American University of Beirut

Olayan School of Business

Final Exam – ACCT 215

Time: 2 hrs.   **January 19, 2005**

Multiple Choice: 20 points

1. The following sales budget has been prepared:

Month	Cash Sales	Credit Sales
September	$100,000	$200,000
October	125,000	180,000
November	130,000	210,000
December	135,000	190,000

Collections of credit sales are 50 percent in the month of sale, 40 percent in the month following the sale, and 10 percent two months following the sale. No uncollectible accounts are anticipated.

What is the expected balance of Accounts Receivable as of October 31?
a. $110,000
b. $180,000
c. $118,000
d. $72,500

2. Preparing the master budget begins by establishing
   a. a targeted balance sheet.
   b. a targeted income statement.
   c. the expected cash.
   d. the expected sales.

3. A major drawback of using historical results for judging current performance is that
   a. past results may be incorrect.
   b. results may refer to a different manager.
   c. inefficiencies maybe concealed in the past performance.
   d. all of the above.

4. The master budget typically includes forecasted amounts for all of the following EXCEPT
   a. sales.
   b. number of employees.
   c. balance sheets.
   d. cash disbursements.

Problem 3: 16 points

Big Sales and Large Sales are two sportswear manufacturing companies in the U.S. Given below is selected information for these two companies for 20X1 and 20X6.

		Big Sales	Large Sales
Customer orders	20X1	2,300,000	2,700,000
	20X6	2,600,000	3,400,000
Number of employees	20X1	1,000	1,200
	20X6	1,200	1,400

Required:

a. Compute the 20X1 and 20X6 productivity measures in terms of customer orders per employee for Big Sales and Large Sales.

b. Compare the change in productivity between 20X1 and 20X6 for Big Sales and Large Sales. Do you note any problem areas?

c. Both companies have taken on extensive quality control programs as part of their competitive strategies. Classify each of the following quality costs as: **prevention, appraisal, internal failure or external failure.**

1. Disposal of spoiled work-in-process
2. Downtime due to quality problems
3. Field-testing
4. Maintaining a complaint department
5. Quality training
6. Testing and inspecting of machinery
7. Warranty repairs

Problem 4: 16 points

Rainbow Company uses a job-order costing system. It has gathered the following data for the first year of its operations:

Direct materials purchased for cash	$26,000
Direct materials used in production	20,000
Direct labor costs incurred on account	40,000
Factory overhead costs incurred, all on account	35,000
Factory overhead applied (90 percent of direct labor)	36,000?
Cost of goods completed	80,000
Cost of goods sold	75,000

Required :

a- Prepare general journal entries for the above transactions.
b- Close the over or under applied factory overhead to the appropriate accounts. Follow the pro-ration method.
c- Compute the balances in the three inventory accounts and the cost of goods sold account.

overvalued

Problem 5: 16 points

Bernie Company produces one product in a process-costing system involving several departments. The first department's costs and output for the month of April are as follows:

	Units
Beginning WIP*	15,000
Started during April	140,000
Completed during April	120,000
Ending WIP**	35,000

Costs:

Beginning WIP:		
Direct materials	$ 25,750	
Conversion costs	3,225	$ 28,975
Direct materials added in current month		168,000
Conversion costs in current month		186,000
Total costs to account for		$382,975

* 100 percent completed for materials, 40 percent completed for conversion costs.
** 100 percent completed for materials, 30 percent completed for conversion costs.

Required:

Compute the cost of work completed and the cost of the ending inventory of work-in-process using the weighted-average method. *~~& Conver~~*

Good Luck!!!! NOTE:

Hey Sergio, 21/01/2005
o Concentrate on FIFO & be careful that
for DM, conversion don't use the
WIP, beginning.

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