



**THE UNIVERSITY OF THE WEST INDIES
FIVE ISLANDS CAMPUS**

Semester II

Examinations of APRIL/MAY 2023

Course Code: ACCT 2019

Course Title: Accounting for Managers

Date of Assessment: May 09, 2023

Time: 1:00 pm

Duration: Two (2) Hours

INSTRUCTIONS TO CANDIDATES:

This paper has 5 pages and 5 questions.

YOU ARE REQUIRED TO ANSWER All question in section A and any 2 in section B

THIS ASSESSMENT IS WORTH 70 % OF YOUR FINAL GRADE.

ASSESSMENT DETAILS FROM INSTRUCTOR(S):

YOU ARE REQUIRED TO ANSWER All question in section A and any 2 in section B

Section A**Question 1A**

A comparative balance sheet for Rocker Company appears below:

ROCKER COMPANY
Comparative Balance Sheet

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
	<u>Assets</u>	
Cash	\$ 34,000	\$11,000
Accounts receivable	18,000	13,000
Inventory	25,000	17,000
Prepaid expenses	6,000	9,000
Long-term investments	-0-	17,000
Equipment	60,000	33,000
Accumulated depreciation—equipment	<u>(20,000)</u>	<u>(15,000)</u>
Total assets	<u>\$123,000</u>	<u>\$85,000</u>
	<u>Liabilities and Stockholders' Equity</u>	
Accounts payable	\$ 17,000	\$ 7,000
Bonds payable	36,000	45,000
Common stock	40,000	23,000
Retained earnings	<u>30,000</u>	<u>10,000</u>
Total liabilities and stockholders' equity	<u>\$123,000</u>	<u>\$85,000</u>

Additional information:

1. Net income for the year ending December 31, 2017 was \$35,000.
2. Cash dividends of \$15,000 were declared and paid during the year.
3. Long-term investments that had a cost of \$17,000 were sold for \$14,000.
4. Sales for 2017 were \$120,000.

Instructions

Prepare a statement of cash flows for the year ended December 31, 2017, using the indirect method.

30 Marks

Question 1B

Cash flows from operating activities can be calculated using the indirect or direct method. Briefly describe how the two methods differ yet arrive at the same information about the net cash flows from operating activities. **10 Marks**

Section B**Question 2**

The adjusted trial balance of Dailey Music Company appears below. Dailey Music Company prepares monthly financial statements and uses the perpetual inventory method.

Instructions

Complete the worksheet below. (Reproduce in exam booklet) **20 Marks**

DAILEY MUSIC COMPANY
Worksheet
For the Month Ended April 30, 2018

	Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	11,000					
Inventory	19,000					
Supplies	3,500					
Equipment	80,000					
Accum. Depreciation— Equipment		15,000				
Accounts Payable		20,000				
Common Stock		50,000				
Retained Earnings		42,000				
Dividends	8,000					
Sales Revenue		39,000				
Sales Discounts	2,000					
Cost of Goods Sold	25,000					
Advertising Expense	7,000					
Supplies Expense	6,000					
Depreciation Expense	1,000					
Rent Expense	2,500					
Utilities Expense	1,000					
	<u>166,000</u>	<u>166,000</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Question 3A

Klinger Company estimates that annual manufacturing overhead costs will be \$4,800,000 for 2017. The actual overhead costs at the end of 2017 are \$4,980,000. Activity base information for 2017 follows:

<u>Activity Base</u>	<u>Estimated</u>	<u>Actual</u>
Direct Labor Cost	\$3,000,000	\$3,150,000
Direct Labor Hours	200,000	212,000
Machine Hours	150,000	152,000

Instructions

- (a) Compute the predetermined overhead rate for each activity base. **5 Marks**
 (b) Compute the amount of overhead applied in 2017 for each activity base. **5 Marks**
 (c) Compute the amount of under- or overapplied overhead for 2017 for each activity base. **5 Marks**

3B Question

The income statement is an important financial statement used by individuals who are interested in the operations of a business enterprise. Explain how the time period assumption and the revenue recognition and expense recognition principles provide guidance to accountants in preparing an income statement.

5 Marks

Question 4

Hagen Company's budgeted sales and direct materials purchases are as follows.

	<u>Budgeted Sales</u>	<u>Budgeted D.M. Purchases</u>
January	\$300,000	\$60,000
February	330,000	70,000
March	350,000	80,000

Hagen's sales are 40% cash and 60% credit. Credit sales are collected 10% in the month of sale, 50% in the month following sale, and 36% in the second month following sale; 4% are uncollectible. Hagen's purchases are 50% cash and 50% on account. Purchases on account are paid 40% in the month of purchase, and 60% in the month following purchase.

Instructions

- (a) Prepare a schedule of expected collections from customers for March. **10 marks**
 (b) Prepare a schedule of expected payments for direct materials for March. **10 marks**

Question 5

Werth & Garza Manufacturing's sales slumped badly in 2016 due to so many people purchasing gifts online. The company's income statement showed the following results from selling 500,000 units of product: net sales \$2,125,000; total costs and expenses \$2,500,000; and net loss \$375,000. Costs and expenses consisted of the following:

	<u>Total</u>	<u>Variable</u>	<u>Fixed</u>
Cost of goods sold	\$2,000,000	\$1,300,000	\$700,000
Selling expenses	200,000	50,000	150,000
Administrative expenses	300,000	150,000	150,000
	<u>\$2,500,000</u>	<u>\$1,500,000</u>	<u>\$1,000,000</u>

Management is considering the following alternative for 2016:

Purchase new automated equipment that will change the proportion between variable and fixed expenses to 45% variable and 55% fixed.

Instructions

- (a) Compute the break-even point in dollars for 2016. **7 marks**
 (b) Compute the break-even point in dollars under the alternative course of action. **8 marks**

Question 5B

A CVP income statement is frequently prepared for internal use by management. Describe the features of the CVP income statement that make it more useful for management decision-making than the traditional income statement that is prepared for external users. **5 marks**

END OF QUESTION PAPER