

ACCT2121  
2010/2011 2nd Semester  
Suggested Solution

Problem 1

		Total manufacturing cost of	
		Leather Sofa	Cloth Sofa
Direct Material		600,000	200,000
Direct Labour		\$ 150,000	\$ 75,000
<i>Indirect Cost:</i>			
Parts sorting	400,000/800,000=0.5/part	50,000	5,000
Sewing	1,200,000/40,000=30/hour	150,000	15,000
Assembly	3,000,000/150,000=20/hour	120,000	60,000
Leather Polishing	1,320,000/60,000=22/sofa	110,000	-
Total Indirect Cost		<u>430,000</u>	<u>80,000</u>
Total Manufacturing Cost		<u><u>1,180,000</u></u>	<u><u>355,000</u></u>

		Per Unit Manufacturing Cost of	
		Leather Sofa	Cloth Sofa
Total Manufacturing Cost		\$ 1,180,000	\$ 355,000
No. of production		<u>5,000</u>	<u>1,000</u>
Per Unit Manufacturing Cost		236	355

		Per Unit Production Cost of	
		Leather Sofa	Cloth Sofa
Per Unit Manufacturing Cost		236	355
<i>Non-Manufacturing Cost:</i>			
Product design		10	15
Support costs		<u>50</u>	<u>80</u>
Per Unit Total Cost		<u><u>296</u></u>	<u><u>450</u></u>

Problem 2

		X1	X2
Expected sales (unit)		20,000	10,000
Add: Expected ending Inventory		<u>4,000</u>	<u>2,000</u>
		24,000	12,000
Less: Opening Inventory		<u>1,000</u>	<u>800</u>
Units to be produced		<u><u>23,000</u></u>	<u><u>11,200</u></u>
Molding time per unit (hours)		1	1
Units to be produced		<u>23,000</u>	<u>11,200</u>
Total Molding time required (hours)		23,000	11,200
Direct labor rate		<u>20</u>	<u>20</u>
		<u><u>460,000</u></u>	<u><u>224,000</u></u>
Polishing time required (hours)		1	2
Units to be produced		<u>23,000</u>	<u>11,200</u>
Total Molding time required (hours)		23,000	22,400

Direct labor rate	<u>25</u>	<u>25</u>
	<u>575,000</u>	<u>560,000</u>
Total direct labour cost per unit	<u><u>1,035,000</u></u>	<u><u>784,000</u></u>

Problem 3

- (a) a. 5 per roll  
 b. 2,270  
 c. \$ 520 U  
 d. \$ 11,550  
 e. \$ 350 U

Problem 4

- 1 396,000 direct labor hours  
 2 \$ 600,000  
 3 \$ 0.75 per direct labor hour  
 4 \$ 33,000 U  
 5 \$ 22,000 U  
 6 \$ 25,000 F  
 7 \$ 60,000 F  
 8 \$ 55,000 U  
 9 \$ 25,000 F

Problem 5

(a) Additional net income for the special order:		
Additional Sales revenue (10,000*15)		\$ 150,000
Cost of good sold:		
Direct materials (160,000/40,000*10,000*110%)	\$ 44,000	
Direct labour (240,000/40,000*10,000)	60,000	
Variable manufacturing cost (3*10,000)	<u>30,000</u>	<u>134,000</u>
		\$ 16,000
Fixed administrative expense		<u>5,000</u>
		<u>11,000</u>
<i>Less: Reduce in net income from normal sales</i>		
Sales revenue (2,000*1,000,000/400,000)		\$ 50,000
Cost of good sold:		
Direct materials (160,000/40,000*2,000)	\$ 8,000	
Direct labour (240,000/40,000*2,000)	12,000	
Variable manufacturing cost (3*2,000)	<u>6,000</u>	<u>26,000</u>
		\$ 24,000
Variable selling expense (2*2,000)		<u>4,000</u>
		<u>20,000</u>
<i>Add: Decrease in tax expense (84,600/235,000*20,000)</i>		\$ 3,240
Change in net income after accepted the special order		<u><u>(5,760)</u></u>

All solutions are for reference only. CUSA does not guarantee the accuracy of the contents.