



EXAM ASSIGNMENT

**in discipline of
«COST ACCOUNTING»**

March 2011

Section A – 40 points

TEST (20 questions with 2 points credited for each correct answer)

1. Education centre teaches accountants with various education programs. Name expenditures that may be referred to the direct ones.

- A. Amortization of computers
- B. Salary of the centre's director
- C. Lease of the premises
- D. Salary of teachers

2. Controlled earnings are included into the implementation report for

	<i>Centre of profit</i>	<i>Centre of expenses</i>
A.	No	No
B.	No	Yes
C.	Yes	No
D.	Yes	Yes

3. When producing 7000 pieces of goods the following was used: direct materials for the amount of \$68,000, direct labor – \$150,000, manufacturing overhead costs – \$70,000. The processing costs

- A. \$138 000.
- B. \$150 000.
- C. \$220 000.
- D. \$288 000.

4. Operating costs of the company in 2010 were the following:

	<i>\$ thousand</i>
Manufacturing materials and labor	700,000
Other variable operating costs	100,000
Depreciation of the plant's buildings and equipment	80,000
Other fixed manufacturing overhead costs	18,000

What amount should be regarded as the prime cost in terms of internal accounting?

- A. 700,000
- B. 800,000
- C. 880,000
- D. 898,000

5. Which of the following is not a benefit of direct costing to calculation with regard to full costs?

- A. It provides more useful information for decision-making.
- B. It enables avoiding the capitalization of fixed overheads in surplus stock.
- C. It deprives profits of the stock changes affect.
- D. It pays due attention to fixed expenses.

6. Application of separate rates of the overheads for departments will be more feasible than application of the unified rate of the overheads for the whole plant, if:
- Production operations of the company are well automated.
 - Production operations of the company are mainly handled manually.
 - Production overheads are the most significant component of the product cost of goods.
 - Different departments of the plant use different resources for the goods production.
7. In traditional job-order costing system release of auxiliary materials into the production section increases the account of
- Stock.
 - Work-in-progress.
 - Factory overheads.
 - Allocation of factory overheads.
8. Section A had 1000 pieces 50% ready as of the beginning of the period. During this period Section A had completed and passed for further procession of Section B 10,900 pieces. As of the end of the period Section A had 100 pieces completed at 1/4. Total number of equivalent pieces in accounting purposes (FIFO method) in this period is:
- 10 925
 - 10 900
 - 10 800
 - 10 425
9. Which of the following refers to the job-order costing?
- Products are made under the customer's specifications.
 - All the direct materials used in process should be represented at the account "Work-in-progress" at the end of the process.
 - Equivalent units should be calculated for the stock as of the beginning and the end of the period.
 - All the production overheads applicable to the month shall be represented at the account of prime cost of sold goods.
10. Variation of the salary efficiency is calculated in the following manner
- $(\text{Standard rate of wages per hour} - \text{Rate of actual wages per hour}) \times \text{Standard number of labor-hours}$.
 - $(\text{Standard rate of wages per hour} - \text{Rate of actual wages per hour}) \times \text{Actual employed time}$.
 - $(\text{Standard number of labor-hours} - \text{Actual employed time}) \times \text{Standard rate of wages per hour}$.
 - $(\text{Standard number of labor-hours} - \text{Actual employed time}) \times \text{Actual employed time}$.
11. The company applies standard system of products prime cost calculation. Basis of allocation of production overheads (PO) are machine-hours of the manufacturing equipment. For a year PO were allocated at the amount of £1,428,000, and actual PO amounted to £1,476,000. Actual number of working hours of the manufacturing equipment was 71,400 machine-hours. What number of machine-hours of manufacturing equipment was used to calculate the planned rate of PO allocation if the budget provides PO at the amount of £ 1,440,000?

- A. 71 400 machine-hours.
- B. 72 000 machine-hours.
- C. 72 400 machine-hours.
- D. 74 000 machine-hours.

12. Which of the following cost items refers to direct costs on the products?

	Basic labor	Overheads
A.	No	No
B.	No	Yes
C.	Yes	No
D.	Yes	Yes

13. Let's assume that closing stock in accounts «Work-in-progress», «Final goods», and «Prime cost of sold goods» is 20 000 c.u., 30 000 c.u., and 50 000 c.u. respectively. How will the operational profit of the company change if the accountant distributes 2 500 c.u. among three stock accounts instead of placing the whole amount to the account of «Prime cost of sold goods»?

- A. will increase by 2 500 c.u.
- B. will be reduced by 2 500 c.u.
- C. will increase by 1 250 c.u.
- D. will be reduced by 1 250 c.u.

14. Which of the following statements about just-in-time system of stock delivery is/are true:

- (1) the just-in-time system reduces risks of obsolescence of stock
- (2) the just-in-time system reduces expenditures in a short-term period

- A. (1) only
- B. (2) only
- C. (1) and (2)
- D. No correct answer

15. What type of expenditures refers to the period costs in the system of absorption cost accounting?

- A. Administrative costs
- B. Overheads
- C. Dependent costs
- D. Direct material costs

16. The X company produces uniform product. There are the following details of costs and production for the accounting month:

- 20,000 pieces were made
- Direct cost per unit £18
- Production overhead costs £140,000 per month
- Administrative costs per unit £5.

Define the value of production cost of one unit of products in the absorption cost calculation system.

- A. £22

- B. £30
- C. £25
- D. £18

17. What work will be classified as the indirect labor?

- A. Work of tea pickers at the tea plantation
- B. Work of plumbers in the housing office
- C. Work of those who cut fabrics at the garment factory
- D. Work of gangers in the contracting constriction company

18. The company allocated overheads on basis of the working time. Planned output for the previous month provided 48,000 labor hours and total overheads of £ 396,000. According to actual figures the following was represented: working time – 44,800 hours, total overheads – £380,800. What is the amount of non-allocation of overheads for the previous month?

- A. £11 200
- B. £12 000
- C. £15 200
- D. £26 400

19. If the production increases within relevant zone then

- A. Total fixed and total variable costs will increase, too.
- B. Total fixed and total variable costs will not change.
- C. Total variable costs will not change but total fixed costs will increase.
- D. Total fixed costs will not change but total variable costs will increase

20. Normally purchase of materials JIT requires:

- A. Large-scale and rare supplies
- B. Small-scale and rare supplies
- C. Small-scale and frequent supplies
- D. Large-scale and frequent supplies

SECTION B

TASK 1 – 20 points

Below are details of sales, expenses and residuals on the stock accounts of the ABC company in 2010:

	£.
Profit from sale	1 100 000
Final products as of December 31, 2010	53 000
Stock as of January 01, 2010	38 000
Salary of key direct labor	187 000
Stock as of December 31, 2010	43 000
Purchase of materials and raw materials	354 000
WIP as of January 01, 2010	16 000
Salary of additional labor	55 000
Final products as of January 01, 2010	48 000
Salary of the goods sales department	62 000
Indirect materials	44 000
Salary of the administrative personnel	74 000
Lease of the premises	32 000
WIP as of December 31, 2010	19 000
Electric power	28 000
Amortization*	150 000

*60% of amortization costs refer to the plant assets, and 40% - to the assets of administrative purpose.

You are required to:

- 1) Draft a report of prime cost of made and sold goods for year 2010 – **12 points**.
- 2) Draft the Loss and Profit Statement for year 2010 – **8 points**.

TASK 2 – 20 points

The ABC company applies the standard cost system. Below are standard costs of manufacturing of one product made by the ABC company.

		£
Basic materials	2 kg at £7,00 per 1 kg	14,00
Basic labor	4 hours at £15,00 per hour	60,00

There are the following operational data for January:

Actual output	9 300 pieces
Planned output	8 500 pieces
Purchase of materials	50 000 kg
Actual expenses on basic labor	£592 000
Actual number of hours of basic labor	37 000 hours
Variance of the efficiency of materials	£ (1 400) adverse
Variance in the materials price	£ 25 000 favorable

You are required to:

Calculate the following figures for January:

1. Variation of the value of hourly wages of the basic labor – **4 points**.
2. Variance of efficiency of basic labor – **4 points**.
3. Actual figure of materials used in the production process (in kg) – **4 points**.
4. Actual value of 1 kg of materials assuming that variation of the materials price is determined in the moment of purchase – **4 points**.
5. Total value of materials converted into final goods – **2 points**.
6. Total expenditures on the basic labor, converted into final goods – **2 points**.

TASK 3 – 20 points

The company produces and sales athlete boats of one model. Below are details of the company's activity for 2010.

Planned output, pieces	20 000
Actual output, pieces	18 000
Products sold, pieces	15 000
Final products as of January 01, 2010, pieces	0
Price per unit, £	255
Variable manufacturing costs per unit, £	
- key materials	50
- salary of key direct labor	25
- variable production overheads	30
Variable sales costs per unit, £	17
Fixed sales costs, £	155 500
Fixed production overheads, £	450 000

You are required to:

1. Draft the Loss and Profit Statement applying the margin accounting method – **8 points**.
2. Draft the Loss and Profit Statement applying the absorption accounting method – **8 points**.
3. Explain reason of discrepancies in the value of profit – **4 points**.