

SABBATICAL LEAVE REPORT

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The Plan of Study and Limitations

The purpose of the sabbatical leave was to travel to colleges and universities in ten or more states to:

- a. Attend classes in accounting to evaluate techniques used in different states.
- b. Interview professors in intermediate accounting to determine problems of transfer students as opposed to resident students.
- c. Discuss accounting courses that are accepted from community colleges to fulfill accounting curriculum of transfer students.
- d. Observe types of calculators used in accounting classes and in calculation classes, if any.
- e. Observe, in general, the cultural, economic and social differences in the parts of the United States I have not seen previously.

Although more than ten states and colleges or universities were involved in my travels during the sabbatical leave, certain elements limited the number of states I had planned to visit. If others planning sabbatical leave read this paper, it should be recognized that travels by Recreational Vehicle can create problems that complicate scheduling. Some that were faced were floods, and other weather problems, illnesses, and mechanical breakdowns. A major problem was the fuel shortage and the uncertainties it created; for the last month or more we didn't know from one day to the next whether we could get gasoline. We traveled as far as Atlanta, Georgia when the shortage hit New York, and three dollars worth of fuel was the limit on the freeways. At that point we decided to head for California while we could still get gas. As it developed, we could have continued to New England; but that is hindsight.

I would like to express my appreciation to all who made it possible for me to spend a semester on sabbatical leave, and to thank the Board of Trustees, College Administration, and my colleagues in the division who took over my classes while I was on leave. I feel that the leave was successful in terms of benefits to Mount San Antonio College and certainly to me. It was an interesting and enjoyable experience.

The information and knowledge I gained on sabbatical leave is currently being put to use in the development of course offerings in accounting. Materials and techniques observed on the leave are being shared with members of my department.

My wife and I traveled using a motor-home, pulling a small car, and staying in R.V. parks, for most of the time, in the cities where the colleges were located. The car was used to visit the colleges and for short sightseeing trips. The combination worked well.

The questions that were to be asked started with:

1. What problems, if any, do community college students (as opposed to four year college students) experience in transferring to intermediate accounting in a four year college?
2. What accounting courses are accepted from community colleges to fulfill the accounting curriculum?
3. Are beginning accounting students required to complete a practice set?
4. Is the traditional approach or conceptual approach used in Beginning Accounting?
5. Are overhead projectors and transparencies used; are demonstration problems used?
6. Are pretests for intermediate used to screen students?

7. What types of calculators are used in machine calculation courses if the course is offered?

8. Is the use of hand calculators allowed on examinations?

I found that large class sizes made it difficult for instructors to know the background of the students in their classes in many of the colleges. In those cases it wasn't possible to determine the problems of students transferring from community colleges. Most of the instructors relied upon the admissions offices to determine accounting courses accepted from community colleges.

I found that the first two accounting classes, for accounting majors and Business Administration majors, were no longer titled "Principles of Accounting" as they are at Mount San Antonio College so I added the question: What are the course titles for the first two accounting classes taken by accounting and business administration majors?

The text books used in the first two classes helped indicate the course content, so I added the question: What texts are used in the first two accounting classes?

Results of Traveling to Colleges and Universities

Our first stop was Reno, Nevada, and the University of Nevada. This portion of Nevada is growing very rapidly. There seemed to be a great amount of controversy as to how the city should develop; many did not want the expansion of gambling or to have Reno become another Las Vegas. The MGM Hotel complex is the symbol of this concern.

The person I contacted at the University of Nevada was very cooperative and answered most of my questions and raised others. Most community college

students succeeded well in intermediate accounting with a few exceptions, the competency of instruction in some community colleges was questioned.

Only the first two accounting classes are accepted towards an accounting degree. I asked the same question: What accounting courses are accepted from community colleges to fulfill the accounting curriculum? at all colleges I visited and the answer was the same, only the first two courses, our accounting 6A and 6B.

The University of Nevada does not use a practice set in the first accounting classes. They tried the conceptual teaching approach and text books without much success; in fact, the instructors that changed the program from traditional to conceptual were dismissed and the texts changed back to the traditional approach that they are using now.

Overhead projectors and transparencies are used. There is no machine calculations course offered. Hand calculators cannot be used on exams and the policy will remain until calculators are allowed on the CPA exam.

We left Reno and headed East across Nevada in very high winds, rain and some snow. This part of Nevada is sparsely populated, the wide open spaces, most of the people living in the small towns seemed to be barely making ends meet economically, but enjoying the slower pace of life.

Heading North now, we passed through some rich looking farm country in Idaho on our way towards Twin Falls and then on to Sun Valley, a setting that was as outstanding as I had heard. It was also our first mechanical problem. The motor home was improperly wired so the battery was not charging except when the motor was running. At thirteen below zero the main battery went dead, causing the heater to stop working, causing the water and holding tanks to freeze, and causing us to leave for lower, warmer weather to thaw out.

Pocatello, Idaho, and Idaho State College was to be our next destination. Ice jams on the river was causing flooding throughout much of the city and we were advised to stay out of the area. The person I had talked to at the University of Nevada had been on the staff at Idaho State previously and suggested that I bypass Idaho State and go to Brigham Young University where the accounting program is outstanding.

We arrived in Salt Lake City on Friday afternoon and decided to spend the weekend there. Monday I visited the University of Utah, located in a beautiful setting overlooking Salt Lake City.

The professor I talked to described the students in the accounting classes of the university as a very homogenous grouping. Eighty to ninety percent of the students are from "the valley," most are of Latter-day Saints religious backgrounds, and most are conscientious workers with a strong Mormon work ethic. The students from the Utah Community Colleges are mostly of lower academic ability, are usually taking vocational courses, and very few transfer to four-year colleges.

The only courses accepted from out-of-state community colleges are those the accredited universities in that state accept. Practice sets are not used in the first two accounting classes. No pretests are used because there a very few transfer students. The traditional approach to instruction is used. No machine calculation courses are offered, hand calculators were allowed on tests.

Brigham Young University is located about an hour from Salt Lake City in one of the few cities in Utah with a smog problem, caused by local industry. Provo is, however, an ideal sized college town in a great setting

with snow capped mountain as a background. The college has an outstanding accounting program, attracting students from most states; however, unless the students are of the Mormon faith, the required religious training is difficult for non-Mormon students.

If students meet the admission requirements of the college, which is a 2.7 overall grade point average and a 2.85 average in the first two accounting classes, the students generally succeeded in intermediate accounting. The intermediate accounting classes were large and the backgrounds of the students were not really known by the instructor.

Only the first two accounting classes are accepted towards their "Institute of Professional Accounting" (IPA) program. The Accounting Mathematics 11 course offered at Mount San Antonio College would be accepted if Annuities, Annuity Due, and Present Value are covered in the subject matter. The IPA program is a five year course of study leading to a Master of Accountancy Degree. The program must be successful if the CPA exam is a measure, because 70% of the BYU students passed in the first setting as compared to 14% for other college students with BS degrees in accounting.

The text books used in the first semester of Financial Accounting for all students is Fundamentals of Financial Accounting by Anthony and Welsch, Irwin Publishing Co., and Managerial Accounting by Ray H. Garrison of BYU, Business Publications Inc. Students, other than accounting majors, enrolled in another second course using Garrison's book only.

Practice sets were used in the second course for accounting students. The texts and instructional methods used are considered a compromise between the traditional and conceptual approach. Overhead projectors are used with lectures. Pretests for intermediate accounting are being considered but

not yet in use. They are considering including a 10-key adding machine course for accounting students in the requirements. The use of hand calculators is allowed on tests so that more topics can be included.

Although less than 50% of the people of Utah are members of The Church of Jesus Christ of Latter-day Saints, the influence of the church is considerable upon the laws and life of the state of Utah. We enjoyed our stay in the state and found the people very hospitable.

I noted that houses cost much less than in Southern California, almost half. Shopping was more difficult than here because most stores were poorly stocked.

Colorado was next on our agenda, we drove from Provo through mining country to Grand Junction, Colorado, where mechanical problems and heavy snows delayed us. With problems solved we headed for Denver with a side trip to Aspen. The area from Aspen to Denver was some of the most beautiful scenery of the trip. I arrived in Denver with a very bad cold, it got progressively worse to the point where I couldn't talk. I had planned to visit the University of Colorado when we first arrived, but the students and faculty were demonstrating against cuts in funds by the state. Since I couldn't talk, we decided to leave Denver and drive towards New Mexico via Colorado Springs, another beautiful area of this country. We made it through Colorado Springs and as far as Pueblo, Colorado, not one of the more scenic parts of the state. The drive shaft fell off of our motor home so we spent three days waiting for parts. Finally on the road again we had to make up for the lost time to reach Northern Arizona State University before spring recess. I had an appointment with an ex-student who was to show me around the campus and evaluate his preparation at Mount San Antonio College for accounting classes at Northern Arizona State University. I had planned to visit the University of New Mexico in Albuquerque; but

when we arrived, I still couldn't talk and time was important so we continued on to Flagstaff and to North Arizona State University.

Community college students experience little difficulty in transferring to North Arizona State University, 90% are from Arizona, the accounting departments of the colleges work closely with the accounting instructors in the community colleges. The student that transferred from Mount San Antonio College reported that he was well prepared for the intermediate class and received an excellent grade for the first semester, he was progressing well the second semester.

The first semester is titled Financial Accounting, the text is Financial Accounting an Introduction by Walgenbach-Dittrich-Hanson, Harcourt Brace Jovanovich Inc. The second semester is titled Managerial Accounting with Managerial Accounting by Garrison used as the text.

At this point I started to see the Financial-Managerial Accounting sequence replacing the Principles of Accounting 6A-6B as it is at Mount San Antonio College.

No practice sets are used in Financial or Managerial Accounting, they are used in intermediate accounting. Overhead projectors are used in lectures. No pretests are used. It is up to the instructor whether hand calculators can be used on tests or not. The particular instructor allowed the use of calculators on some tests to cover more calculations, on others hand calculations were required. A one, two or three unit course involving the use of 10-key adding machines are offered as part of an office machines course. This college, along with several others, is going to offer three semesters of intermediate accounting to cover the growing amounts of material in the field of accounting.

We left Arizona for California for a short stay to file our income tax and exchange our wardrobe for one suitable for warmer weather.

Our next destination was the University of Arizona at Tucson. The instructor knew of no transfer problems; however, classes were large. The Financial Accounting course uses Anthony and Welch as the text and Garrison for Managerial Accounting. No practice set is used. Overhead projectors are used, the traditional and conceptual approach is involved in instruction. There is no pretest for intermediate; however, an early test is given to intermediate students to identify weak students. The class size is sixty students, the first semester of intermediate accounting is the "weeding-out" class; 2/3's accounting majors and 1/3 data processing majors make up the classes. Business Administration majors take Financial and Managerial Accounting and one more accounting class but not intermediate accounting. No machine calculation courses are offered. Hand calculators may be used on tests at instructors option.

I next visited the University of Texas at Arlington. No transfer problems were reported. Financial Accounting used Financial Accounting by Meigs and Meigs, McGraw-Hill as a text and for Managerial Accounting, Introduction to Management Accounting by Horngren, Prentice-Hall Inc.

No practice sets are used, the instructional approach is mostly traditional. The instructor also teaches at Texas Christian University where the conceptual approach is used. Overhead projectors are used, class sizes are about 45 students. No pretests are used, no machine calculation courses offered, and hand calculators can be used on tests.

Arlington is located midway between Fort Worth and Dallas, about a half hour drive either way. The country surrounding these towns is

mostly involved in the production of oil or farming. I was impressed with most of the farms and farm homes in this part of Texas, they were all very well kept, no junk machinery stored around the buildings as so many farms will have. The farms looked prosperous.

We started for Houston via Austin, San Antonio, and Corpus Christi. Stopping along the way to see the Alamo and the King Ranch. As soon as the flood waters that had Houston declared a Federal disaster area receded, I visited the University of Houston.

Many community college students transfer to the University of Houston from a wide range of community colleges, some of these students are not well prepared, a "B" average is required.

The Financial Accounting class uses the text Financial Accounting by Benjamine, Francia (University of Houston), and Strawser, Dame Publications Inc. The Managerial Accounting course uses Managerial Accounting by the same authors. No practice sets are used. They now use a balance between the conceptual approach and traditional approach to accounting instruction. They went overboard for the conceptual a few years ago. Overhead projectors are used in the three unit lecture classes with three hundred students per class, a lab is voluntary. No machine calculations classes are offered, hand calculators may be used on tests. Three semesters of intermediate accounting are required in order to give more time for worksheets etc., at employers request and also S.E.C. requirements.

The countryside east of Dallas and Houston was much different than I had pictured. I had expected to see swamps and bayous, but not the pine forests that covered most of the land not cleared for farms, these extended all the way down to Florida.

On our way to New Orleans we took some side trips through the creole country. We were surprised at the large number of fairly new brick homes throughout the country side. The houses were well designed and reflected great pride and value placed on their homes.

Besides seeing the sights and eating the great food in New Orleans, I visited Tulane University.

A student had to be a graduate student to take the first accounting class, so community college students did not transfer to intermediate accounting. Their Financial Accounting classes will be using Financial Accounting by Spiller, Irwin, and Managerial Accounting uses Horngrew's Introduction to Management Accounting.

Practice sets are not used. The approach to instruction was described as traditional; however, the text by Spiller for Financial Accounting is very conceptual--analytical.

I did not think that Tulane was representative of Colleges in Louisiana, so I visited the University of New Orleans.

Ninety percent of their students are local and enter as freshmen. Only the first semester of accounting may be transferred from another school, which may explain why ninety percent are local students. The Financial Accounting course is one semester for accounting majors, then on to two semesters of intermediate accounting. Non-accounting majors take Financial Accounting and then Managerial Accounting, accounting majors cover the Managerial Accounting material in intermediate and cost accounting classes. The text used for Financial Accounting is Financial Accounting by Meigs, Mosich, and Meigs, McGraw-Hill Book Co.

Practice sets are not used. The traditional approach is used in instruction. The overhead projector is not used much, duplicated problems and solutions are used instead. Machine calculation instruction is part of an office appliance course, not usually taken by accounting majors. Hand held calculators may be used on tests.

Biloxi, Mississippi, was our next destination. It is a pretty resort city on the Gulf, best known for being the home of Jefferson Davis and a frequent target for hurricanes. Inland about seventy miles is Hattiesberg, a very attractive setting for the University of Southern Mississippi. The flooding in Texas and Mississippi had delayed me one week too long, and I hit the quarter break. The only instructor available taught only the tax accounting courses. He knew that the text that was used for their first two accounting courses was Accounting for Business Decisions by Meigs, Johnson, and Meigs, McGraw-Hill Book Co., that traditional methods were used, and that overhead projectors were used.

I next visited the University of South Alabama in Mobile. Some problem with the preparation of community college students exist in the Alabama community colleges; accounting is taught more at the vocational level rather than professional level.

The University offers two semesters of Financial Accounting using Principles of Accounting by Walgenbach, Dittrich, and Hanson, Harcourt Brace Jovanovich Inc., and one semester of Managerial Accounting using Horngren's Introduction to Management Accounting; three semesters of elementary accounting! A practice set is required. The traditional approach is used, overhead projectors are used with class sizes of fifty to one hundred meeting three hours a week for three units. An optional accounting

study lab is available with cassettes and student assistants for students having difficulty with various topics. No machine calculation courses are offered, students can use hand calculators on tests.

Florida has many things in common with California, fishing, boating, citrus, avocados, all types of vegetable, and a community college system that is highly respected.

At Florida State University at Tallahassee, eighty-five percent of its upper division students are transfers from community colleges. Not many transfer students have difficulty in intermediate accounting because they are well prepared by the community colleges. The Florida State University Accounting School holds workshops for community college instructors to maintain quality accounting training. Only the first two accounting classes may be transferred to Florida State University.

For Financial Accounting, the text now is Financial Accounting by Anthony and Welch. Chapters one to seven are taught the first quarter and nine to sixteen the second quarter. A change to Accounting Principles by Thacker, Prentice-Hall is anticipated. Accounting majors take two quarters of Financial Accounting then three quarters of intermediate accounting. Business Administration majors take two quarters of Financial Accounting and one quarter of Managerial Accounting for which the text is Managerial Accounting by Champaign and Miller.

A long practice set is required for Financial Accounting. The conceptual method of instruction is used, although the text is not really a conceptual text. The building is not set up for the use of overhead projectors. Class size is forty-five students for lecture, no labs. No pretest is used for intermediate accounting, but one is under consideration.

No machine calculation course is now offered, although one was at one time. Hand held calculators may be used on tests.

A written communication class is required for all accounting majors reflecting the need for good, clear, written expression for accountants.

I found Florida much different than I had expected. The timber in the Northwest of the state, citrus and cattle in the central part, the Everglades and the Keys in the south were all less populated than expected. I, of course, enjoyed swimming in the warm, clear water.

The worst part of the Florida visit was watching the news of the gas lines in California, and the concern that the problem would spread East and catch us, making it impossible to get back home.

Atlanta, Gerogia, was our next destination. I tried to fill up the motor home gas tanks, which were nearly empty, needing fifty gallons. The station limited me to ten dollars worth of gas. I talked to people coming from the Northeast, they said some stations limited them to three dollars worth of gas. I decided to visit the Georgia State University and then head for home in California.

Students from community colleges in Georgia had some problems in transferring into intermediate accounting in Georgia State University.

Again, it was intimated that instruction in the Georgia community colleges was more at the vocational or trade level and not up to the four-year college professional standards.

The Financial Accounting course used Financial Accounting; a programmed text by Edwards, Hermanson (Georgia State University), and Salmonson-Irwin Publishing Co. For Managerial Accounting the text is Managerial Accounting; a programmed text by the same authors. All chapters except

one are covered in one quarter. Class size is forty students meeting five hours a week. An accounting lab is optional on the part of the student.

The traditional approach is followed, although the textbook and amount of material to be covered in one quarter suggests a more conceptual approach. No practice set is used. Some instructors use overhead projectors. The accounting department has developed its own pretest. No machine calculations course is offered. The use of hand calculators is a teacher preference matter for the first two classes, they cannot be used in intermediate accounting.

After completing the interview with the instructor at Georgia State University, we turned towards the West using a different route back towards California than we had used for the Easterly part of the trip. It was just about July when we arrived back in California. Despite some of the problems, the whole sabbatical trip was most enjoyable and I feel enlightened by the experience.

Summary

The anticipated end result of the sabbatical leave, particularly as it will help me render more effective service to Mount San Antonio College were to be as follows:

My major teaching area is Accounting 6A-6B; students will be transferring to four-year institutions and taking intermediate accounting and then other advanced courses, leading to a CPA license and employment with an accounting firm, frequently a nationwide one;

I plan to compare training techniques with institutions in other states, discuss articulation problems they experience, and courses they accept from community colleges. Any new techniques when incorporated in my instruction will improve my teaching, and information on courses will help the development of new courses as part of my duties as chairman of the Accounting Committee,

I will share my findings with other instructors. Experiences in travel will enliven lectures;

I believe I will be able to render more effective service to the college as the result of the sabbatical leave as some of these findings are implemented.

Many of the colleges had large classes, so not much was known about the backgrounds. Community colleges had good academic reputations in some states I visited, but not in others, such as Utah, Texas, Louisiana, Mississippi, and Georgia. In Arizona and Florida, community college students transferred to intermediate accounting at the four-year college as well as students who take accounting at that college.

The only accounting courses accepted by the colleges I visited are the two beginning courses, our Principles of Accounting 6A and 6B.

Most large classes had labs either required or voluntary, some had programmed instruction, cassettes, and tutors. The large, three hours a week lecture classes may be better for the very strong academic student that enters the four-year colleges; but for most community college students, I believe the five hour a week class is better. The use of cassettes for remedial work could be beneficial.

Most colleges had one final exam period for all students enrolled in each course, and the exam was standardized by the department. Quizzes were developed by individual instructors.

Copies of some of the course outlines and tests used by some of the colleges will be shared with other accounting instructors and analyzed to see that our students experience the types of questions used by the four-year colleges.

Overhead projectors were generally used. The use of hand held calculators on tests was up to the instructor. Machine calculation courses were not offered.

Most colleges followed the sequence of Financial Accounting for the first semester of accounting and Managerial Accounting for the second semester. Some colleges follow the financial, cost, and intermediate accounting sequence for accounting majors and financial, managerial accounting for business administration majors.

I would like to change the courses at Mount San Antonio College to the Financial Accounting and Managerial Accounting form.

I would like to have the course description of Accounting Mathematics 11 include annuities, annuity due, and present value to have it accepted at colleges such as Brigham Young University.

A course in written communications should be a recommended class for accounting majors.

Although most four-year colleges surveyed did not use a pretest as a screening device for intermediate accounting, I think it should be continued at Mount San Antonio College as an instrument to evaluate the effectiveness of our courses in accounting.

My impression of a whole section of this country have changed as a result of my travels and my experiences will be of great value both to me and I hope to my classes in the future.

I would again like to express my appreciation for making the sabbatical leave possible.

Appendix

The following is a copy of a test similar to those that I gathered from most of the colleges I visited. I will make the rest of the sample tests available to the other members of my department. The purpose is to see that our students experience the same types of questions that they may face when they transfer to a four-year college. The sample is a cost accounting exam from the University of New Orleans.



Dr. P. Roberts

1. JOB ORDER COST, Crescent Construction Co. has the following CHART OF ACCOUNTS (arranged ALPHABETICALLY). Use ONLY those accounts you feel

- | | |
|-----------------------------|-----------------------------|
| 1. Accumulated Depreciation | 8. Rent Expense |
| 2. CASH | 9. Salaries Expense |
| 3. Cost of Sales | 10. Sales |
| 4. Depreciation Expense | 11. Stores Control |
| 5. Factory Overhead APPLIED | 12. Supplies Expense |
| 6. Factory Overhead CONTROL | 13. WORK IN PROCESS CONTROL |
| 7. Finished Goods | |

are proper. You may feel that SOME accounts should NOT be used.

Record the following transactions by inserting the appropriate account numbers in the space provided. In addition, if the transaction involves Work in Process add the amount to the WORK IN PROCESS CONTROL account and the JOB COST CARDS given on next page. LETTER your postings to correspond to the transaction.

	DEBIT	CREDIT
(a) Paid cash for direct materials and miscellaneous supplies, \$60,000.		
(b) Direct materials requisitioned for jobs: #101 \$7,000; #102 \$10,000; # 103 \$4,000.		
(c) Miscellaneous supplies used on various jobs, \$500.		
(d) Paid salaries of construction workers: job # 101 \$10,000; #102 \$8,000; #103 \$4,000.		
(e) Paid salaries of Secretary (600), truck driver (600), Accountant (1,000), Manager (1,500).		
(f) Paid rent on office, \$200.		
(g) Recorded depreciation on truck & equipment, \$300.		
(h) \$1,000 of materials requisitioned in (b) for Job #103 were NOT used and were returned to inventory.		
(i) Materials costing \$2,000 which had been special ordered for job #102 were delivered directly to the job site. Cash was paid.		
(j) Job #101 is completed. Overhead is applied on the basis of direct labor cost. Overhead for the year had been estimated to be \$60,000 and direct labor had been estimated at \$200,000.		
Job #101 is transferred from Work in Process.		
(k) Job #101 is sold for \$25,000 cash.		

WORK IN PROCESS CONTROL.

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Job # 101

Direct Material	Direct Labor	Applied Overhead

Job # 102

Direct Mat.	Direct L.	Applied O.

Job # 103

Direct Mat.	Direct L.	Applied O.

ASSUMING that overhead were applied to the other jobs worked on during this month, COMPUTE the amount of the OVER-applied or UNDER-applied overhead for the month.

OVER-applied \$ _____

UNDER-applied \$ _____

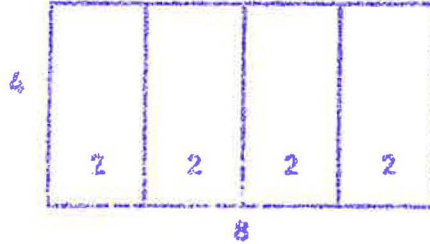
Work EITHER problem # 2 OR problem # 3. Do NOT work both.

2. Process Cost --- FIFO

Crescent City School Supply Co. manufactures school furniture. Information is presented below for January, 1978, for the operations of Dept. # 1 which is the Cutting & Sanding department. The company uses the modified FIFO method of costing.

ALL material is added at the BEGINNING of the process. Conversion cost is incurred uniformly throughout the process.

NOTE: One 4' x 8' sheet of plywood is cut to make FOUR (4) 2' x 4' desk tops.



There were 20 units in process at the BEGINNING of the month. During the month 20 sheets of plywood were placed into production to be cut into desk tops. The ENDING inventory consists of 40 units.

WORK IN PROCESS -- Dept. # 1

Beginning Inventory:		80# transferred to Dept. # 2	
20# 2' x 4' desk tops		(2' x 4' desk tops)	\$ _____
25% processed			
Material	\$ 186		
Conversion costs	93		
(25% completed)			
25# sheets of 4' x 8' plywood		ENDING Inventory	
@ \$30 per sheet	750	40# (2' x 4' desk tops)	
		75% processed	\$ _____
Conversion costs	1,260		
	<u>\$2,289</u>		

REQUIRED: See separate sheet labelled "SOLUTION" to # 2 OR # 3.

PLEASE put ALL supporting calculations on the "SOLUTION" page. Thanks.

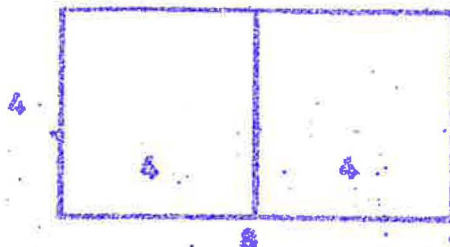
Work EITHER problem # 2 OR problem # 3. Do NOT work both.

3. Process Cost -- WEIGHTED AVERAGE

Dixie Furniture Mfg. manufactures coffee tables, etc. Information is presented below for September, 1977, for the operation of Dept. # 1 which is the Cutting & Sanding department. The company uses the WEIGHTED AVERAGE method of costing.

ALL material is added at the BEGINNING of the process. Conversion cost is incurred uniformly throughout the process.

NOTE: One 4' x 8' sheet of plywood is cut to make TWO (2) 4' x 4' coffee table tops.



There were FIFTY (50) units in process at the BEGINNING of the month. During the month 175 sheets of plywood were placed into production to be cut into coffee table tops. The ENDING inventory consists of 100 tops PARTIALLY processed.

WORK IN PROCESS -- Dept. # 1

Beginning Inventory: 50# (4' x 4' tops) 40% processed		300 # transferred to Dept. # 2 (4' x 4' tops)	\$ _____
Material	\$ 400		
Conversion costs (40% completed)	222		
175 sheets of 4' x 8' plywood @ \$12.00	2,100	ENDING Inventory 100# (4' x 4' tops) 50% processed	\$ _____
Conversion costs	1,178		
	<u>\$3,900</u>		

REQUIRED: See separate sheet labelled "SOLUTION" to # 2
PLEASE put ALL supporting calculations on the "SOLUTION" page. Thanks.

BREAK-EVEN. CALCULATION & GRAPH. Work BOTH (A) AND (B).

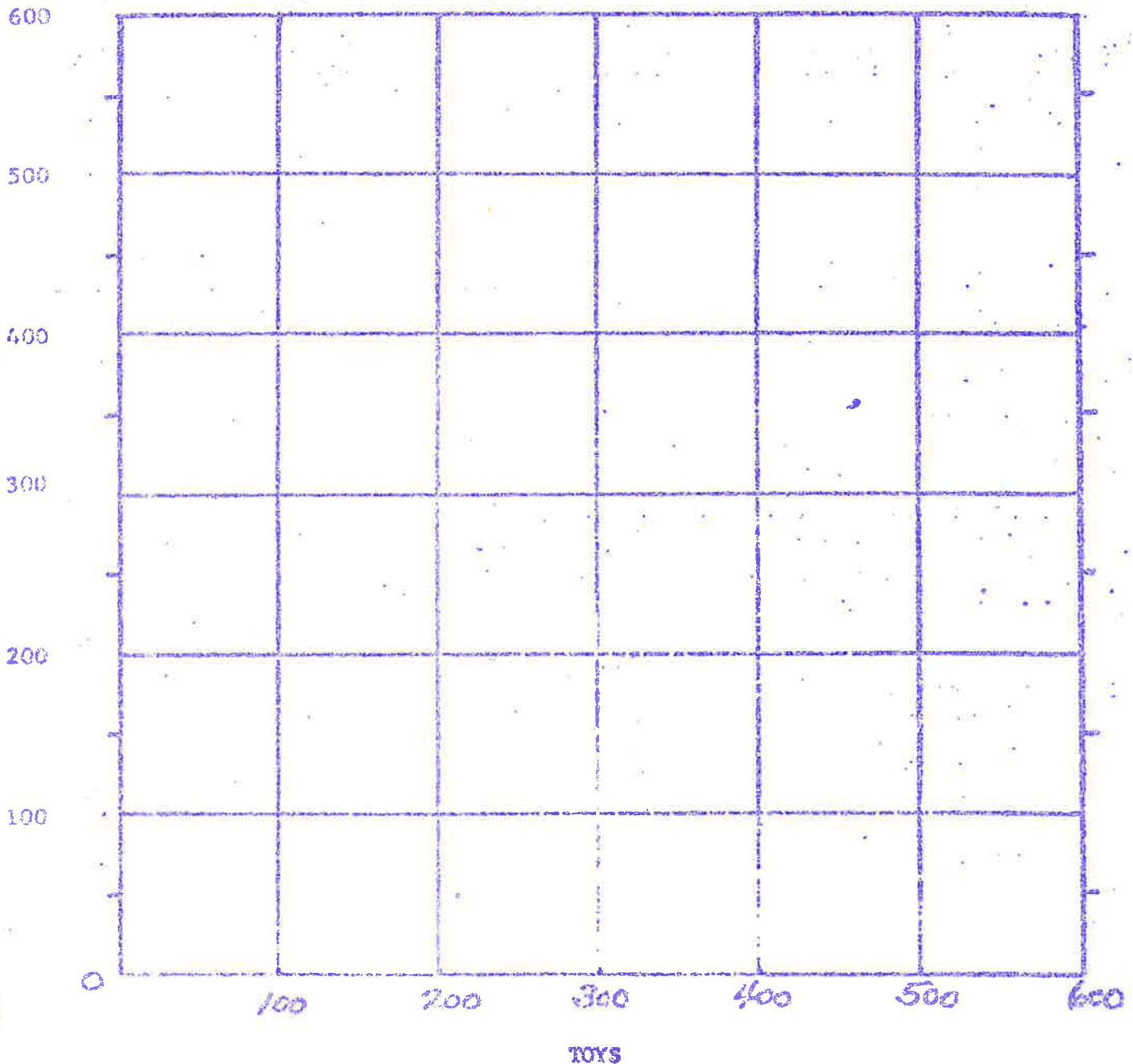
(A) Joe Doska paid \$250 for rental and signs for a toy stand at a local fair. IF he sells toys for 75¢ each and it costs him 25¢ each. HOW MANY toys must he sell to break-even?

SHOW CALCULATIONS!!!

_____ TOYS

(B) Referring back to part (A), DRAW the break-even GRAPH.

MARK the following: sales, fixed expenses, total expenses, break-even point, net LOSS area, net PROFIT area.



5. BREAK-EVEN ANALYSIS

Mike Kelley owns and operates Mike's Bar in a small rented building. For some time he has thought about moving into larger quarters. Such facilities have just become vacant and for rent across from his present location.

The following Income Statement shows the operations of Mike's Bar during January:

Sales		\$6,000
Cost of Goods Sold (THIRTY percent)		<u>1,800</u>
Gross Profit		\$4,200
Operating Expenses:		
Rent	\$ 400	
Bartender Salaries	1,900	
Sales Commissions (FIVE %)	300	
Utilities	200	
Advertising	<u>100</u>	
Total Operating Expenses		<u>2,900</u>
Net Profit		<u>\$1,300</u>

REQUIRED: (1) CALCULATE the BREAK-EVEN POINT for his PRESENT operation. SHOW CALCULATIONS.

\$ _____
BREAK-EVEN

(2) CALCULATE the monthly SALES volume needed in the NEW location to provide Mike with a \$1,300 profit per month as in the present bar. SHOW CALCULATIONS.

Mike can rent the new space for \$1,000 per month. Utilities would be paid by the landlord. He would have to hire an additional person (@ \$800 per month) and to increase advertising TO \$200 per month. Cost of goods sold will remain 30% and sales commissions will continue to be 5% of sales.

\$ _____
SALES Needed

FROM ANY ONE from Questions 6, 7, 8, and 9. (Answer TWO questions.) Be CONCISE.

(6) "The modern controller does not do any controlling in terms of line authority except over his own department. Yet the modern concept of controllership maintains that the controller DOES control in a special sense." Discuss briefly.

(7) Overtime PREMIUM. A group of factory production workers who normally earn \$6 per hour were paid \$9 per hour (\$3 overtime PREMIUM) for their time in excess of 40 hours last week. Answer ALL parts of the following:

(a) Under what CONDITIONS would overtime premium be considered an INDIRECT cost?

(b) To what ACCOUNT(S) would the \$9 be charged IF the overtime premium is considered an INDIRECT cost?

(c) Under what CONDITIONS would overtime premium be considered a DIRECT cost?

8. Answer EITHER (a) OR (b). CIRCLE the ONE answered.

(a) WHY is an ANNUAL overhead rate considered better than separate monthly rates?

(b) WHAT are two (2) CAUSES of over- or under-applied overhead?

9. Answer EITHER (a) OR (b). CIRCLE the ONE answered.

(a) What disposition is usually made of the over- or under-applied overhead costs in INTERIM (MONTHLY) statements? WHY? In YEAR-END statements? WHY?

(b) WHY would separate DEPARTMENTAL rates (for applying overhead to jobs) be preferable to an OVERALL rate for the whole factory?

10. Work EITHER part (A) OR part (B). Do NOT work both.

(A) Material is added at the MID-POINT in the process. FIFO basis.

Material (a battery) is added in the Assembly Department when the processing is ONE-HALF complete, i. e., when FIFTY percent of the conversion effort & cost has been put forth. Costing is on a FIFO basis.

BEGINNING inventory of units in process Jan. 1:

{ 3,000 units which are SIXTY percent complete
 { 7,000 units which are TWENTY percent complete

Units received from preceding department (i.e., transferred in) during January, 20,000.

Units completed and transferred to finished goods, 23,000.

ENDING inventory of units in process Jan. 31:

{ 5,000 units which are SEVENTY percent complete
 { 2,000 units which are TEN percent complete

BATTERIES used in the Assembly Department during JANUARY cost \$75,000.

Assembly Department

BEGINNING Inventory:
 { 3,000 units SIXTY % complete
 { 7,000 units TWENTY % complete

Transferred in: 20,000 units

BATTERIES: \$75,000

Transferred to
 finished goods: 23,000 units

ENDING Inventory:
 { 5,000 units SEVENTY % complete
 { 2,000 units TEN % complete

REQUIRED: SHOW CALCULATIONS to determine

(1) The UNIT cost of BATTERIES used in the Assembly Department during JANUARY.

\$ _____
 PER BATTERY

(2) TOTAL cost of BATTERIES in the ENDING work in process inventory at January 31.

\$ _____
 TOTAL

(3) The NUMBER of EQUIVALENT UNITS of CONVERSION COST in the Assembly Department during January.

of Equiv. units
 of Conversion

10) Material added at the END of the process. FIFO basis.

PACKAGING material is added at the END of processing in the Cooking Department. Costing is on a FIFO basis. Conversion is uniform throughout the process.

BEGINNING inventory: 1,000 units THIRTY % completed

8,000 units were transferred IN during the period.

Conversion costs incurred during the month, \$30,000.

PACKAGING materials costing \$1,500 were used during the month.

6,000 completed units were transferred TO Finished Goods during the month.

ENDING inventory: 3,000 units SIXTY % completed

COOKING DEPARTMENT

BEGINNING Inventory: 1,000 # transferred in from Mixing Department LAST month	\$ 2,550	6,000 # transferred OUT to Finished Goods
THIRTY % processed LAST month at cost of	<u>1,285</u>	
	\$ 3,835	
8,000 # received from Mixing Dept. @ \$3	24,000	ENDING INVENTORY: 3,000 # SIXTY % processed
PACKAGING MATERIALS	1,500	
Conversion costs	<u>30,000</u>	
	<u>\$59,335</u>	

REQUIRED: SHOW CALCULATIONS to determine

(1) UNIT cost of PACKAGING material.

\$ _____
UNIT cost

(2) The NUMBER of EQUIVALENT UNITS of CONVERSION COST in the department during the current month.

NUMBER of EQ. # CC

(3) The conversion cost PER UNIT during the current month.

\$ _____
Conv. PER UNIT

(4) TOTAL cost of the 3,000 units in the ENDING inventory.

\$ _____
TOTAL ENDING Invty.

11. For each of the following multiple-choice and true-false statements, select the most appropriate answer and enter its identification letter in the space provided.

- _____ 1. The wide span of activity over which certain costs are fixed is called: (a) plant capacity, (b) the fixed-cost span, (c) the relevant range, (d) the variable-cost range.
- _____ 2. As production volume increases, fixed costs tend to: (a) become smaller on a per unit basis, (b) become larger on a per unit basis, (c) remain the same on a per unit basis.
- _____ 3. When manufacturing volume decreases, strictly variable costs tend to: (a) be less in total, (b) be more in total, (c) stay the same in total, (d) none of the above.
- _____ 4. Over the relevant range of activity, total costs tend to remain unchanged: (a) true, (b) false.
- _____ 5. Sales minus cost of goods sold is equal to: (a) contribution margin, (b) gross margin, (c) both of the above, (d) neither of the above.
- _____ 6. The relative combination of quantities of several different products that compose total sales of a company is called: (a) the break-even point, (b) the production ratio, (c) the sales mix, (d) none of the above.
- _____ 7. The most desirable combination of fixed costs and contribution margins would include: (a) high fixed costs and high contribution margins, (b) low fixed costs and low contribution margins, (c) high fixed costs and low contribution margins, (d) low fixed costs and high contribution margins.
- _____ 8. The break-even point would be decreased by: (a) an increase in fixed costs, (b) a decrease in the contribution margin ratio, (c) an increase in the ratio of variable costs to sales, (d) all of the above, (e) none of the above.

12. CLASSIFY the following costs as FIXED or VARIABLE.

- _____ Direct material usage.
- _____ Depreciation of building (yearly straight-line method).
- _____ Property taxes on factory building.
- _____ Depreciation of machinery (computed on hourly usage basis).
- _____ Lubricants for machinery.