University of Maryland University College

FINAL EXAM

Course: Principles of Accounting II
Course number: ACCT 221
Semester: Spring 2014, OL1

Administrative Notes:

- You may use a calculator, WileyPLUS resources, and everything posted in our LEO classroom
- The exam period is 4 days
- Students MUST complete the final exam in 1 sitting
- Submit the Answer Sheet in the Final Exam Assignment folder
- Late submissions will NOT be accepted

Part I: 25 Multiple choice questions @ 2 points each = 50 points

1. Jackson Company is a publicly held corporation whose $1 par value stock is actively traded at $64 per share. The company issued 3,000 shares of stock to acquire land recently advertised at $200,000. When recording this transaction, Barton Company will

A) debit Land for $200,000.
B) credit Common Stock for $192,000.
C) debit Land for $192,000.
D) credit Paid-In Capital in Excess of Par for $196,000.

2. Victory Corporation sold 400 shares of treasury stock for $45 per share. The cost for the shares was $35. The entry to record the sale will include a

A) credit to Gain on Sale of Treasury Stock for $14,000.
B) credit to Paid-in Capital from Treasury Stock for $4,000.
C) debit to Paid-in Capital in Excess of Par for $4,000.
D) credit to Treasury Stock for $18,000.

3. Which of the following show the proper effect of a stock split and a stock dividend?

	Item	Stock Split	Stock Dividend
a.	Total paid-in capital	Increase	Increase
b.	Total retained earnings	Decrease	Decrease
c.	Total par value (common)	Decrease	Increase
d.	Par value per share	Decrease	No change

4. Dabney, Inc., has 5,000 shares of 5%, $100 par value, noncumulative preferred stock and 40,000 shares of $1 par value common stock outstanding at December 31, 2014. There were no dividends declared in 2013. The board of directors declares and pays a $60,000 dividend in 2014. What is the amount of dividends received by the common stockholders in 2014?

A) $0
B) $25,000
C) $10,000
D) $35,000

5. A $600,000 bond was retired at 98 when the carrying value of the bond was $590,000. The entry to record the retirement would include a

A) gain on bond redemption of $10,000.
B) loss on bond redemption of $10,000.
C) loss on bond redemption of $2,000.
D) gain on bond redemption of $2,000.

6. The following data are available for Two-off Company.

Increase in accounts payable	$120,000
Increase in bonds payable	300,000
Sale of investments	150,000
Issuance of common stock	160,000
Payment of cash dividends	90,000

Net cash provided by financing activities is:
A) $180,000.
B) $370,000.
C) $360,000.
D) $420,000.

7. The net income reported on the income statement for the current year was $220,000. Depreciation recorded on plant assets was $35,000. Accounts receivable and inventories increased by $2,000 and $8,000, respectively. Prepaid expenses and accounts payable decreased by $2,000 and $12,000 respectively. How much cash was provided by operating activities?
A) $200,000
B) $235,000
C) $220,000
D) $255,000

8. If a company reports a net loss, it
A) may still have a net increase in cash.
B) will not be able to pay cash dividends.
C) will not be able to get a loan.
D) will not be able to make capital expenditures.

9. A creditor would be most interested in evaluating which of the following ratios?
A) Asset turnover
B) Earnings per share
C) Payout ratio
D) Times interest earned

10. Lionel Company has beginning work in process inventory of $220,000 and total manufacturing costs of $950,000. If cost of goods manufactured is $940,000, what is the cost of the ending work in process inventory?
A) $210,000.
B) $230,000.
C) $240,000.
D) $206,000.

11. The principal difference between a merchandising and a manufacturing income statement is the
A) cost of goods sold section.
B) extraordinary item section.
C) operating expense section.
D) revenue section.

12. Given the following data for Good man Company, compute (A) total manufacturing costs and (B) costs of goods manufactured:

Direct materials used	$345,000	Beginning work in process	$15,000
Direct labor	305,000	Ending work in process	60,000
Manufacturing overhead	450,000	Beginning finished goods	75,000
Operating expenses	525,000	Ending finished goods	45,000

	Total Manufacturing Costs	Costs of Goods Manufactured
A)	$1,055,000	$1,100,000
B)	$1,070,000	$1,130,000
C)	$1,100,000	$1,055,000
D)	$1,130,000	$1,055,000

13. Alpine Inc. uses job order costing for its brand new line of sewing machines. The cost incurred for production during 2014 totaled $20,000 of materials, $8,000 of direct labor costs, and $8,000 of manufacturing overhead applied. The company ships all goods as soon as they are completed which results in no finished goods inventory on hand at the end of any year. Beginning work in process totaled $9,000, and the ending balance is $15,000. During the year, the company completed 20 machines. How much is the cost per machine?
A) $1,500
B) $1,880
C) $1,320
D) $1,760

14. For Cevu Company, the predetermined overhead rate is 75% of direct labor cost. During the month, $750,000 of factory labor costs are incurred of which $200,000 is indirect labor. Actual overhead incurred was $420,000. The amount of overhead debited to Work in Process Inventory should be:
A) $560,000
B) $412,500
C) $420,000
D) $562,500

15. Hunten Manufacturing assigns overhead based on machine hours. The Milling Department logs 1,400 machine hours and Cutting Department shows 3,000 machine hours for the period. If the overhead rate is $5 per machine hour, the entry to assign overhead will show a

A) debit to Manufacturing Overhead for $22,000.
B) credit to Work in Process—Cutting Department for $15,000.
C) debit to Work in Process for $15,000.
D) credit to Manufacturing Overhead for $22,000.

16. The Molding Department of Bidwell Company has the following production data: beginning work process 40,000 units (60% complete), started into production 680,000 units, completed and transferred out 640,000 units, and ending work in process 80,000 units (40% complete). Assuming materials are entered at the beginning of the process, equivalent units for materials are:

A) 720,000.
B) 600,000.
C) 640,000.
D) 760,000.

17. ThoAon, Inc. collected the following production data for the past month:

Units Produced	Total Cost
1,600	$22,000
1,300	19,000
1,500	22,500
1,100	16,500

If the high-low method is used, what is the monthly total cost equation?

A) Total cost = $4,400 + $11/unit
B) Total cost = $5,500 + $10/unit
C) Total cost = $0 + $15/unit
D) Total cost = $3,300 + $12/unit

18. At the break-even point of 2,000 units, variable costs are $120,000, and fixed costs are $64,000. How much is the selling price per unit?

A) $92
B) $32
C) $28
D) Not enough information

19. The following information is taken from the production budget for the first quarter:

Beginning inventory in units	1,800
Sales budgeted for the quarter	678,000
Capacity in units of production facility	708,000

How many finished goods units should be produced during the quarter if the company desires 4,800 units available to start the next quarter?

A) 675,000
B) 681,000
C) 711,000
D) 682,800

20. Jared Manufacturing is planning to sell 1,200 boxes of ceramic tile, with production estimated at 1,120 boxes during May. Each box of tile requires 44 pounds of clay mix and a quarter hour of direct labor. Clay mix costs $0.50 per pound and employees of the company are paid $15.00 per hour. Manufacturing overhead is applied at a rate of 110% of direct labor costs. Jacob has 5,200 pounds of clay mix in beginning inventory and wants to have 6,000 pounds in ending inventory.

What is the total amount to be budgeted for manufacturing overhead for the month?

A) $4,620
B) $4,950
C) $18,480
D) $19,800

21. Sales results that are evaluated by a static budget might show

1. favorable differences that are not justified.
2. unfavorable differences that are not justified.

A) 1
B) 2
C) both 1 and 2.
D) neither 1 nor 2.

22. If the materials price variance is $3,600 F and the materials quantity and labor variances are each $2,800 U, what is the total materials variance?

A) $3,600 F
B) $2,800 U
C) $6,300 F
D) $800 F

23. The per-unit standards for direct labor are 1.5 direct labor hours at $15 per hour. If in producing 2,300 units, the actual direct labor cost was $46,000 for 3,000 direct labor hours worked, the total direct labor variance is

A) $2,300 unfavorable.
B) $5,750 favorable.
C) $6,750 unfavorable.
D) $5,750 unfavorable.

24. It costs Maker Company $22 of variable and $15 of fixed costs to produce one Panini press which normally sells for $57. A foreign wholesaler offers to purchase 1,000 Panini presses at $40 each. Maker would incur special shipping costs of $5 per press if the order were accepted. Maker has sufficient unused capacity to produce the 1,000 Panini presses. If the special order is accepted, what will be the effect on net income?
A) $13,000 decrease
B) $13,000 increase
C) $22,000 decrease
D) $7,000 increase

25. Nelson Manufacturing Company can make 100 units of a necessary component part with the following costs:

Direct Materials	$120,000
Direct Labor	25,000
Variable Overhead	45,000
Fixed Overhead	70,000

If Nelson Manufacturing Company purchases the component externally, $30,000 of the fixed costs can be avoided. At what external price for the 100 units is the company indifferent between making or buying?
A) $190,000
B) $200,000
C) $210,000
D) $220,000

Part II. 6 Comprehensive problems worth 50 points total

26. Points = 4
Brigg Enterprises produces miniature parasols. Each parasol consists of $1.20 of variable costs and $.90 of fixed costs and sells for $4.50. A French wholesaler offers to buy 8,000 units at $1.40 each, of which Pederson has the capacity to produce. Brigg will incur extra shipping costs of $.12 per parasol.

Instructions
Determine the incremental income or loss that Brigg Enterprises would realize by accepting the special order.

27. Points = 4
R&R Inc. produces several models of clocks. An outside supplier has offered to produce the commercial clocks for R&R for $270 each. R&R needs 1,500 clocks annually. R&R has provided the following unit costs for its commercial clocks:

Direct materials	$100
Direct labor	110
Variable overhead	30
Fixed overhead (70% avoidable)	150

Instructions
Prepare an incremental analysis, which shows the effect of the make-or-buy decision.

28. **Points = 12**

The current sections of Donny Inc.'s balance sheets at December 31, 2013 and 2014, are presented here.

Donny's net income for 2014 was $203,000. Depreciation expense was $25,000.

	2014	**2013**
Current assets		
Cash	$115,000	$99,000
Accounts receivable	105,000	89,000
Inventory	154,000	172,000
Prepaid expense	27,000	21,000
Total current assets	$401,000	$381,000
Current liabilities		
Accrued expenses payable	$ 15,000	$ 5,000
Accounts payable	85,000	93,000
Total current liabilities	$100,000	$ 98,000

Instructions

Prepare the net cash provided by operating activities section of the company's statement of cash flows for the year ended December 31, 2014, using the indirect method.

29. **Points = 10**

Nona Manufacturing Company uses a job order cost accounting system and keeps perpetual inventory records. Prepare journal entries to record the following transactions during the month of June.

June 1 Purchased raw materials for $22,000 on account.

8 Raw materials requisitioned by production:

Direct materials	$8,500
Indirect materials	1,500

15 Paid factory utilities, $2,400 and repairs for factory equipment, $7,500.

25 Incurred $98,000 of factory labor.

25 Time tickets indicated the following:

Direct Labor	(6,000 hrs. @ $13 per hr.)	=	$78,000
Indirect Labor	(2,500 hrs. @ $8 per hr.)	=	20,000
			$98,000

25 Applied manufacturing overhead to production based on a predetermined overhead rate of $8 per direct labor hour worked.

28 Goods costing $20,000 were completed in the factory and were transferred to finished goods.

30 Goods costing $16,000 were sold for $23,000 on account.

30. Points = 12

Meyer Manufacturing Company uses a process cost system. The Molding Department adds materials at the beginning of the process and conversion costs are incurred uniformly throughout the process. Work in process on May 1 was 75% complete and work in process on May 31 was 40% complete.

Instructions

Complete the Production Cost Report for the Molding Department for the month of May using the above information and the information below.

MEYER MANUFACTURING COMPANY
Molding Department
Production Cost Report
For the Month Ended May 31, 2014

		Equivalent Units	
QUANTITIES	Physical Units	Materials	Conversion Costs
Units to be accounted for			
Work in process, May 1	7,000		
Started into production	28,000		
Total units	35,000		
Units accounted for			
Transferred out	30,000		
Work in process, May 31	5,000	______	______
Total units	35,000	______	______

COSTS			
Unit costs	Materials	Conversion Costs	Total
Costs in May	$140,000	$160,000	$300,000
Equivalent units	______	______	
Unit costs	$ ______	$ ______	$ ______
Costs to be accounted for			
Work in process, May 1			$ 60,000
Started into production			240,000
Total costs			$300,000
Cost Reconciliation Schedule			
Costs accounted for			
Transferred out			$
Work in process, May 31			
Materials		$	
Conversion costs		______	______
Total costs			$300,000

31. Points = 8

Data concerning manufacturing overhead for Analina Industries are presented below. The Mixing Department is a cost center.

An analysis of the overhead costs reveals that all variable costs are controllable by the manager of the Mixing Department and that 50% of supervisory costs are controllable at the department level.

The flexible budget formula and the cost and activity for the months of June and July are as follows:

	Flexible Budget Per Direct Labor Hour	Actual Costs and Activity June	Actual Costs and Activity July
Direct labor hours		6,000	7,000
Overhead costs			
Variable			
Indirect materials	$3.50	$ 20,500	$ 25,100
Indirect labor	6.00	39,500	40,700
Factory supplies	1.00	7,600	8,200
Fixed			
Depreciation	$20,000	15,000	15,000
Supervision	25,000	24,000	26,000
Property taxes	10,000	12,000	12,000
Total costs		$118,600	$127,000

Instructions

(a) Prepare the responsibility reports for the Mixing Department for each month.

(b) Comment on the manager's performance in controlling costs during the two-month period.