

Exam in: Cost Accounting
Course code: 2162 – E
Date: 10.3.2009
Examiner: Anders Tallberg
Duration: 4 hours

No books or notes allowed
Calculator allowed

1. Please explain how traditional costing systems and ABC costing models differ. Discuss conditions when ABC is likely to be preferred over traditional costing systems.
(15 points)
2. Company WorkOut manufactures shoes. The budget for the following financial period is as follows:
 - Selling price per pair of shoes: 75 euro
 - Variable production cost per pair: 10 euro
 - Sales commission: 5% of the selling price
 - Fixed production costs: 3.000.000 euro
 - Fixed selling and administrative costs: 1.000.000 euro
 - Sales: 300.000 pairs of shoes

Please calculate:

a) the break-even point,

b) the safety margin,

c) the break-even point considering the following changes: the marketing manager suggests that an increase in the selling price to 77 euro would not cause a decrease in the number of sold pairs provided that the sales commission is increased to 8%. (15 points)

3. Please comment upon the difference(s) between cost-plus pricing and target costing and describe the four steps involved in target costing. What are the advantages and disadvantages of each method and when do you think should target costing be preferred over cost-plus pricing? (15 points)
4. Please explain process costing. When and how is it done? What are equivalent units and when are they needed? (10 points)
5. According to Porter there are three different competitive strategies that companies might follow. Discuss how each of these three competitive strategies might influence the choice and use of different cost accounting techniques?
(15 points)

Good luck!