

Section A: Multiple Choice Questions (one correct answer variety; 30%)

1. Management accounting is considered most likely to be worthy when it:
 - (a) helps investors evaluate the company's performance
 - (b) helps regulators supervise the manager's action
 - (c) is free from error and reported annually
 - (d) is timely
2. Which of the following items isn't an advantage from understanding of the behavior of costs:
 - (a) costs can be better estimated when producing volume expands
 - (b) process inefficiencies can be better identified
 - (c) sales volume can be better estimated
 - (d) true costs can be better evaluated
3. KP CPA Ltd. performs a certain accounting service for \$3,000. His fixed costs are \$60,000, while his variable costs are \$1,500 per procedure. KP CPA Ltd. currently plans to perform 230 services this month. What is the margin of safety assuming 120 services are budgeted?
 - (a) \$120,000 or 40 times
 - (b) \$150,000 or 50 times
 - (c) \$180,000 or 60 times
 - (d) \$240,000 or 80 times
4. STARS Company is using the "Kaizen" approach to budgeting for 2013. The budgeted income statement for January 2013 is as follows:

Sales	\$1,000,000
Less: Cost of goods sold	<u>700,000</u>
Gross margin	300,000
Operating expenses	<u>100,000</u>
Operating income	<u>\$ 200,000</u>

Under the kaizen approach, cost of goods sold and variable operating expenses are budgeted to decline by 2% per month. What is budgeted cost of goods sold for March 2013?

- (a) \$686,000
 - (b) \$672,280
 - (c) \$693,000
 - (d) \$679,140
5. The high-low method is the simplest form of quantitative analysis to estimate a cost function. What is the denominator of the equation that determines the slope?
 - (a) difference between the high and low observations of the cost driver
 - (b) difference between the high and low observations of the dependent variables
 - (c) the cost driver
 - (d) dependent variable
6. Relevant costs in a decision of dropping unprofitable customers include:
 - (a) annual depreciation on equipment that will remain the same
 - (b) overhead costs allocated to the sales office
 - (c) currently used warehouse space that has alternative uses
 - (d) general-administration and corporate office costs that will not change in the future

7. TSMU Company is considering pricing its new smartphones using either variable manufacturing or full product costs as the base. The variable cost base provides a prospective price of \$20,800 and the full cost base provides a prospective price of \$22,900. The difference between the two prices is:
 - (a) the estimated market shares
 - (b) the degree of reliability of the two cost bases
 - (c) that the variable cost base for pricing decisions promotes price stability
 - (d) known as price discrimination
8. Which of the following descriptions isn't correct for the balanced scorecard?
 - (a) focus on short-run financial objective
 - (b) provide the framework for implementing an organization's strategy
 - (c) highlight the nonfinancial objectives that an organization must achieve to meet
 - (d) translate an organization's mission and strategy into a set of performance measures
9. Keeping the bottleneck operation busy and subordinating all nonbottleneck operations to the bottleneck operation involves:
 - (a) producing more nonbottleneck output to increase throughput margin
 - (b) having the workers at the nonbottleneck operation improving their productivity
 - (c) keeping the bottleneck resource busy at least 80% of the time
 - (d) maximizing the contribution margin of the constrained resource
10. Which of the following descriptions is correct for the lean accounting?
 - (a) It is more complicated than traditional product costing.
 - (b) It computes costs for individual products.
 - (c) It supports the lean enterprise as a business strategy.
 - (d) Neither of these answers is correct.

Section B: Computational Problems (50%)

1. (17%; a.3%, b.2%, c.12%) KAPLAN Company produces three types of bread: Bagel, Chapatti, and Granary. Production takes 27, 20, and 15 machine hours to manufacture 500-unit batches of Bagel, Chapatti, and Granary, respectively. Information related to KAPLAN's production follows:

	<u>Bagel</u>	<u>Chapatti</u>	<u>Granary</u>
Projected sales in units	20,000	40,000	30,000

Per Unit data:

Selling price	\$38	\$22	\$31
Direct materials	\$6	\$3	\$7
Direct labor	\$13	\$4	\$9
Overhead cost based on direct labor hours (traditional system)	\$12	\$3	\$9

Hours per 500-unit batch:

Direct labor hours	45	15	35
Machine hours	27	20	15
Making dough hours	2	1	2
Baking hours	20	22	24

Total overhead costs and activity levels for the year are estimated as follows:

Activity	Overhead costs	Activity levels
Direct labor hours		5,100 hours
Machine hours		3,580 hours
Making dough	\$420,000	280 hours
Baking	\$210,000	4,000 hours
	\$630,000	

【Required】 (round to the second decimal place if needed)

- Using the traditional system, determine the operating profit per unit for each type of bread.
- Determine the activity-cost-driver rate for making dough costs and baking costs.
- Using the ABC system, for each style of bread
 - compute the estimated overhead costs per unit.
 - compute the estimated operating profit per unit.

2. (18%; a.2%, b.4%, c.12%) The Yuan-Zai Company manufactures two types of dolls: the Giant Panda for Taiwanese customers and the Polar Bear for European customers. Budgeted and actual operating data for the year 2012 are as follows:

Budgeted Data	Giant Panda	Polar Bear	Total
Sales volume in units	22,500	90,000	112,500
Contribution margin	\$5,625,000	\$18,000,000	\$23,625,000

Actual Results	Giant Panda	Polar Bear	Total
Sales volume in units	24,750	57,750	82,500
Contribution margin	\$9,300,000	\$15,300,000	\$24,600,000

【Required】

- Calculate the contribution margin for the flexible budget.
 - Determine the total static-budget variance, the total flexible-budget variance, and the total sales-volume variance in terms of the contribution margin.
 - Compute the sales-mix variance and the sales-quantity variance by type of vacuum cleaner, and in total. (and indicate each variance is favorable or unfavorable)
3. (7%, a.1%, b.3%, c.3%) Double-K photocopying shop is considering the purchase of a new copying machine to improve production efficiency. The machine sells for \$44,824 and requires working capital of \$3,500. Its estimated useful life is 6 years and will have a salvage value of \$4,500. Recovery of working capital will be \$3,500 at the end of its useful life. Annual cash savings from the purchase of the machine will be \$9,000.

【Required】

- Determine the payback period of the investment. (round to the second decimal place)
- Compute the net present value at a 12% required rate of return.
- Compute the internal rate of return.

[Hints: to use the following table for computation]

Terms	N=6, i=8%	N=6, i=9%	N=6, i=10%	N=6, i=11%	N=6, i=12%
Present value of an ordinary annuity of 1	4.623	4.486	4.355	4.231	4.111
Present value of an annuity due of 1	4.993	4.890	4.791	4.696	4.605
Present value of 1	0.630	0.596	0.564	0.535	0.507

4. (8%; a.4%, b.4%) Dragon Company manufactures popular matches. All direct materials are included at the inception of the production process. For February, there were 2,600 units in beginning inventory with a direct material cost of \$950. Direct materials totaled \$17,600 for the month. Work-in-process records revealed that 48,000 units were started in February and that 37,000 were finished. Normal spoilage of 3% of units finished was incurred. Ending work-in-process units are complete in respect to direct materials costs. Spoilage is not detected until the process is complete. Dragon Company uses the weighted-average method.

【Required】

- (a) What are the direct materials costs assigned to completed good units when spoilage units are recognized or when they are ignored?
- (b) What are the direct material amounts allocated to the work-in-process ending inventory when spoilage units are recognized or ignored?

Section C: Essay Questions (20%)

1. (10%) DiaoYu 3C is a small, but growing and diversified company. Its main productions include computers, communications and consumer electronics. In recent years, its operating income has declined to unacceptable levels. To improve this plight of the company, the board of directors is currently considering three alternative ways to reward its CEO (Chief Executive Officer) for performance. They are:
- (1) Compensate its CEO a fixed salary by their performance, but no bonus.
 - (2) Compensate its CEO a base salary with high portion being a bonus based on single performance, ROI being the yardstick.
 - (3) Compensate its CEO a base salary with a bonus based on comparative performance with the other companies in the same industry.
- Please comment each of the ideas, and indicate strengths and weaknesses.
2. (5%) Explain the difference between an inventoriable cost and a period cost. What potential problems does an inaccurate classification of product and period costs cause?
3. (5%) What is the role of unused capacity within the selling division in the determination of a negotiated transfer price to another division?