



Aldar University College
School of Business Administration
Bachelor Degree of Business Administration

Assignment

Semester :	Summer-II 2019-20	Due Date :	15/08/2020
Course Code :	ACCT203	Course Title:	Managerial Accounting
Time :	4:00 PM - 5:00 PM	Duration :	1-Hour
Student Name:		Student ID :	

Instructions to Candidates:

- The assignment will be Individual (1 student).
- Every group makes sure that their work is original before submission.
- Type and double space all text.
- Submission: Turnitin (Class ID 25903665)
- AldarU Integrity Policy: cheating, plagiarism, copying or any other attempt to acquire academic advantage over others in an unfair manner is prohibited.
- Due date: Due on **Thursday 25 Aquest, 2020**.

Grading Scheme:

Question	Maximum Marks	Marks Awarded	C L O
1	7		2
2	8		2
3	6		3
4	9		3
5	5		4
Total Marks:	35		



Question 1 (CLO2)

(7 Marks)

Northwest Hospital is a full-service hospital that provides everything from major surgery and emergency room care to outpatient clinics.

1. Depreciation, executive jet.
2. Costs of shipping finished goods to customers.
3. Wood used in manufacturing furniture.
4. Sales manager’s salary.
5. Electricity used in manufacturing furniture.
6. Secretary to the company president.
7. Billing costs.
8. Packing supplies for shipping products overseas.
9. Sand used in manufacturing concrete.
10. Supervisor’s salary, factory.
11. Executive life insurance.
12. Sales commissions.
13. Fringe benefits, assembly-line workers.
14. Advertising costs.
15. Property taxes on finished goods warehouses.

Required:

For each cost incurred at Northwest Hospital, indicate whether it would be variable or fixed with respect to the number of units produced and sold; and then whether it would be a selling cost, an administrative cost, or a manufacturing cost. If it is a manufacturing cost, indicate whether it would typically be treated as a direct or indirect cost with respect to units of product.

Solution 1:

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Question 2 (CLO2)

(8 Marks)

The following data relating to units shipped and total shipping expense have been assembled by Archer Company, a wholesaler of large, custom-built air-conditioning units for commercial buildings:

Month	Month Units	Total Shipping Expense
January	3	\$1,800
February	6	\$2,300
March	4	\$1,700
April	5	\$2,000
May	7	\$2,300
June	8	\$2,700
July	2	\$1,200

Required:

1. Prepare a scatter graph using the data given above. Plot cost on the vertical axis and activity on the horizontal axis. Is there an approximately linear relationship between shipping expense and the number of units shipped?
2. Using the high-low method, estimate the cost formula for shipping expense. Draw a straight line through the high and low data points shown in the scatter-graph that you prepared in requirement 1. Make sure your line intersects the Y axis.

Solution 2:

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Question 3 (CLO3)

(6 Marks)

Northwest Manufacturing Company has the following departments with the following data:

	Department X	Department Y
Budget departmental annual data		
Direct labor costs	\$180,000	\$165,000
Indirect manufacturing costs	\$225,000	\$180,000
Machine hours	51,000	40,000
Actual data for Job 202		
Direct material costs	\$10,000	\$16,000
Direct labor costs	\$11,000	\$14,000
Machine hours	5,000	3,000

Required:

1. Determine the predetermined allocation rate for department X.
2. Determine the predetermined allocation rate for department Y.
3. Determine the amount of indirect manufacturing costs allocated to Job 202.
4. Assume that Job 202 is comprised of 50 finished units. Determine the total manufacturing cost per unit of Job 202.

Solution 3:

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Question 4 (CLO3)

(9 Marks)

Sweeten Company had no jobs in progress at the beginning of March and no beginning inventories. It started only two jobs during March—Job P and Job Q. Job P was completed and sold by the end of the March and Job Q was incomplete at the end of the March. The company uses a plantwide predetermined overhead rate based on direct labor-hours. The following additional information is available for the company as a whole and for Jobs P and Q (all data and questions relate to the month of March):

Estimated total fixed manufacturing overhead	\$10,000
Estimated variable manufacturing overhead per direct labor-hour	\$1.00
Estimated total direct labor-hours to be worked	2,000
Total actual manufacturing overhead costs incurred	\$12,500

	Job P	Job Q
Direct materials	\$13,000	\$8,000
Direct labor cost	\$21,000	\$7,500
Actual direct labor-hours worked	1,400	500

Required:

1. What is the company’s predetermined overhead rate?
2. How much manufacturing overhead was applied to Job P and Job Q?
3. What is the direct labor hourly wage rate?
4. If Job P includes 20 units, what is its unit product cost? What is the total amount of manufacturing cost assigned to Job Q as of the end of March (including applied overhead)?
5. Assume the ending raw materials inventory is \$1,000 and the company does not use any indirect materials. Prepare the journal entries to record raw materials purchases and the issuance of direct materials for use in production.
6. Assume that the company does not use any indirect labor. Prepare the journal entry to record the direct labor costs added to production.
7. Prepare the journal entry to apply manufacturing overhead costs to production.

Solution 4:

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Question 5 (CLO4)

(5 Marks)

Morganton Company makes one product and it provided the following information to help prepare the master budget for its first four months of operations:

- a. The budgeted selling price per unit is \$70. Budgeted unit sales for June, July, August, and September are 8,400, 10,000, 12,000, and 13,000 units, respectively. All sales are on credit.
- b. Forty percent of credit sales are collected in the month of the sale and 60% in the following month.
- c. The ending finished goods inventory equals 20% of the following month's unit sales.
- d. The ending raw materials inventory equals 10% of the following month's raw materials production needs. Each unit of finished goods requires 5 pounds of raw materials. The raw materials cost \$2.00 per pound.

Required:

- 1. Discuss some of the major benefits to be gained from budgeting. Support your answer with suitable example?
- 2. What are the budgeted sales for July?
- 3. What are the expected cash collections for July?
- 4. What are the accounts receivable balance at the end of July?
- 5. According to the production budget, how many units should be produced in July?

Solution 5:

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