

<b>Tentin päivämäärä / Date of exam: October 17<sup>th</sup>, 2013</b>		
<b>Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam: Advanced Cost Accounting</b>		
<b>Tentaattori(t)/ Examiner(s): Janne Järvinen</b>		
<b>Sallitut apuvälineet / The devices allowed in the exam:</b> <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		
<b>Tenttiin vastaaminen / Please answer the questions</b> <input checked="" type="checkbox"/> suomeksi/ in Finnish <input checked="" type="checkbox"/> englanniksi/ in English		
<b>Kysymyspaperi on palautettava / Paper with exam questions must be returned:</b> <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.).

*Kysymyksiin saa vastata suomeksi. Ammattisanastoa tulee tällöin käyttää tarkasti.*

- 1) Relating to inventory valuation
  - a) Illustrate the flow of cost through the inventory in accounting terms.
  - b) Compare *absorption costing* and *variable costing* in inventory valuation.
  - c) How do the two systems in b) work when sales do not equal production?
  - d) Describe what is meant by *Backflush costing* and what problems it is intended to solve.
  
- 2) Consider the following articles in the course materials:
  - (i) Cooper (1988): The Rise of Activity-Based Costing – Part Two: When Do I Need and Activity based Cost System? Journal of Cost Management, 1988 Fall. (Reprinted in Cooper & Kaplan, The Design of Cost Management Systems, 1<sup>st</sup> edition).
  - (ii) Cooper (1989): The Rise of Activity-Based Costing – Part Three: How Many Cost Drivers Do You Need and How to Select Them? Journal of Cost Management, Winter 1989. (Reprinted in Cooper & Kaplan, The Design of Cost Management Systems, 1<sup>st</sup> edition).

Relating to the articles mentioned above, write an essay on the issue of *optimal cost system design*. That is, what are the principles that guide how many activities and cost drivers do you need to get the cost information that is required for decision making.
  
- 3) Relating to Time-driven activity-based costing (TDABC)
  - a) Why are process models required in TDABC?
  - b) What is a time equation (devise a simple example)
  - c) How does TDABC treat capacity utilization issues?
  - d) What is the cost concept like in TDABC? Is it a so-called ‘push system’ or a ‘pull system’? Why?

- 4) A company has three production departments and two service departments. The overhead analysis sheet provides the following totals of the overheads analysed to production and service departments

		€
Production Department	X	48 000
	Y	42 000
	Z	30 000
Service Department	1	14 040
	2	18 000
	<b>Total €</b>	<b>152 040</b>

The expenses of the service departments are apportioned as follows

	Production departments			Service departments	
	X	Y	Z	1	2
Service department 1	20%	40%	30%	-	10%
Service department 2	40%	20%	20%	20%	-

Calculate the total overheads of production departments X, Y and Z using

- Direct method
  - Stepwise allocation (specified order of closing), where service departments are closed so that the one that does the largest proportion of work for other departments is closed first
  - Reciprocal allocation method
- (6 pts)