

Tentin päivämäärä / Date of exam: May 2nd, 2013		
Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam: Advanced Cost Accounting 721194S		
Tentaattori(t)/ Examiner(s): Janne Järvinen		
Sallitut apuvälineet / The devices allowed in the exam: <input checked="" type="checkbox"/> Laskin (ei graafinen/ohjelmoitava)/Calculator (not graphic, programmable) <input type="checkbox"/> Sanakirja/Dictionary <input type="checkbox"/> Muu materiaali, tarkennettu alla/Other material, specified below		
Tenttiin vastaaminen / Please answer the questions <input checked="" type="checkbox"/> suomeksi/ in Finnish <input checked="" type="checkbox"/> englanniksi/ in English		
Kysymyspaperi on palautettava / Paper with exam questions must be returned: <input type="checkbox"/> Kyllä/Yes <input checked="" type="checkbox"/> Ei/No		

The test has four questions and a maximum of 24 points. Please use *complete sentences* in answering the essay questions (i.e. no bullets, lists etc.). Calculations should be done so that it is possible to see how the result was reached. However, do not write to this examination paper, but copy the table to your answer sheet.

Kysymyksiin saa vastata suomeksi. Ammattisanastoa tulee tällöin käyttää tarkasti.

- 1) Relating to Zimmerman's economic analysis of cost allocation
 - a) Internal vs. external reasons/rationales to allocate costs according to Zimmerman
 - b) How does the concept of an *externality* relate to cost allocation?
 - c) What is the relationship between firm's marginal costs, average costs and cost allocations/overhead rates?

- 2) Relating to Job order costing
 - a) How does under-/overrecovery of overheads occur, and why do companies often prefer systems where it occurs?
 - b) What basic methods/practices exist in dealing with under/overrecovery of overheads (Zimmerman)?
 - c) Considering that the broad purpose of cost accounting can be either external reporting, decision-making or control, how do the practices mentioned in b) relate to these broad purposes?

- 3) Relating to activity-based costing:
 - a) What principles should guide the decision over how many activities and cost drivers should there be in an ABC system (Cooper and Kaplan, Zimmerman)?
 - b) How does Time-driven activity-based costing (TDABC) differ from the more traditional version with respect to activities and cost drivers?

- 4) Assume that a manufacturing company has three production department (P1, P2 and P3 respectively) and two service department (S1 and S2). Data for May is provided in the following table. The allocation bases to be used are as follows:
- Personnel services are allocated on the basis of number of labour hours
 - Building and grounds are allocated on the basis of square meters.
 - Production department overhead rates are calculated on a departmental basis, and allocation bases include labour hours, machine hours, and units of production.
- a) Calculate costs of production department and the overhead rates for the three production departments using
- Direct method
 - Step-down method
 - Reciprocal method
- b) Assume product ZRIBI uses consumes 225€ worth of direct materials, 5 direct labour hours @ 22€/hour and 4 machine hours. Calculate the full product cost using departmental overhead rates and the reciprocal method as a basis for calculations
- c) Is the interdepartmental allocation scheme here insulating or non-insulating? Why?

	Service department		Production Department Costs			TOTAL
	Building	Personnel	Processing	Assembly	Finishing	
Direct	S1	S2	P1	P2	P3	
Department costs before any interdepartment allocation (1000€)	600	4650	1200	2800	3000	12250
Proportion of services provided						
a. By building and grounds						
Square meters served	-	90	360	180	270	900
Proportion		0.1	0.4	0.2	0.3	1
b. By Personnel						
Number of personnel	8	-	32	24	16	80
Proportion	0.1		0.4	0.3	0.2	1

Direct labour hours	1000
Machine hours	2000
Units of production	2000