

Name

ID No

section

PRINCE OF SONGKLA UNIVERSITY
FACULTY OF ENGINEERING

Mid-term examination : semester 1

Academic Year : 2010

Date : August 4, 2010

Time : 13.30 – 16.30

Subject : 225-455 Cost Analysis

Room : S 817

Instruction

1. Attempt all questions.
2. Write answers in this examination paper.
3. Total examination papers are 10 pages.
4. The points are as follows ;

Question No	1	2	3	4	Total
Full points scored	20	20	20	12	72
Scored					

ทูลงการสอบ โทษันต่ำ คอ ปรบตกรนรายวิชาที่ทูลงการ
และพัทการเรยน 1 ภาคการศีกษา

Boonrueing Manasurakarn



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AAA Company
Balance Sheet
 December 31, 2009, and 2008
 (Baht in thousands)

	2009	2008
Assets		
Current assets:		
Cash	1,200	2,350
Accounts receivable, net	6,000	4,000
Inventory	8,000	10,000
Prepaid expenses	<u>300</u>	<u>120</u>
Total current assets	<u>15,500</u>	<u>16,470</u>
Property and equipment		
Land	4,000	4,000
Buildings and Equipment, net	<u>12,000</u>	<u>8,500</u>
Total property and equipment	<u>16,000</u>	<u>12,500</u>
Total assets	<u>31,500</u>	<u>28,970</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	6,700	4,400
Notes payable, short term	<u>300</u>	<u>600</u>
Total current liabilities	7,000	5,000
Long-term liabilities		
Bonds payable 8%	<u>7,500</u>	<u>8,000</u>
Total liabilities	<u>14,500</u>	<u>13,000</u>
Stockholders' Equity		
Preferred stock, ฿100, 6% ฿100 liquidation value	2,000	2,000
Common stock, ฿12 par	6,000	6,000
Additional paid-in capital	<u>1,000</u>	<u>1,000</u>
Total paid-in capital	9,000	9,000
Retained earnings	<u>8,000</u>	<u>6,970</u>
Total stockholders' Equity	<u>17,000</u>	<u>15,970</u>
Total liabilities and Stockholders' Equity	<u>31,500</u>	<u>28,970</u>



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AAA Company
Income Statement
December 31, 2009, and 2008
(Baht in thousands)

	2009	2008
Sales	52,000	48,000
Cost of goods sold	<u>36,000</u>	<u>31,500</u>
Gross margin	<u>16,000</u>	<u>16,500</u>
Operating expenses:		
Selling expenses	7,000	6,500
Administrative expenses	<u>5,860</u>	<u>6,100</u>
Total operating expenses	<u>12,860</u>	<u>12,600</u>
Net operating income	3,140	3,900
Interest expense	<u>640</u>	<u>700</u>
Net income before taxes	2,500	3,200
Income tax (30%)	<u>750</u>	<u>960</u>
Net income	<u><u>1,750</u></u>	<u><u>2,240</u></u>



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1. Explain your understanding on the above financial statements.(20 points)

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2. Refer to the financial statements data for AAA company .(20 points)

Required:

2.1 Present the balance sheet and income statement in common-size vertical format.

2.2 Comment on the results of your analysis.

A handwritten signature in black ink, consisting of a large, stylized letter 'G' followed by a horizontal line and a small flourish.

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3. Refer to the financial statements data for AAA company .

Required: (20 points)

3.1 compute liquidity ratios.

3.2 compute activity ratios.

3.3 Comment on the results of your analysis.



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4. A company manufacture 400 units of a product per month to meet the domestic demand by utilizing a rented machine. The monthly rental, the labor cost and other fixed costs amount to \$1,000. The materials cost and other variable costs are \$6 per unit. The unit selling price of the product is \$9. The maximum production volume of the machine is 600 units per month.(12 points)
- 4.1 What is the average full cost per unit?
- 4.2 The company has received an inquiry from abroad concerning the possibility of shipping 100 units of the product next month. The unit sales price of this shipment is \$7.50. If the company accepts this offer, 500 total units (including domestic demand) must be manufactured next month. Assume that the total labor cost for the month will not change because all 500 units can be manufactured with regular working hours. How should the company reply to this inquiry?
- 4.3 Suppose a subcontractor is available, from which the company can purchase the product at \$7 per unit. Would making 100 units of the product in-house yield greater profit than subcontracting?

