Points On The Exam:

Your grade on the first exam will be based on a total of 300 points. Thus, if a student scores 270 points, he/she will have achieved a grade of 90% (270/300). If on the other hand, a student scores only 234 points, that would result in a grade of 78% (234/300).

Extra Points:

The exam will actually contain 315 points, so a student could score over 100% on the exam. The major reason for providing these extra points is to “compensate” students for any minor errors which they might make on the exam because a question was inadvertently unclear or slightly ambiguous or was misread or misinterpreted.

Points On All Three Exams:

There are 1000 points on the three exams to be given in the course, and so this exam is valued at 30% of the total points in the course. The points a student scores in total on the three exams will be added together to determine the students overall grade on the three exams. For example, lets assume that a student achieves the following three exam scores during the quarter: 1st exam: 240 points (80%); 2nd exam: 225 points (75%); final exam: 344 points (86%). The total of these three scores, on a point basis, will be added together to determine the students overall percentage. Thus, in this case, 240 + 225 + 344 = 809 points or 80.9%, i.e., 81% overall average and a B in the course.

Description Of The Exam:

The exam will contain two multiple-part fill-in questions and three problems. The two fill-in questions are worth 60 points and 20 points, respectively. The three problems are worth between 70 and 80 points each. There will be no questions on the exam requiring journal entries or the preparation of specific worksheets.

The Two “Fill-in” Questions

One of the fill-in questions requires the classification of various costs in several ways: (1) By their cost behavior patterns (variable, fixed, mixed), (2) By whether they are product or period costs, and (3) In the cases where they are product costs, whether they are direct or indirect product costs. Similar problems in the text are E2-1, E2-2, E2-10, P2-12 and P2-13.

The other fill-in question deals with the issue of the impact on the magnitude of different cost items when the level of production or sales changes. You should have a clear understanding of what the impact would be on the magnitude of variable, fixed and mixed costs both on a total cost and per unit cost basis. Problem 2-13, particularly part 3 deals with this topic.

Types of Problems Which Might Be Covered On The Exam

The exam will include three “whole” problems. These will require that the student solve each part of the problem by performing calculations and presenting them in the designated spaces for answers on the exam. It is strongly recommended that you show your work, since partial credit will be given in some (but not all) cases. The instructor can only determine if a student deserves some partial credit if their calculations can be reviewed. If you provide an incorrect answer and no calculations are provided, then you have greatly reduced the possibility of receiving any partial credit.
The problem areas on which you should concentrate for the exam are the following:

1. **The Manufacturing Cost Flows.**

   You should understand and be able to calculate how costs move through the raw materials, work-in-process, and finished goods inventory accounts. You should be able to calculate the ending balances in each of the three inventory accounts, the dollar amount transferred from each account, the value of cost of goods sold, and net operating income for the period. You should also be able to calculate the per unit cost and know how to use this figure to determine ending finished goods inventory and cost of goods sold. You are not required to present a statement of cost of goods manufactured, although you may use this statement if you find it the best way to calculate the items listed above. Related problems include: E2-5, E2-6, E2-7, P2-16 and P2-18.

2. **The Use of Departmental Overhead Rates For Costing Out Products**

   You should be able to determine (“cost out”) a job in a job cost setting using a normal cost system, with predetermined departmental overhead rates. To do this, you should be able to (1) attach direct material and direct labor to a job, (2) calculate departmental overhead rates from budgeted data, (3) use those calculated rates to assign overhead to a job, and (4) determine total manufacturing costs per unit. The bases which you should know how to use for charging overhead include direct labor hours, machine hours, and units. Once the product unit cost has been calculated, you should be able to determine the value of ending finished goods inventory and the cost of goods sold. Related problems include: E4-2, E4-3, E4-4 and E4-11.

   Pages 122 and 123 in the course text specifically explain and give examples of calculating and using predetermined departmental overhead rates. You will not be responsible on this first exam for calculating over-applied or under-applied overhead.

3. **Cost-Volume-Profit Analysis - Unit Basis Only For This Exam**

   You must understand the concepts of variable costs, fixed costs, and contribution margin. You should be able to calculate the breakeven point in both units and sales dollars. You should be able to calculate the following: (1) a company’s safety margin in units, (2) its operating leverage, (3) its degree of operating leverage, and (4) the level of sales in units required to achieve a specified level of profit before taxes.

   You should also be able to calculate breakeven points and expected profit levels under a variety of sets of assumptions. Thus, you should be able to calculate expected profit levels under a particular set of assumptions, including those related to changes in selling price, variable costs, fixed costs, and the level of sales. In short, you will be asked to perform some “what if analyses”, which are often called sensitivity analyses.

   Related assigned problems include: E3-1, E3-2, E3-3, E3-4, P3-11.

   Note: you will **not** be responsible for any calculations regarding multiple product situations, where the product sales mix must be explicitly considered.