

Management Accounting Chapter 4 Exercises

5-1 A company manufactures products A and B in three workshops using two types of raw materials M1 and M2, producing product A using M1 and M2, and producing product B using M2 only, at the end of May we get from the accounting statements the following information:

- 1- Beginning inventory:
 - a. M1: 200 kg (\$18/kg)
 - b. M2: 300 kg (\$20/kg)
 - c. A: 87 units (\$5,220 total production cost)
 - d. B: 112 units (\$7,280 total production cost)
- 2- Raw materials purchases:
 - a. M1: 425 kg (\$15.6/kg)
 - b. M2: 900 kg (\$18.8/kg)
- 3- Purchasing direct costs:
 - a. M1: \$807.5
 - b. M2: \$2,250
- 4- Direct labor: 438 hours (\$13/h), 200 hours for A and the rest for B.
- 5- Raw materials uses and production:
 - a. To produce 512 units of A: 436 kg of M1 and 350 kg of M2 were used.
 - b. To produce 425 units of B: 785 kg of M2 were used.
- 6- Products sold:
 - a. 438 units of A (\$73/unit)
 - b. 375 units of B (\$84/unit)
- 7- Indirect costs summarized in the table below:

	Preparation	Assembly	Finishing	Distribution
Total secondary distribution	\$6,755.3	\$4,685	\$3,285	\$4,878
Work units	Raw materials used	Units produced	Direct labor	Quantity sold

- 8- Additional elements: \$565, unallocated costs: \$920
- 9- The company uses WAC to deal with the stock

Questions:

- After finishing up the indirect costs distribution table, compute: purchasing, production and final cost
- Compute: operating and net income.

5-2 A company manufactures product X using the raw material P, at the beginning of May there were 80 kg available in the warehouse at a price: \$ 60.2, movement of stocks during the month of May are shown as follows:

Purchase:

05/08: 100kg (\$59.2/kg)

05/25: 140kg (\$60.4/kg)

Uses:

05/05: 40kg

05/12: 60kg

05/19: 50kg

05/26: 40kg

For stock valuation purposes: add the following information, each unit of raw material P gives one unit of product X

Production expenses: \$ 8600

Distribution expenses: \$ 6600

All the products are sold at a price: \$ 140 per unit

Calculate the analytical result if one of the following methods is used for raw material output:

- 1- Weighted average cost method for total entries
- 2- First in first out (FIFO).
- 3- Last in first out (LIFO)