Item 1

PinkCo company produces body lotions. The following information concerning March year N is available:

	Manufacturing costs	Selling costs	Administrative costs	Financial costs	Total
Costs					
Miscellaneous costs	50 000 €	8 000 €	4 000 €		62 000 €
Personnel costs	30 000 €	10 000 €	7 000 €		47 000 €
Depreciation	12 000 €	4 000 €	2 000 €		18 000 €
Financial costs				500 €	500 €
Total	92 000 €	22 000 €	13 000 €	500 €	127 500 €

Inventory of Direct Material:

- -Opening: 1000 units at 6,5€/unit
- -Purchases: 2000 units at 8€/unit
- -Consumption: 2500 units

Inventory of Finished Goods:

- Opening stocks: 100 units at 105€/unit
- Production: 1500 units
- Sales: 1200 units

Knowing that the company uses Weighted Average Cost (WAC), how much is COGM?

A 110 750€

B 90 937,50€

C 145 750€

D 146 250€

E None of the others

Calculator

Item 2

Traditional Costing Systems are most likely to assign indirect costs on the basis of:

A Non-volume based cost drivers

B Volume based cost drivers

C Activity based cost drivers

D Facility-level cost drivers

E None of the others

Item 3

A bookstore is analysing information on the operating profit of its two segment lines: adults and kids.

For this purpose, the company prepared the following information regarding year N:

Year N	Adults	Kids
Sales (€)	1 500 500€	650 000€
Cost of merchandises sold (€)	1 040 000€	400 000€
Number of purchase orders	140	60
Number of hours organizing shelves	500	1500
Number of books sold	35 000	5 000

Activity	Total cost (€)
Orders made	?
Organizing	149 000€
Customer service	192 000€

Knowing that the company uses ABC, and that the Operating Profit for the segment line Kids was 77 050€, how much is the total cost with Orders made ?

A 124 000€

B 37 200€

C 86 800€

D 114 250€

E None of the others

Calculator

Item 4

Which of the following would be subtracted from total sales revenue when calculating contribution margin?

A Depreciation of factory machinery

B Direct materials used

C Factory supervisor's salary

D Depreciation of office machinery

E All of the others

F None of the others

Item 5

The Smart Value Company, is dedicated to the manufacture of Product A.

Production is equal to Sales, with 6 000 units produced of Product A.

The business unit that manufactures product A is using 80% of its normal production capacity (practical capacity).

In annual terms, the results for this year are estimated at 60 000€, as shown in the following table:

	Product A
Sales	1 200 000 €
Cost of Sales	575 000 €
Gross Margin	625 000 €
Non- Manufacturing Variable Costs	265 000 €
Contribution Margin	360 000 €
Under-recovery of Overheads	200 000 €
Non- Manufacturing Fixed Costs	100 000 €
Operating Profit	60 000 €

The break-even point in units for Product A is:

A 4 500 units

B 5 000 units

C 6 000 units

D 5 500 units

E None of the others

If the company uses and sells 100% of the practical capacity, the operating profit will be:

A 75 000€

B 132 000€

C 150 000€

D 72 000€

E None of the others

Calculator

Item 6

Adagio is a company that manufactures Almond Milk.

The expected Profit & Loss Account for next year is as follow:

	Almond Milk
Sales	400 000 €
Direct materials	
Almonds	200 000 €
Other variable costs	150 000 €
Fixed costs	30 000 €
EBT	**20 000 €**

As other information, we know:

	Almond Milk
Demand (units)	200 000
Installed capacity (units)	400 000
Used capacity	**50%**
Market selling price per unit	2 €

This year, according to the safety margin ratio, if sales decreased 66,67% the profit would be 0€.

Knowing that the company didn´t make any investments in equipment, the **operating risk of the company next year is expected to**:

A We don´t have enough data to answer the question

B Remain the same (no changes)

C Increase

D Decrease

Calculator

Item 7

[ANSWER ON PAPER]

The following information for the month of January for PaintInc Company was available

Information according to Financial Accounting

	Manufacturing costs	Selling costs	Administrative costs	Financial costs	Total
Purchase of DM					25 000€
Costs:					
Miscellaneous costs	8 000 €	5 000 €	4 000 €		17 000 €
Personnel costs [(1)]	30 000 €	12 000 €	15 000 €		57 000 €
Depreciation	5 000 €	3 000 €	2 000 €		10 000 €
Financial costs				500 €	500 €
Total	43 000 €	20 000 €	21 000 €	500 €	

[(1)] Includes real social charges of 20%

Inventories:

	Opening stock	Closing stock
Direct materials	0€	1 500€
Work-in-progress goods	1 000€	5 500€
Finished Goods	0€	200 units

The production of the month was 5 000 units.

Theoretical social charges are 55%.

a) Calculate the cost of goods sold.

b) How much will be the difference between profits in P&L Account according to Financial Accounting and by function? Quantify and explain.

Calculator

Item 8

[ANSWER ON PAPER]

Company Smart produces product X with direct material Z, which has normal losses during production. In March, the direct materials used in the production process were 50 000 units with a cost of 150 000€ and conversion costs were 100 000€. The production of the period was 30 000 units, and there were 10 000 units of normal losses and 10 000 units of abnormal losses.

The selling price is 20€.

There are no opening or closing stocks.

a) Knowing that scrap value is 0€, how much is the cost of goods manufactured per unit?

b) If the company found an opportunity to sell the losses at the scrap value of 4€, how much would be the Profit for the company?

Calculator

Item 9

[ANSWER ON PAPER]

The **Funny Company manufactures Funny Pieces** per order (according the clients' specifications).

The company is divided in the following homogeneous cost pools:

- **Design** (labor hours as the unit of work), where the pieces are designed according to the information of the customers.
- **Cutting and Welding** (machine hours as the unit of work), where the pieces take the shape planned.
- **Finish** (labor hours as the unit of work), where the pieces are refined and finished.
- **Maintenance -** Ensures the maintenance, cleaning and repair of the manufacturing equipment. Has Lh as the unit of work.
- **General manufacturing overheads** – These costs are allocated every month to Cutting and Maintenance centers in equal parts (50% for each).

Elements of the month of January:

1 – Direct costs (in Euros):

Costs	Design	Cutting and Welding	Finish	Maintenance	General manufacturing overheads
TOTAL	24 962.5	10 250	29 187.5	4 000	5 000

2 – Orders

- The order No. 1, 2 and 3 were started and completed.

- The order No. 4 was started but was not concluded by the end of the month.

3 – Direct materials used

- Order nº 1 3 200 €
- Order nº 2 7 200 €
- Order nº 3 2 800 €
- Order nº 4 8 000 €

4 – Direct labor

- Order nº 1 200 €
- Order nº 2 300 €
- Order nº 3 900 €
- Order nº 4 100 €

5 – The activities of the homogeneous cost pools:

Suppliers / Users	Design	Cutting and Welding	Finish	Maintenance
Order nº 1	40	60	50	-
Order nº 2	47	20	10	-
Order nº 3	15	50	40	-

Order nº 4	35	30	0	-
Design	-	-	-	150
Cutting and Welding	-	-	-	100
Finish	-	-	-	50
Gen. manuf. overh.		-	-	200
	137 Lh	160 Mh	100 Lh	500 Lh

6 –Sales

- Only the order 3 have been delivered and invoiced 31 000€, to the customer

1) **Compute the cost of the Cutting centre, knowing the Company uses the simultaneous equation method.**

2) **Compute the cost of the Design centre, knowing the Company uses the sequential allocation method.**

3) **Imagine the following unit of work for each of the Production Departments:**

Design	Cutting and Welding	Finish
200€	110€	284€

Calculate the gross profit.

Calculator

Item 10

[ANSWER ON PAPER]

The ORANGE JUICE Company produces beverages. Tommy, controller of the company, prepared the following P&L based on the variable costing system for the month of July.

Description	Amounts in euros
1 – Sales 2 – Cost of Sales	54 600 18 900
3 – Gross Margin	35 700
4 – Non-manufacturing Variable Cost	1 700
5 – Contribution Margin	34 000
6 – Fixed Costs • Under-recovery of Overheads • Non-manufacturing Costs	 9 000 5 000
7 – Operating Profit	20 000

Supporting Information:

Practical Capacity	2 000 liters
Actual Production	3 000 liters
Sales	2 100 liters

Given that the method of inventory valuation used by the enterprise is LIFO:

1) Calculate the operating profit by using total full costing system.

2) Calculate de cost of goods manufactured using full costing based on practical capacity.

3) ORANGE JUICE's business is seasonal, with the highest amount of sales in summer. During the remaining of the year, the company produces above demand to build up stock for the summer period. Which cost accumulation system would you advice Tommy to adopt for internal profitability analysis? Explain why.

0 Word(s)

Calculator