Zagazig University
Faculty of Commerce
English Section Program
Final Exam – Old Plan
Time Allowed: Two Hours
Maximum Points: 80 Points

First Semester of 2012/ 2013
Department: Accounting
Course: Cost Accounting
Instructors: Prof. Dr. Naim F. Hanna
academic year: 3rd year
Date: Saturday, 22, Dec. 2012

Answer the following questions showing all computations or calculations that may be necessary to approve your answers.

Q: 1 .................................................................................................................. (30 points)
Stacey manufacturing company has the following information related to two periods:

<table>
<thead>
<tr>
<th></th>
<th>Period 1 (Jan.)</th>
<th>Period 2 (Feb.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning inventory ( finished goods)</td>
<td>3000</td>
<td>??</td>
</tr>
<tr>
<td>Units of Production</td>
<td>30000</td>
<td>25000</td>
</tr>
<tr>
<td>Sales ( units )</td>
<td>25000</td>
<td>28000</td>
</tr>
<tr>
<td>Selling price per unit</td>
<td>$15</td>
<td>$15</td>
</tr>
<tr>
<td>Variable cost per unit</td>
<td>$6</td>
<td>$6</td>
</tr>
<tr>
<td>Fixed factory overhead for the period</td>
<td>$120000</td>
<td>$120000</td>
</tr>
<tr>
<td>Selling and administrative expenses (fixed)</td>
<td>$50000</td>
<td>$50000</td>
</tr>
</tbody>
</table>

Required: if you know that the maximum attainable (normal) capacity for the company is 30,000 units, you required to:

(1) prepare the income statement for both periods under the:
    (a) Direct (or Variable) Costing method.
    (b) Absorption Costing (or Full) method.
(2) Interpret and account for the difference in net earnings between the two periods

Q.2 .................................................................................................................. (25 points)

The following information is belonging to an industrial company which has two service departments (Building (B), general factory administration (G) and two producing departments (Assembly (A), Finishing (F)):

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Service Departments</th>
<th>Producing Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>G</td>
</tr>
<tr>
<td>Total Costs ( $ )</td>
<td>15,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Statistical data:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machine hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Square feet</td>
<td>10000</td>
<td>3000</td>
</tr>
<tr>
<td>Total labor hours</td>
<td>2000</td>
<td>2000</td>
</tr>
</tbody>
</table>
Required:

(1) Allocate the service department costs using the "Step Down (The sequential) Method".
(2) Compute the Factory Overhead Rate for the two Producing Departments.
(3) Compute the total cost of Job-Order #101 which has the following information:
   - Costs of Direct Materials used in this job order $5000
   - Costs of Direct Labor consumed in this job order $8000
   - Machine hours for this Job are:
     In Department (A) 1000 hours
     In Department (F) 500 hours

Q.3 ......................................................................................................................... (25 points)

The following information is related to the factory overhead costs in the New Yorker Corporation for the accounting period ended 31/12/2011

Estimated data:

(1) The estimated factory overhead for the period........ $ 500,000
(2) Total units of production...................................................... 100,000 units
(3) Direct labor hours ........................................................... 400,000 hours
(4) Machine hours ............................................................... 200,000 hours

Actual data:

(1) Total actual factory overhead.......................................... $ 400,000
(2) Actual units produced .................................................... 80,000 units
(3) Actual machine hours ..................................................... 180,000 hours
(4) Cost of goods sold ........................................................ $ 600,000
(5) WIP inventory ............................................................... $ 150,000
(6) Finished goods inventory .............................................. $ 250,000

Required:

(a) Compute the factory overhead application rate using the available bases.
(b) If the company uses the machine hours as a base to compute the application rate, you are required to:
   1. Compute the applied FOH.
   2. Compute the under – or over-applied FOH.
   3. Allocate the under – or over-applied FOH.
   4. Journalize the above transactions.