**Problem 3**

Blaster Drive-In is a fast-food restaurant that sells burgers and hot dogs in a 1950s environment. The fixed operating costs of the company are $5,000 per month. The controlling shareholder interested in product profitability and pricing, wants all costs allocated to either the burgers or the hot dogs. The following information is provided for the operations of the company:

**Burgers** **Hot Dogs**

Sales for January 4,000 2,400

Sales for February 6,400 2,400

**Required**:

What amount of fixed operating costs is assigned to the burgers and hot dogs when actual sales are used as the allocation base for January? For February?

**Problem 4 (six multiple choice parts)**

Answer the following questions using the information below:

Just post the letter of the answer that you believe is correct

The Gows Company processes unprocessed goat milk up to the splitoff point where two products, condensed goat milk and skim goat milk result. The following information was collected for the month of October:

*Direct Materials processed*: 130,000 gallons (shrinkage was 10%)

*Production*: condensed goat milk 52,200 gallons

skim goat milk 64,800 gallons

*Sales*: condensed goat milk $3.50 per gallon

skim goat milk $2.50 per gallon

The costs of purchasing the 130,000 gallons of unprocessed goat milk and processing it up to the splitoff point to yield a total of 117,000 gallons of salable product was $144,480. There were no inventory balances of either product.

Condensed goat milk may be processed further to yield 39,000 gallons (the remainder is shrinkage) of a medicinal milk product, Xyla, for an additional processing cost of $3 per usable gallon. Xyla can be sold for $18 per gallon.

Skim goat milk can be processed further to yield 56,200 gallons of skim goat ice cream, for an additional processing cost per usable gallon of $2.50. The product can be sold for $9 per gallon.

There are no beginning and ending inventory balances.

1.) What is the estimated net realizable value of Xyla at the splitoff point?

A) $365,300

B) $505,800

C) $585,000

D) $702,000

2) What is the estimated net realizable value of the skim goat ice cream at the splitoff point?

A) $365,300

B) $505,800

C) $220,400

D) $170,900

3) Using estimated net realizable value, what amount of the joint costs would be allocated to Xyla and to the skim goat ice cream?

A) $83,942 and $60,538

B) $88,942 and $55,538

C) $65,592 and $78,888

D) $144,480 and $72,140

4) Using the sales value at splitoff method, what is the gross-margin percentage for condensed goat milk at the splitoff point?

A) 21.1%

B) 55.1%

C) 58.1%

D) 38.2%

5) Using the sales value at splitoff method, what is the gross-margin percentage for skim goat milk at the splitoff point?

A) 21.1%

B) 55.1%

C) 58.1%

D) 38.2%

6) How much (if any) extra income would Morton earn if it produced and sold all of the Xyla from the condensed goat milk? Allocate joint processing costs based upon relative sales value on the splitoff. (Extra income means income in excess of what Morton would have earned from selling condensed goat milk.)

A) $106,126

B) $508,426

C) $402,300

D) $193,574

D) $140,500

**Problem 5**

Book & Bible Bookstore desires to buy a new coding machine to help control book inventories. The machine sells for $36,586 and requires working capital of $4,000. Its estimated useful life is five years and will have a salvage value of $4,000. Recovery of working capital will be $4,000 at the end of its useful life. Annual cash savings from the purchase of the machine will be $10,000.

**Required:**

a. Compute the net present value at a 14% required rate of return.

b. Compute the internal rate of return.

c. Determine the payback period of the investment.