Sample Exam 2

Multiple-choice (2.5 each question)

1. Listing products in descending order of their individual dollar contribution to the firm is called
   a. product-by-value analysis
   b. value analysis
   c. value engineering
   d. all of the above
   e. none of the above

2. A route sheet
   a. list the operations necessary to produce the component
   b. is an instruction to make a given quantity of a particular item
   c. shows in schematic form how a product is assembled
   d. all of the above
   e. none of the above

3. The probability that a machine, part, or product will function properly for a given period of time is called
   a. maintenance
   b. quality control
   c. reliability
   d. all of the above
   e. none of the above

4. Low-volume, high-variety processes are also known as
   a. continuous processes
   b. intermittent processes
   c. repetitive processes
   d. product focused
   e. none of the above
5. Efficiency is given by
   a. expected capacity divided by capacity
   b. capacity divided by utilization
   c. actual output divided by effective capacity
   d. actual capacity divided by expected capacity
   e. none of the above

6. The maximum output of a system in a given period is called
   a. the breakeven point
   b. the capacity
   c. the effective capacity
   d. the efficiency
   e. none of the above

7. Costs that continue even if no units are produced are called
   a. fixed costs
   b. variable costs
   c. ABC costs
   d. total costs
   e. none of the above

9. As the quantity produced increases and you move toward product-focused production
   a. the variable cost per unit increases
   b. the total fixed cost for the production increases
   c. the equipment utilization rate decreases
   d. more general purpose equipment is used
   e. all of the above

10. Two of the new techniques to address process reengineering are
    a. Compact and APT
    b. time and motion study
    c. work-flow analysis and time-function mapping
    d. work-flow analysis and motion study
    e. none of the above
Problem 1:

Income Statement in Thousands of Dollars:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>1,955</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>-1,250</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>-523</td>
</tr>
<tr>
<td><strong>Earnings Before Interest and Taxes</strong></td>
<td><strong>182</strong></td>
</tr>
<tr>
<td>Interest Expenses</td>
<td>-90</td>
</tr>
<tr>
<td><strong>Income Before Tax</strong></td>
<td><strong>92</strong></td>
</tr>
<tr>
<td>Income Tax (40%)</td>
<td>-36.8</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>55.2</strong></td>
</tr>
</tbody>
</table>

Balance Sheet in Thousands of Dollars:

<table>
<thead>
<tr>
<th></th>
<th>ASSETS</th>
<th>LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td>Cash 56, Receivable 540, Inventory 497, Other Current Assets 42</td>
<td>Current Liabilities: Accounts Payable 196, Accrued Expenses 149, Short-term Debt 250, Total Current Liabilities 595</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,135</td>
<td></td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td>Property, Land 649, Equipment 411, Other Fixed Assets 150</td>
<td>Long-term Liabilities: Long-term Debt 750, Total Long-term Liabilities 750</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td>1,210</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>2,345</td>
<td><strong>TOTAL LIABILITIES</strong></td>
</tr>
</tbody>
</table>

Calculate the company’s Economic Value Added (Economic Profit EP). CCR=10%