PROJECT: EVALUATING MANAGEMENT ETHICAL ISSUE

Project Introduction:

In this project, you will analyze multiple business situations. It will require you to perform tasks based on job-order costing as well as conversion costs with the help of problems. In addition, you will perform master budgeting and solve problems based on statement of cash flows. This project will help you understand the real-world scenario of managerial accounting with the help of the concepts it covers.

Course Learning Objectives Covered:

- Explain the role of managerial accounting in planning, control, and decision making.
- Prepare internal corporate accounting reports used for management planning and decision making.
- Analyze fact-based managerial decisions involving CVP analysis.
- Evaluate investment opportunities using the capital budgeting techniques.
- Evaluate performance standards and a corporation's operations against those standards.
- Choose and employ the proper financial tools needed to make financial choices.

PROJECT SUBMISSION PLAN

Project Part	Description/Requirements of Project Part	Evaluation Criteria
Project Part 1	**Assessment Preparation Checklist:** 1. Go through the following sections in the textbook, *Managerial Accounting*: • Chapter 6, pp. 205–232 • Chapter 7, pp. 257–286 • Chapter 8, pp. 297–310 These chapters introduce you to cost allocation and activity-based costing, the use of cost information in management decision-making, and customer profitability**.** 2. Review the Institute of Management Accountants' (IMA) Statement of Ethical Professional Practice in the appendix to chapter 1 of your textbook, *Managerial Accounting*. This	**Project Part 1:** You will be evaluated on the basis of project rubric.

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	familiarizes you with the ethical principles and standards the members of IMA follow. This will help you perform Task 1 of Project Part 1. ---------- **Title: Costing/Ethical Decisions** In Project Part 1, you will evaluate a management ethical issue, perform a job-order costing problem, and perform a conversion costs problem outlined in the following tasks: **Task 1: Management Ethical Issue** Shauna Miller is an accountant at Western Building Supplies. Recently, in the course of her normal processing of transactions and related documents, she noticed that two of her company's top sales executives were taking the purchasing agents of important customers on lavish golf vacations to Hawaii. The average cost was over $6,000 per trip. As a member of the IMA, does Shauna have any specific obligations related to her discovery? What steps should she consider? **Task 2: Job-Order Process Costing Problem** Lane Confectioners produces special orders of sugar candies and chocolates for airlines and hotels. During March, Lane purchased, on credit, 2100 pounds of confectioner's sugar @ $.80 per pound, 2300 pounds of granulated sugar @ $.90 per pound, 900 pounds of chocolate @ $4.00 per pound, and 300 pounds of caramel @ $1.50 per pound from Seattle Confectionery Supply. In addition, it purchased for cash 60 dozen eggs @ $.85 per dozen and	

Project Part	Description/Requirements of Project Part	Evaluation Criteria
	90 pounds of paraffin @ $.50 per pound from PMG Foods.	

The beginning balances in the inventory accounts were:	
Raw Materials Inventory	$2,500
Work in Process Inventory	$6,500
Finished Goods Inventory	$9,000
The ending balances in the inventory accounts were:	
Raw Materials Inventory	$3,500
Work in Process Inventory	$5,000
Finished Goods Inventory	$6,000

- Prepare the journal entry to record the transactions for the month of March. Assume that over-or under-applied overhead is close to Cost of Goods Sold.
- Prepare an Income statement for the month of March.

Task 3: Conversion Costs Problem

Hartwell Drug Company produces a supplement to improve bone density. Conversion costs are added evenly throughout the production process. The following information is available for March:

Units	
Units (gallons) in process, March 1 (40% complete)	400

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<tr><th>Project Part</th><th>Description/Requirements of Project Part</th><th>Evaluation Criteria</th></tr>
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<tr><td>Units started in March</td><td>1,000</td></tr>
<tr><td>Units in process, March 31 (80% complete)</td><td>250</td></tr>
<tr><td>Costs</td><td></td></tr>
<tr><td>Conversion costs in WIP, March 1</td><td></td></tr>
<tr><td>Labor</td><td>$36,000</td></tr>
<tr><td>Overhead</td><td>$6,000</td></tr>
<tr><td>Labor costs in March (5,100 hours)</td><td>$102,780</td></tr>
<tr><td>Overhead in March</td><td>$49,000</td></tr>
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Compute the number of units completed in March.
Compute the cost per equivalent unit for conversion costs.
Compute the conversion costs included in units completed in March.
Compute the conversion costs included in units in process at the end of March.

Submission Requirements:

Answer each problem in detail with conclusion and results.
Submit your answer in a Microsoft Excel file, showing step-by-step calculations for each task.

Due: Module 3
Grading Weight: 10%
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<tr><td>Project Part 2</td><td>Assessment Preparation Checklist:
Go through the Chapter 14, pp. (535–552) in the textbook, Managerial Accounting. This chapter will introduce you to the concept of three primary financial statements that are used to manage operations.</td><td>Project Part 2:
You will be evaluated on the basis of project rubric.</td></tr>
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Project Part	Description/Requirements of Project Part	Evaluation Criteria
	Title: Costing/Ethical Decisions In Project Part 2, you will work on an activity-based costing (ABC) problem, perform a master budget problem, and perform a statement of cash flows problem outlined in the following tasks: **Task 1: Activity-Based Costing Problem** The Divine Cheesecake Shoppe is a national bakery that is known for its strawberry cheesecake. It also makes 12 different kinds of cheesecake as well as many other types of bakery items. It has recently adopted an activity-based costing system to assign manufacturing overhead to products. The following data relate to its strawberry cheesecake and the ABC cost pools: **Strawberry Cheesecake:**	

Annual production	17,500 units
Direct materials per unit	$6
Direct labour per unit	$2

Cost Pool	**Cost**	**Cost Driver**
Materials ordering	$ 72,000	Number of purchase orders
Materials inspection	$75,000	Number of receiving reports
Equipment setup	$105,000	Number of setups
Quality control	$69,000	Number of inspections
Other	$100,000	Direct labour cost
Total	$421 ,000	

Project Part	Description/Requirements of Project Part	Evaluation Criteria

manufacturing overhead		

Annual activity information related to cost drivers:

Cost Pool	**All Products**	**Strawberry Cheesecake**
Materials ordering	8,000 orders	100
Materials inspection	375 receiving reports	60
Equipment setup	3,000 setups	30
Quality control	3,000 inspections	150
Other	$2,000,000 direct labour	$35,000

1. Calculate the overhead rate per unit of activity for each of the five cost pools.
2. Calculate the total overhead assigned to the production of the strawberry cheesecake.
3. Calculate the overhead cost per unit for the strawberry cheesecake. Round to three decimal places.
4. Calculate the total unit cost for the strawberry cheesecake. Round to three decimal places.
5. Suppose that the Divine Cheesecake Shoppe allocates overhead by a traditional production volume-based method using direct labor dollars as the allocation base and one cost pool.

Project Part	Description/Requirements of Project Part	Evaluation Criteria
	a. Determine the overhead rate per direct labor dollar and the per unit overhead assigned to the strawberry cheesecake. b. Discuss the difference in cost allocations between the traditional method and the activity-based costing approach. Round to three decimal places. **Task 2: Master Budget Problem** The Schrödinger Science Store operates a retail store in a local shopping mall. The results of operations for the fourth quarter of the past year are as follows: • Sales and cost of sales are expected to increase by 15 percent in each of the next two quarters. • Seventy percent of sales are collected in the quarter of sale, and 25 percent are collected in the quarter following sale. • The balance in accounts receivable at the end of the past year relates to sales in the fourth quarter of the past year. • Inventory purchases in the fourth quarter of the past year are $200,000. • The balance in accounts payable at the end of the past year relates to purchases in the fourth quarter of the past year. • Inventory at the end of the past year is $150,000. The company plans to hold ending inventory equal to 70 percent of subsequent quarter cost of sales. • Selling, general, and administrative expenses are expected to increase by $10,000 owing to increases in advertising and salaries. All other expenses in this category are expected to remain constant.	

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	• Fifty percent of inventory purchases are paid in the quarter of purchase, and 50 percent are paid in the following quarter. All other expenses, including taxes, are paid in the quarter incurred. • Selling, general, and administrative expense includes $2,000 of depreciation related to furniture and fixtures with a book value (net of accumulated depreciation) of $50,000 at the end of the past year. • The tax rate is expected to remain at 40 percent. • The cash balance at the end of the past year is $30,000. • Common stock at the end of the past year is $80,000 and retained earnings are $137,500. • Asset accounts are cash, accounts receivable, inventory, and furniture and fixtures. The only liability account is accounts payable. Owner's equity accounts are common stock and retained earnings. Based on this information, perform the following tasks: 1. Prepare a budgeted income statement for the first quarter of the next year. 2. Prepare a cash budget for the first quarter of the next year. 3. Prepare a budgeted balance sheet as of the end of the first quarter of the next year. 4. The company is discussing the possibility of opening a new store late in the first quarter of the next year. A store opening would require cash payments of $50,000. Assuming the company wants a minimum cash balance of $30,000 at the end of the first quarter; can a new store be opened without obtaining additional funds?	

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	Task 3: Statement of Cash Flows, Direct and Indirect Methods The following financial statements were furnished by Patton Company: Patton Company Balance Sheets	

	Past Year	**Next Year**
Assets		
Cash	$15,500	$17,000
Accounts receivable	$5,800	6,400
Inventory	$8,700	10,000
Prepaid expenses	$1,340	2,500
Plant and equipment	$42,200	52,500
Accumulated depreciation	($7,200)	($8,200)
Total assets	$66,340	$80,200
Liabilities and Equity		
Accounts payable (all relate to inventory purchases)	$ 5,100	$6,300
Accrued wages payable	$1,200	$1,650
Common stock	$37,000	$37,000
Retained earnings	$23,040	$35,250
Total liabilities and equity	$66,340	$80,200

Project Part	Description/Requirements of Project Part	Evaluation Criteria
	Patton Company Income Statement Sales: $40,700 Less cost of goods sold: ($13,200) Gross margin: $27,500 Less wage expense: ($10,600) Less other operating expenses: ($1,130) Less depreciation expense: ($3,560) Net income (loss): $12,210 In the past year, Patton purchased equipment for $25,000 and sold some equipment for its book value (i.e., no gain or loss resulted). Based on this information, perform the following tasks: 1. Prepare a statement of cash flows using the indirect method. 2. Prepare the operating portion of Patton's cash flow statement using the direct method. **Source:** Jiambalvo, J. (2013). *Managerial accounting* (5th ed.). Hoboken, NJ: Wiley. **Submission Requirements:** • Submit your response in a Microsoft Excel file, showing step-by-step calculations. **Due:** Module 6 **Grading Weight:** 10%	