods manufactured for 2018? **(4 pts)**

c. What is cost of goods sold for 2018? **(3 pts)**

d. What amount of prime costs was added to production during 2018? **(2 pts)**

4. What amount of conversion costs was added to production during 2018? (2 pts)

5. Calculate Diageo's Manufacturing's inventoriable costs for 2018: (2 pts)

6. Calculate Diageo's Manufacturing's period costs for 2018: (3 pts)

Question 2 (5 pts, 6 min.)

China Glaze manufacturing wants to estimate costs for the nail lacquers it produces at its Beijing plant.
Required: Classify each of the following costs as either **direct or indirect** and **fixed or variable**. Put X in the co
column. Each cost should be either Direct or Indirect and either Fixed or variable.

	Direct	Indirect	Fixed	Variable
Assembly line labor wages				
Plant manager's wages				
Depreciation on the assembly line equipment (straight line Dep.)				
Material and parts for the product				
Electricity costs				

Question 3 (19 pts, 15 min.)

Lucas Manufacturing Company had the following account balances for the quarter ending March 31, un
noted:

Work-in-process inventory (January 1)	$ 120,400
Work-in-process inventory (March 31)	195,000
Direct Materials inventory (January 1)	225,000
Direct Materials inventory (March 31)	212,000
Direct materials purchased	356,000
Indirect materials used	75,000
Direct manufacturing labor	375,000
Indirect manufacturing labor	135,000
Property taxes on manufacturing plant building	45,500
Selling costs	25,000
Depreciation of manufacturing equipment	230,000
Miscellaneous plant overhead	118,000
Plant utilities	86,300
General office expenses	280,900
Customer delivery charges	22,000

Required:

Required: Prepare a cost of goods manufactured schedule for the quarter

Question 4 (14 pts, 10 min.)

Godiva is a manufacturer of chocolate. It currently produces 1,200,000 chocolate tablets per year. At this level of production, the below information is available:

Total variable cost=$4,200,000

Total Fixed costs=$2,400,000

. At the given production level, calculate Godiva's, variable cost per unit, fixed cost per unit and Average cost per unit.

pts)

2. Due to the high demand on its products, Godiva expects to produce 1,500,000 units next year within the relevant range. Based on this estimation, determine Godiva's **total cost (TC)** next year (4 pts)

3. Assume now that the level of production drops to 900,000 units next year within the relevant range. In this case, what would be the average cost per unit (AC/U)? **(4 pts)**

4. What would be the total fixed costs at a level of production of 1,000,000 units which is within the relevant range? Explain. **(2 pts)**

LO2: Perform cost-volume profit analysis and use it in decision making

Question 5 (26 pts, 16 min.)

The below information is available for Finco Co.:

Fixed costs =$5,760,000

Selling price per unit= $30

Total variable costs=$21,600,000

Estimated quantity to be sold=1,800,000 units.

Instructions:

a) Compute ***total Contribution margin*** *(CM),* ***contribution margin per unit*** *(CMU),* ***Contribution margin percentage*** *(CM%) and* ***Variable cost percentage*** *(VC%)* **(6 pts).**

Question 6 (8 pts, 7 min.)

Yunus Manufacturing Company produces two products, X and Y. The following information is presented for both products:

	X	Y
Selling price per unit	\$36	\$24
Variable cost per unit	28	12

Total fixed costs are \$234,000.

Instructions:

a) Calculate the contribution margin of each product. **(2 pts)**

b) What is the breakeven point in units for the product mix and for each product assuming the sales mix is 3 units of Product X for each unit of Product Y? **(6 pts)**

(a) Compute the break-even point in units and dollars. (5 pts)

(b) Compute the margin of safety (MOS) in dollars and as a ratio. (5 pts)

(c) Draw a profit Volume (PV) graph: (5 pts)

(e) Compute the revenues required to earn a target operating income of $1,740,000. The tax rate is 30%. (5

Question 7 (8 pts, 6 min.)

Ticon Inc. total revenues for the year are $480,000, variable costs are $340,000, fixed costs are $85,000.

Instructions:

1-Calculate the operating leverage of the company. (4 pts)

2- Using the degree of operating leverage calculated in part 1, by how much would Operating Income change if sales increase by 4%? **(4 pts)**

GOOD LUCK ☺