Question 1

What is goal incongruence? Give one specific example of goal incongruence.

### QUESTION 2

1. How can a manager use information about how the firm spends money on quality initiatives to assess whether those initiatives have been successful? **Be sure to justify your opinion with specific information.**

**12 points**

**QUESTION 3**

1. a) What is the goal of the EOQ model?

b) Why does a firm hold “safety stock?”

c) What costs are a firm trying to balance when it decides on how much safety stock to hold?

d) In the absence of safety stock, how does a firm determine its re-order point?

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**16 points**

**QUESTION 4**

* 1. One of the most important things to consider in developing a Balanced Scorecard is to include “leading measures” or “forward-looking measures” on the Scorecard. What are “leading measures,” and how are they different from non-leading measures?
  2. What does it mean that performance measures on a Balanced Scorecard are “integrated?
  3. How can an organization use its Balanced Scorecard to “continuously improve?”

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**12 points**

**5 points (Extra Credit)**

**QUESTION 6**

1. Consider the following information:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Q1** | **Q2** | **Q3** |
| Beginning inventory (units) | 0 | **H** | 1,300 |
| Budgeted units to be produced | 70,000 | 70,000 | 70,000 |
| Actual units produced | 70,500 | 69,000 | **O** |
| Units sold | **A** | 68,000 | **P** |
| Variable manufacturing costs per unit produced | $150 | $150 | $150 |
| Variable selling costs per unit sold | $40 | $40 | $40 |
| Budgeted fixed manufacturing costs | $4,200,000 | $4,200,000 | $4,200,000 |
| Fixed selling costs | $1,200,000 | $1,200,000 | $1,200,000 |
| Selling price per unit | $400 | $400 | $400 |
| Variable costing operating income | $9,342,000 | **I** | $9,384,000 |
| Absorption costing operating income | **B** | $8,940,000 | **Q** |
| Variable costing beginning inventory ($) | **C** | $45,000 | **R** |
| Absorption costing beginning inventory ($) | **D** | **J** | **S** |
| Variable costing ending inventory ($) | **E** | **K** | $60,000 |
| Absorption costing ending inventory ($) | **F** | **L** | $84,000 |
| PVV | **G** | **M** | **T** |
| Allocated fixed manufacturing costs | $4,230,000 | **N** | $4,170,000 |

**There are no price, efficiency, or spending variances, and any production-volume variance is directly written off to cost of goods in the quarter in which it occurs.**

Complete the missing figures from the above Table. When you write your answer, please use the following format:

Letter: Answer

For example,

A: 20,000

**40 points**

**QUESTION 7**

1. a) What is a transfer price?

b) List and describe three specific benefits of using transfer prices.