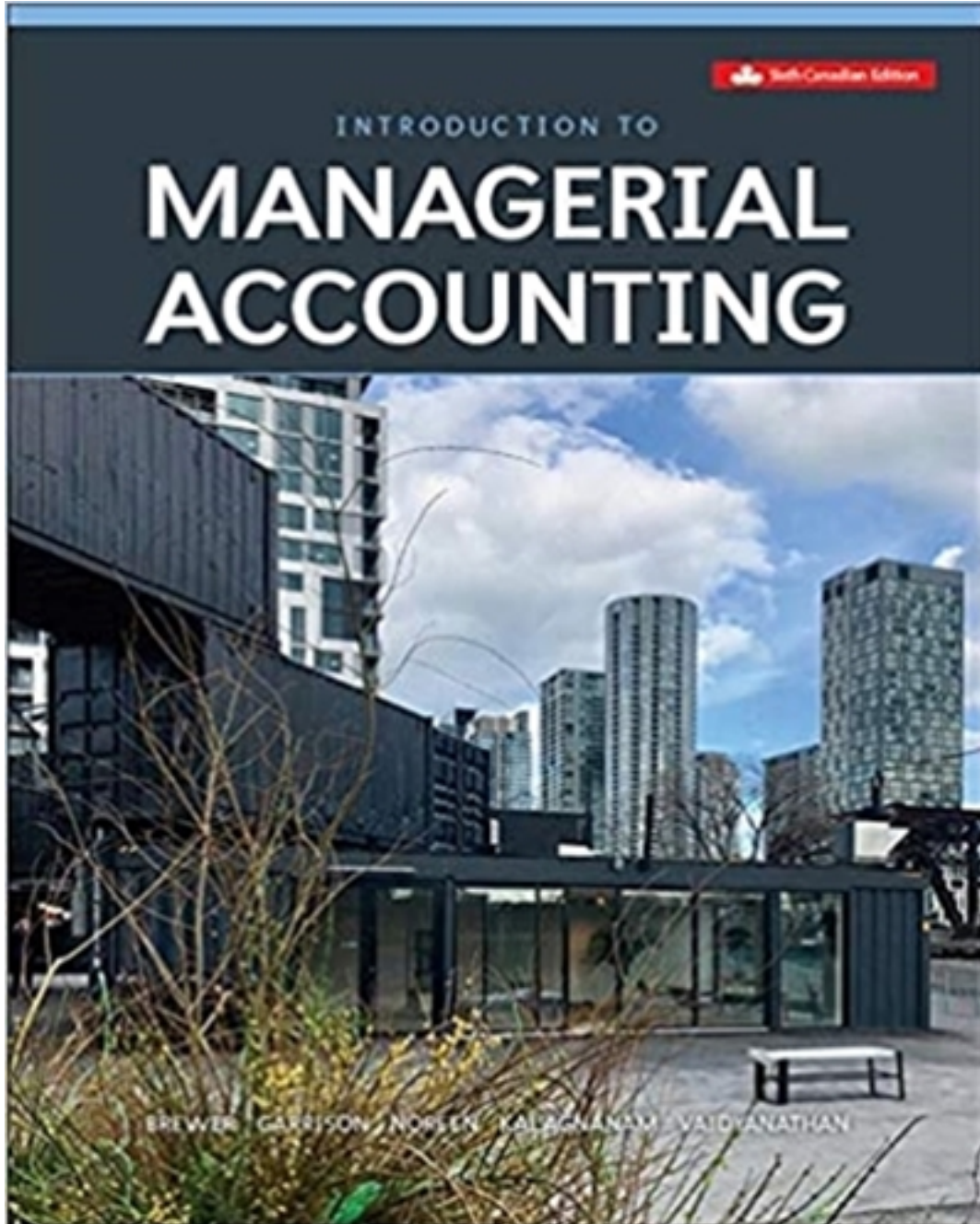


Test Bank for Introduction To Managerial Accounting 6th Edition by Brewer

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Test Bank

Chapter 02 - Cost Concepts

Chapter 02
Cost Concepts

True / False Questions

1. All costs incurred in a merchandising firm are period costs.

FALSE

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-20 Period Costs

2. Depreciation is always considered a product cost for external financial reporting purposes in a manufacturing firm.

FALSE

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-19 Product Costs

3. Advertising costs are considered product costs for external financial reports since they are incurred in order to promote specific products.

FALSE

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

4. Property taxes and insurance premiums paid on a factory building are examples of manufacturing overhead.

TRUE

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

5. Manufacturing overhead combined with direct materials is known as conversion cost.

FALSE

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

6. If the ending inventory of finished goods is overstated, net income will be overstated.

TRUE

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-05 Prepare financial reports.

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-22 The Balance Sheet

Topic: 02-23 The Income Statement

7. If the ending inventory of finished goods is understated, net income will be overstated.

FALSE

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-05 Prepare financial reports.

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-22 The Balance Sheet

Topic: 02-23 The Income Statement

Chapter 02 - Cost Concepts

8. In a manufacturing company, goods available for sale equals the sum of the cost of goods manufactured and the beginning finished goods inventory.

TRUE

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

9. Variable costs are costs whose per unit costs vary as the activity level rises and falls.

FALSE

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-01 Understand cost classification by behaviour.

Topic: 02-03 Variable Cost

10. Variable costs are costs whose per unit costs don't vary as the activity level rises and falls.

TRUE

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-01 Understand cost classification by behaviour.

Topic: 02-03 Variable Cost

11. On a per unit basis, a fixed cost varies inversely with the level of activity.

TRUE

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-01 Understand cost classification by behaviour.

Topic: 02-04 Fixed Cost

Chapter 02 - Cost Concepts

12. All the following would typically be considered indirect costs of manufacturing a Boeing 747 to be delivered to Singapore Airlines: electricity to run production equipment, the factory manager's salary, and the cost of the General Electric jet engines installed on the aircraft.

FALSE

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-02 Understand cost classification by traceability.

Topic: 02-07 Indirect Cost

13. All the following costs should be considered direct costs of providing delivery room services to a particular mother and her baby: the costs of drugs administered in the operating room, the attending physician's fees, and a portion of the liability insurance carried by the hospital to cover the delivery room.

FALSE

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-02 Understand cost classification by traceability.

Topic: 02-06 Direct Cost

14. All the following costs should be considered direct costs of providing delivery room services: the costs of drugs administered in the operating room, the attending physician's fees, and a portion of the liability insurance carried by the hospital to cover the delivery room.

TRUE

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-02 Understand cost classification by traceability.

Topic: 02-06 Direct Cost

Chapter 02 - Cost Concepts

15. The following costs should be considered by a law firm to be indirect costs of defending a particular client in court: rent on the law firm's offices, the law firm's receptionist's wages, the costs of heating the law firm's offices, and the depreciation on the personal computer in the office of the attorney who has been assigned the client.

TRUE

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-02 Understand cost classification by traceability.

Topic: 02-07 Indirect Cost

16. A cost that differs from one month to another is known as a differential cost.

FALSE

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-03 Understand cost classification by relevance.

Topic: 02-09 Differential Cost and Revenue

17. Opportunity costs are always recorded as expenses in the accounts of an organization.

FALSE

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-03 Understand cost classification by relevance.

Topic: 02-10 Opportunity Cost

18. Sunk costs are irrelevant in making decisions.

TRUE

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-03 Understand cost classification by relevance.

Topic: 02-11 Sunk Cost

Chapter 02 - Cost Concepts

19. The inventory accounts reported on the balance sheet of a manufacturing company will differ from those of a merchandising company.

TRUE

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-05 Prepare financial reports.

Topic: 02-22 The Balance Sheet

Multiple Choice Questions

20. The corporate controller's salary would be considered a(n):

A. manufacturing cost.

B. product cost.

C. administrative cost.

D. selling expense.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-13 Manufacturing Costs

21. The cost of fire insurance for a manufacturing plant is generally considered to be a:

A. product cost.

B. period cost.

C. variable cost.

D. fixed cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Topic: 02-18 Product Costs Versus Period Costs

Chapter 02 - Cost Concepts

22. The cost of rent for a manufacturing plant is generally considered to be a:

	Prime cost	Product cost
a.	No	Yes
b.	No	No
c.	Yes	No
d.	Yes	Yes

- A. choice a.
 B. choice b.
 C. choice c.
 D. choice d.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

Topic: 02-19 Product Costs

23. Each of the following would be a period cost except:

- A. the salary of the company president's secretary.
 B. the cost of a general accounting office.
C. depreciation of a machine used in manufacturing.
 D. sales commissions.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

24. For a manufacturing company, which of the following is an example of a period rather than a product cost?

- A. Depreciation of factory equipment.
- B. Wages of salespersons.**
- C. Wages of machine operators.
- D. Insurance on factory equipment.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

25. Which of the following would be considered a product cost for external financial reporting purposes?

- A. Cost of a warehouse used to store finished goods.
- B. Cost of guided public tours through the company's facilities.
- C. Cost of travel necessary to sell the manufactured product.
- D. Cost of sand spread on the factory floor to absorb oil from manufacturing machines.**

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-19 Product Costs

26. Which of the following would NOT be treated as a product cost for external financial reporting purposes?

- A. Depreciation on a factory building.
- B. Salaries of factory workers.
- C. Indirect labour in the factory.
- D. Advertising expenses.**

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-19 Product Costs

Chapter 02 - Cost Concepts

27. Transportation costs incurred by a manufacturing company to ship its product to its customers would be classified as which of the following?

- A. Product cost.
- B. Manufacturing overhead.
- C. Period cost.**
- D. Administrative cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

28. Transportation costs incurred by a manufacturing company to ship its raw material from its suppliers would be classified as which of the following?

- A. Product cost.**
- B. Manufacturing overhead.
- C. Period cost.
- D. Administrative cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

29. The salary of the president of a manufacturing company would be classified as which of the following?

- A. Product cost.
- B. Period cost.**
- C. Manufacturing overhead.
- D. Direct labour.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Chapter 02 - Cost Concepts

30. Micro Computer Company has set up a web page for customer inquiries regarding computer hardware produced by the company. The cost of this web page would be classified as which of the following?

- A. Product cost.
- B. Manufacturing overhead.
- C. Direct labour.
- D.** Period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-20 Period Costs

31. The wages of factory maintenance personnel would usually be:

	Indirect labour	Manufacturing overhead
a.	No	Yes
b.	Yes	No
c.	Yes	Yes
d.	No	No

- A. choice a.
- B. choice b.
- C.** choice c.
- D. choice d.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

Chapter 02 - Cost Concepts

32. Direct materials are a part of:

	Conversion cost	Manufacturing cost	Prime cost
a.	Yes	Yes	No
b.	Yes	Yes	Yes
c.	No	Yes	Yes
d.	No	No	No

- A. choice a.
- B. choice b.
- C. choice c.**
- D. choice d.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-13 Manufacturing Costs

Topic: 02-14 Direct Materials

Topic: 02-16 Manufacturing Overhead

33. Manufacturing overhead consists of:

- A. all manufacturing costs.
- B. all manufacturing costs, except direct materials and direct labour.**
- C. indirect materials but not indirect labour.
- D. indirect labour but not indirect materials.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

Chapter 02 - Cost Concepts

34. Which of the following should NOT be included as part of manufacturing overhead at a company that makes office furniture?

- A. Sheet steel in a file cabinet made by the company.
- B. Manufacturing equipment depreciation.
- C. Idle time for direct labour.
- D. Taxes on a factory building.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

35. Which of the following should be included as part of manufacturing overhead at a company that makes office furniture?

- A. Sheet steel in a file cabinet made by the company.
- B. Manufacturing equipment depreciation.
- C. Direct labour.
- D. Hardware installed on desks

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

Chapter 02 - Cost Concepts

36. Rossiter Company failed to record a credit sale at the end of the year, although the reduction in finished goods inventories was correctly recorded when the goods were shipped to the customer. Which one of the following statements is correct?

- A. Accounts receivable was not affected, inventory was not affected, sales were understated, and cost of goods sold was understated.
- B. Accounts receivable was understated, inventory was overstated, sales were understated, and cost of goods sold was overstated.
- C. Accounts receivable was not affected, inventory was understated, sales were understated, and cost of goods sold was understated.
- D.** Accounts receivable was understated, inventory was not affected, sales were understated, and cost of goods sold was not affected.

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: Hard

Learning Objective: 02-05 Prepare financial reports.

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-22 The Balance Sheet

Topic: 02-23 The Income Statement

37. If the cost of goods sold is greater than the cost of goods manufactured, then:

- A. work in process inventory has decreased during the period.
- B. finished goods inventory has increased during the period.
- C. total manufacturing costs must be greater than cost of goods manufactured.
- D.** finished goods inventory has decreased during the period.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-25 Product Costs—A Closer Look

Topic: 02-26 An Example of Cost Flows

Chapter 02 - Cost Concepts

38. Last month, when 10,000 units of a product were manufactured, the cost per unit was \$60. At this level of activity, variable costs are 50% of total unit costs. If 10,500 units are manufactured next month and cost behaviour patterns remain unchanged the?
- A. total variable cost will remain unchanged.
 - B. fixed costs will increase in total.
 - C. variable cost per unit will increase.
 - D.** total cost per unit will decrease.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Topic: 02-03 Variable Cost

39. Variable cost:
- A. increases on a per unit basis as the number of units produced increases.
 - B.** remains constant on a per unit basis as the number of units produced increases.
 - C. remains the same in total as production increases.
 - D. decreases on a per unit basis as the number of units produced increases.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-01 Understand cost classification by behaviour.

Topic: 02-03 Variable Cost

40. Within the relevant range, the difference between variable costs and fixed costs is:
- A. variable costs per unit fluctuate and fixed costs per unit remain constant.
 - B.** variable costs per unit are constant and fixed costs per unit fluctuate.
 - C. both total variable costs and total fixed costs are constant.
 - D. both total variable costs and total fixed costs fluctuate.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Chapter 02 - Cost Concepts

41. Which of the following statements regarding fixed costs is incorrect?

- A. Expressing fixed costs on a per unit basis usually is the best approach for decision-making.
- B. Fixed costs expressed on a per unit basis will react inversely with changes in activity.
- C. Assumptions by accountants regarding the behaviour of fixed costs rest heavily on the concept of the relevant range.
- D. Fixed costs frequently represent long-term investments in property, plant, and equipment.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Topic: 02-04 Fixed Cost

42. Last month, when 10,000 units of a product were manufactured, the cost per unit was \$60. At this level of activity, variable costs are 50% of total unit costs. If 10,500 units are manufactured next month and cost behaviour patterns remain unchanged, the total cost of goods manufactured will be?

- A. \$585,000.
- B. \$600,000.
- C. \$615,000.
- D. \$630,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

43. Which of the following statements is true?

- A. An indirect cost can be easily traced to an individual cost object.
- B. An indirect cost is one incurred to support several cost objects.
- C. A direct cost cannot be easily and economically traced to a cost object.
- D. The determination of a cost object is not relevant to the traceability of costs.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-02 Understand cost classification by traceability.

Topic: 02-07 Indirect Cost

Chapter 02 - Cost Concepts

44. An opportunity cost is:

- A. the difference in total costs which results from selecting one alternative instead of another.
- B.** the potential benefit forgone by selecting one alternative instead of another.
- C. a cost which may be saved by not adopting an alternative.
- D. a cost which may be shifted to the future with little or no effect on current operations.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-03 Understand cost classification by relevance.

Topic: 02-10 Opportunity Cost

45. The term differential cost refers to:

- A.** a difference in cost between any two alternatives.
- B. the potential benefit forgone by selecting one alternative instead of another.
- C. a cost which does not entail any dollar outlay but which is relevant to the decision-making process.
- D. a cost which continues to be incurred even though there is no activity.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Medium

Learning Objective: 02-03 Understand cost classification by relevance.

Topic: 02-09 Differential Cost and Revenue

46. Which of the following costs is often important in decision making, but is omitted from conventional accounting records?

- A. Fixed cost.
- B. Sunk cost.
- C.** Opportunity cost.
- D. Indirect cost.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-03 Understand cost classification by relevance.

Topic: 02-04 Fixed Cost

Topic: 02-09 Differential Cost and Revenue

Topic: 02-10 Opportunity Cost

Topic: 02-11 Sunk Cost

Chapter 02 - Cost Concepts

47. When a decision is made among several alternatives, the potential benefit that is lost by choosing one alternative over another is the:

- A. realized cost.
- B.** opportunity cost.
- C. conversion cost.
- D. accrued cost.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-03 Understand cost classification by relevance.

Topic: 02-10 Opportunity Cost

48. Conversion cost consists of which of the following?

- A. Manufacturing overhead cost.
- B. Direct materials and direct labour costs.
- C. Direct labour cost.
- D.** Direct labour and manufacturing overhead costs.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

49. Prime cost consists of direct materials combined with:

- A.** direct labour.
- B. manufacturing overhead.
- C. indirect materials.
- D. cost of goods manufactured.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

Chapter 02 - Cost Concepts

50. Which one of the following costs should NOT be considered a direct cost of serving a customer who orders a customized personal computer by phone directly from the manufacturer?
- A. The cost of the hard disk drive installed in the computer.
 - B. The cost of shipping the computer to the customer.
 - C.** The cost of leasing a machine on a monthly basis that automatically tests hard disk drives before they are installed in computers.
 - D. The cost of packaging the computer for shipment.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-02 Understand cost classification by traceability.

Topic: 02-06 Direct Cost

51. The sequence of major activities that every organization carries out to fulfill its mission is known as:
- A. the manufacturing process.
 - B. product planning and development.
 - C.** the value chain.
 - D. marketing.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-03 Understand cost classification by relevance.

Topic: 02-12 Cost Classification by Function

52. Which of the following major activities of a business will result in product costs?
- A. Marketing.
 - B. Customer support.
 - C. General administrative.
 - D.** Manufacturing.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Chapter 02 - Cost Concepts

53. Which one of the following costs should NOT be considered an indirect cost of serving a customer at a Dairy Queen fast food outlet?

- A.** The cost of the hamburger patty in the burger they ordered.
- B. The wages of the employee who takes the customer's order.
- C. The cost of heating and lighting the kitchen.
- D. The salary of the outlet's manager.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-02 Understand cost classification by traceability.

Topic: 02-07 Indirect Cost

54. Green Company's costs for the month of August were as follows: direct materials, \$27,000; direct labour, \$34,000; sales salaries, \$14,000; indirect labour, \$10,000; indirect materials, \$15,000; general corporate administrative cost, \$12,000; taxes on manufacturing facility, \$2,000; and rent on factory, \$17,000. The beginning work in process inventory was \$16,000 and the ending work in process inventory was \$9,000. What was the cost of goods manufactured for the month?

- A. \$105,000.
- B.** \$112,000.
- C. \$132,000.
- D. \$138,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

55. Brown Company's costs for the month of August were as follows: direct materials, \$27,000; direct labour, \$34,000; sales salaries, \$14,000; indirect labour, \$10,000; indirect materials, \$15,000; general corporate administrative cost, \$12,000; taxes on manufacturing facility, \$2,000; and rent on factory, \$17,000. The beginning work in process inventory was \$16,000 and the ending work in process inventory was \$9,000. What was the total manufacturing costs for the month?

- A. \$105,000.
- B. \$112,000.
- C. \$132,000.
- D. \$138,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

56. A manufacturing company prepays its insurance coverage for a three-year period. The premium for the three years is \$2,700 and is paid at the beginning of the first year. Eighty percent of the premium applies to manufacturing operations and 20% applies to selling and administrative activities. What amounts should be considered product and period costs respectively for the first year of coverage?

Chapter 02 - Cost Concepts

	Product	Period
a.	\$2,700	\$0
b.	\$2,160	\$540
c.	\$1,440	\$360
d.	\$720	\$180

- A. choice a.
- B. choice b.
- C. choice c.
- D.** choice d.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-18 Product Costs Versus Period Costs

57. Using the following data, calculate the beginning work in process inventory.

Cost of goods sold	\$70
Direct labour	\$20
Direct materials	\$15
Cost of goods manufactured	\$80
Work in process ending	\$10
Finished goods ending	\$15
Manufacturing overhead	\$30

Chapter 02 - Cost Concepts

The beginning work in process inventory is:

- A. \$15.
- B. \$20.
- C.** \$25.
- D. \$55.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

58. During the month of May, Bennett Manufacturing Company purchased \$43,000 of raw materials. Total manufacturing overhead was \$27,000 and the total manufacturing costs were \$106,000. Assuming a beginning inventory of raw materials of \$8,000 and an ending inventory of raw materials of \$6,000, direct labour was:

- A.** \$34,000.
- B. \$36,000.
- C. \$38,000.
- D. \$45,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

59. Using the following data for January, calculate the cost of goods manufactured:

Direct materials	\$38,000
Direct labour	\$24,000
Manufacturing overhead	\$17,000
Beginning work in process inventory	\$10,000
Ending work in process inventory	\$11,000

The cost of goods manufactured was:

- A. \$78,000.
- B. \$79,000.
- C. \$80,000.
- D. \$89,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

60. During the month of June, Reardon Company incurred \$17,000 of direct labour, \$8,500 of manufacturing overhead and purchased \$15,000 of raw materials. Between the beginning and the end of the month, the raw materials inventory increased by \$2,000, the finished goods inventory increased by \$1,500, and the work in process inventory decreased by \$3,000. The cost of goods manufactured would be:

- A. \$38,500.
- B. \$40,500.
- C. \$41,500.**
- D. \$43,500.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

61. Mueller Company reported the following data for the year just ended:

Raw materials used in production	\$800,000
Direct labour	\$700,000
Total overhead costs	\$900,000
Ending work in process inventory	\$400,000
Cost of goods manufactured	\$2,500,000

Chapter 02 - Cost Concepts

The beginning work in process inventory was:

- A. \$100,000.
- B. \$300,000.
- C.** \$500,000.
- D. \$1,300,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

62. Mayberry Company reported the following data for the year just ended:

Raw materials used in production	\$800,000
Direct labour	\$700,000
Total overhead costs	\$900,000
Beginning work in process inventory	\$500,000
Cost of goods manufactured	\$2,500,000

The ending work in process inventory was:

- A. \$100,000.
- B. \$300,000.
- C.** \$400,000.
- D. \$1,300,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

63. Williams Company's direct labour cost is 25% of its conversion cost. If the manufacturing overhead cost for the last period was \$45,000 and the direct materials cost was \$25,000, the direct labour cost was:

- A. \$15,000.
- B. \$20,000.
- C. \$33,333.
- D. \$60,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-04 Understand cost classification by function.

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-16 Manufacturing Overhead

Topic: 02-24 Schedule of Cost of Goods Manufactured

64. The Lyons Company's cost of goods manufactured was \$120,000 when its sales were \$360,000 and its gross margin was \$220,000. If the ending inventory of finished goods was \$30,000, the beginning inventory of finished goods must have been:

- A. \$20,000.
- B. \$50,000.
- C. \$110,000.
- D. \$150,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

65. The gross margin for Cushing Company for the first quarter of last year was \$325,000 when sales were \$700,000. The beginning inventory of finished goods was \$60,000 and the ending inventory of finished goods was \$85,000. The cost of goods manufactured for the first quarter would have been:
- A. \$350,000.
 - B. \$375,000.
 - C. \$400,000.
 - D. \$485,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

66. Last month a manufacturing company had the following operating results:

Beginning finished goods inventory	\$74,000
Ending finished goods inventory	\$73,000
Sales	\$464,000
Gross margin	\$52,000

What was the cost of goods manufactured for the month?

- A. \$411,000.
- B. \$412,000.
- C. \$413,000.
- D. \$463,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

67. The following information was provided by Wilson Company for the year just ended:

Beginning finished goods inventory	\$150,750
Ending finished goods inventory	\$140,475
Sales	\$475,000
Gross margin	\$150,000

The cost of goods manufactured for the year was:

- A. \$314,725.
- B. \$325,000.
- C. \$333,275.
- D. \$334,275.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

68. The following information was provided by Grand Company for the year just ended:

Beginning finished goods inventory	\$130,425
Ending finished goods inventory	\$125,770
Sales	\$500,000
Gross margin	\$100,000

Chapter 02 - Cost Concepts

The cost of goods manufactured for the year was:

- A. \$95,345.
- B. \$104,655.
- C. \$395,345.**
- D. \$404,655.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

69. The following inventory valuation errors were discovered by Knox Corporation's new controller just after the annual financial statements were published at the end of Year 3.

- > The Year 3 ending inventory was understated by \$17,000.
- > The Year 2 ending inventory was understated by \$61,000.
- > The Year 1 ending inventory was overstated by \$23,000.

The net income for Knox in each of these years was:

	Year 3	Year 2	Year 1
Net income	\$168,000	\$254,000	\$138,000

Assuming there were no income taxes and no corrections were made prior to the discovery of the errors after the end of year 3, the net income in each year should be adjusted to:

Chapter 02 - Cost Concepts

	Year 3	Year 2	Year 1
a.	\$212,000	\$170,000	\$161,000
b.	\$124,000	\$338,000	\$115,000
c.	\$90,000	\$338,000	\$161,000
d.	\$124,000	\$170,000	\$115,000

- A. choice a.
B. choice b.
 C. choice c.
 D. choice d.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

70. Delta Merchandising, Inc. has provided the following information for the year just ended:

Net sales	\$128,500
Beginning inventory	24,000
Purchases	80,000
Gross margin	38,550

Chapter 02 - Cost Concepts

The ending inventory for the company at year end was:

- A. \$9,950.
- B.** \$14,050.
- C. \$24,500.
- D. \$65,450.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

71. The beginning balance of the Raw Materials inventory account for May was \$27,500. The ending balance for May was \$28,750 and \$128,900 of raw materials were used during the month. The materials purchased during the month cost:

- A. \$127,650.
- B.** \$130,150.
- C. \$131,300.
- D. \$157,650.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

72. Gabel Inc. is a merchandising company. Last month the company's merchandise purchases totaled \$63,000. The company's beginning merchandise inventory was \$13,000 and its ending merchandise inventory was \$15,000. What was the company's cost of goods sold for the month?

- A.** \$61,000.
- B. \$63,000.
- C. \$65,000.
- D. \$91,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Easy

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

73. Haack Inc. is a merchandising company. Last month the company's cost of goods sold was \$84,000. The company's beginning merchandise inventory was \$20,000 and its ending merchandise inventory was \$18,000. What was the total amount of the company's merchandise purchases for the month?

- A. \$82,000.
- B. \$84,000.
- C. \$86,000.
- D. \$122,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Easy

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

74. During January, the cost of goods manufactured was \$93,000. The beginning finished goods inventory was \$16,000 and the ending finished goods inventory was \$20,000. What was the cost of goods sold for the month?

- A. \$89,000.
- B. \$93,000.
- C. \$97,000.
- D. \$129,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Easy

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

75. An accounting course is taught in two classes per week for one hour and fifty minutes each. The classes are held in a building with 36 classrooms that are used for a variety of courses. The building has an advanced monitoring system which allows electricity costs to be determined for each classroom and for each course. If the cost object is the accounting course, which of the following is an indirect cost?

- A. The course Instructor's salary for teaching the course (he only teaches this one course).
- B. The cost of the preparation of the exam papers for this course.
- C. The salary of the building's custodian.**
- D. The electricity cost for the course.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-02 Understand cost classification by traceability.

Topic: 02-07 Indirect Cost

76. An accounting course is taught in two classes per week for one hour and fifty minutes each. The classes are held in a building with 36 classrooms that are used for a variety of courses. There are 15 other courses taught in the Accounting Department at this university. If the cost object is the accounting course, which of the following is a direct cost?

- A. The course Instructor's salary for teaching the course (he only teaches this one course).**
- B. The property taxes on the land and classroom building.
- C. The salary of the building's custodian.
- D. The Accounting Department's secretary salary.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-02 Understand cost classification by traceability.

Topic: 02-06 Direct Cost

Chapter 02 - Cost Concepts

77. The following information was provided by Jimbob Co. for the year just ended:

Cost of goods manufactured	\$500,000
Ending finished goods inventory	\$100,000
Sales	\$800,000
Gross margin	\$200,000

What was beginning finished goods inventory?

- A. \$100,000.
- B.** \$200,000.
- C. \$300,000.
- D. \$400,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

78. The following account balances has been extracted from Jimbob Co.'s general ledger:

Direct materials used in production	\$200,000
Depreciation factory building	\$10,000
Depreciation factory equipment	\$50,000
Depreciation sales department automobiles	\$10,000
Direct wages factory employees	\$200,000
Sales department salaries and commissions	\$150,000
Factory manager's salary	\$50,000
Utility costs factory	\$50,000
Utility costs sales office	\$20,000

What was the total of manufacturing overhead?

- A. \$110,000.
- B.** \$160,000.
- C. \$400,000.
- D. \$740,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

Chapter 02 - Cost Concepts

79. The following account balances has been extracted from Jimbob Co.'s general ledger:

Direct materials used in production	\$200,000
Depreciation factory building	\$10,000
Depreciation factory equipment	\$50,000
Depreciation sales department automobiles	\$10,000
Direct wages factory employees	\$200,000
Sales department salaries and commissions	\$150,000
Factory manager's salary	\$50,000
Utility costs factory	\$50,000
Utility costs sales office	\$20,000

What was the total of manufacturing costs?

- A. \$400,000.
- B. \$510,000.
- C.** \$560,000.
- D. \$740,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-14 Direct Materials

Topic: 02-15 Direct Labour

Topic: 02-16 Manufacturing Overhead

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

80. The following account balances has been extracted from Jimbob Co.'s general ledger:

Direct materials used in production	\$200,000
Depreciation factory building	\$10,000
Depreciation factory equipment	\$50,000
Depreciation sales department automobiles	\$10,000
Direct wages factory employees	\$200,000
Sales department salaries and commissions	\$150,000
Factory manager's salary	\$50,000
Utility costs factory	\$50,000
Utility costs sales office	\$20,000

What was the total of nonmanufacturing costs?

- A. \$150,000.
- B. \$160,000.
- C.** \$180,000.
- D. \$230,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

81. The following data (in thousands of dollars) have been taken from the accounting records of Karling Corporation for the just completed year.

Sales	\$990
Raw materials inventory, beginning	\$40
Raw materials inventory, ending	\$70
Purchases of raw materials	\$120
Direct labour	\$200
Manufacturing overhead	\$230
Administrative expenses	\$150
Selling expenses	\$140
Work in process inventory, beginning	\$70
Work in process inventory, ending	\$50
Finished goods inventory, beginning	\$120
Finished goods inventory, ending	\$160

Chapter 02 - Cost Concepts

The cost of the raw materials used in production during the year (in thousands of dollars) was:

- A. \$90.
- B. \$150.
- C. \$160.
- D. \$190.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

82. The following data (in thousands of dollars) have been taken from the accounting records of Karling Corporation for the just completed year.

Sales	\$990
Raw materials inventory, beginning	\$40
Raw materials inventory, ending	\$70
Purchases of raw materials	\$120
Direct labour	\$200
Manufacturing overhead	\$230
Administrative expenses	\$150
Selling expenses	\$140
Work in process inventory, beginning	\$70
Work in process inventory, ending	\$50
Finished goods inventory, beginning	\$120
Finished goods inventory, ending	\$160

The cost of goods manufactured for the year (in thousands of dollars) was:

- A. \$500.
- B. \$540.**
- C. \$570.
- D. \$590.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

83. The following data (in thousands of dollars) have been taken from the accounting records of Karling Corporation for the just completed year.

Sales	\$990
Raw materials inventory, beginning	\$40
Raw materials inventory, ending	\$70
Purchases of raw materials	\$120
Direct labour	\$200
Manufacturing overhead	\$230
Administrative expenses	\$150
Selling expenses	\$140
Work in process inventory, beginning	\$70
Work in process inventory, ending	\$50
Finished goods inventory, beginning	\$120
Finished goods inventory, ending	\$160

The cost of goods sold for the year (in thousands of dollars) was:

- A. \$500.
- B. \$580.
- C. \$660.
- D. \$700.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

84. The following data (in thousands of dollars) have been taken from the accounting records of Karling Corporation for the just completed year.

Sales	\$990
Raw materials inventory, beginning	\$40
Raw materials inventory, ending	\$70
Purchases of raw materials	\$120
Direct labour	\$200
Manufacturing overhead	\$230
Administrative expenses	\$150
Selling expenses	\$140
Work in process inventory, beginning	\$70
Work in process inventory, ending	\$50
Finished goods inventory, beginning	\$120
Finished goods inventory, ending	\$160

The net income for the year (in thousands of dollars) was:

- A. \$150.
- B.** \$200.
- C. \$250.
- D. \$490.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Chapter 02 - Cost Concepts

85. The following data (in thousands of dollars) have been taken from the accounting records of Karlana Corporation for the just completed year.

Sales	\$910
Raw materials inventory, beginning	\$80
Raw materials inventory, ending	\$20
Purchases of raw materials	\$100
Direct labour	\$130
Manufacturing overhead	\$200
Administrative expenses	\$160
Selling expenses	\$140
Work in process inventory, beginning	\$40
Work in process inventory, ending	\$10
Finished goods inventory, beginning	\$130
Finished goods inventory, ending	\$150

Chapter 02 - Cost Concepts

The cost of the raw materials used in production during the year (in thousands of dollars) was:

- A. \$40.
- B. \$120.
- C.** \$160.
- D. \$180.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

86. The following data (in thousands of dollars) have been taken from the accounting records of Karlana Corporation for the just completed year.

Sales	\$910
Raw materials inventory, beginning	\$80
Raw materials inventory, ending	\$20
Purchases of raw materials	\$100
Direct labour	\$130
Manufacturing overhead	\$200
Administrative expenses	\$160
Selling expenses	\$140
Work in process inventory, beginning	\$40
Work in process inventory, ending	\$10
Finished goods inventory, beginning	\$130
Finished goods inventory, ending	\$150

The cost of goods manufactured for the year (in thousands of dollars) was:

- A. \$460.
- B. \$500.
- C. \$520.**
- D. \$530.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

87. The following data (in thousands of dollars) have been taken from the accounting records of Karlana Corporation for the just completed year.

Sales	\$910
Raw materials inventory, beginning	\$80
Raw materials inventory, ending	\$20
Purchases of raw materials	\$100
Direct labour	\$130
Manufacturing overhead	\$200
Administrative expenses	\$160
Selling expenses	\$140
Work in process inventory, beginning	\$40
Work in process inventory, ending	\$10
Finished goods inventory, beginning	\$130
Finished goods inventory, ending	\$150

The cost of goods sold for the year (in thousands of dollars) was:

- A. \$500.
- B. \$540.
- C. \$650.
- D. \$670.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

88. The following data (in thousands of dollars) have been taken from the accounting records of Karlana Corporation for the just completed year.

Sales	\$910
Raw materials inventory, beginning	\$80
Raw materials inventory, ending	\$20
Purchases of raw materials	\$100
Direct labour	\$130
Manufacturing overhead	\$200
Administrative expenses	\$160
Selling expenses	\$140
Work in process inventory, beginning	\$40
Work in process inventory, ending	\$10
Finished goods inventory, beginning	\$130
Finished goods inventory, ending	\$150

The net income for the year (in thousands of dollars) was:

- A. \$18.
- B. \$40.
- C. \$110.**
- D. \$410.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Chapter 02 - Cost Concepts

89. The following data (in thousands of dollars) have been taken from the accounting records of Karlist Corporation for the just completed year.

Sales	\$800
Raw materials inventory, beginning	\$60
Raw materials inventory, ending	\$70
Purchases of raw materials	\$180
Direct labour	\$100
Manufacturing overhead	\$190
Administrative expenses	\$110
Selling expenses	\$150
Work in process inventory, beginning	\$70
Work in process inventory, ending	\$80
Finished goods inventory, beginning	\$120
Finished goods inventory, ending	\$160

Chapter 02 - Cost Concepts

The cost of the raw materials used in production during the year (in thousands of dollars) was:

- A. \$170.
- B. \$190.
- C. \$240.
- D. \$250.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

90. The following data (in thousands of dollars) have been taken from the accounting records of Karlist Corporation for the just completed year.

Sales	\$800
Raw materials inventory, beginning	\$60
Raw materials inventory, ending	\$70
Purchases of raw materials	\$180
Direct labour	\$100
Manufacturing overhead	\$190
Administrative expenses	\$110
Selling expenses	\$150
Work in process inventory, beginning	\$70
Work in process inventory, ending	\$80
Finished goods inventory, beginning	\$120
Finished goods inventory, ending	\$160

The cost of goods manufactured or the year (in thousands of dollars) was:

- A. \$450.
- B. \$470.
- C. \$530.
- D. \$540.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

91. The following data (in thousands of dollars) have been taken from the accounting records of Karlist Corporation for the just completed year.

Sales	\$800
Raw materials inventory, beginning	\$60
Raw materials inventory, ending	\$70
Purchases of raw materials	\$180
Direct labour	\$100
Manufacturing overhead	\$190
Administrative expenses	\$110
Selling expenses	\$150
Work in process inventory, beginning	\$70
Work in process inventory, ending	\$80
Finished goods inventory, beginning	\$120
Finished goods inventory, ending	\$160

The cost of goods sold for the year (in thousands of dollars) was:

- A. \$410.
- B. \$490.
- C. \$570.
- D. \$610.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

92. The following data (in thousands of dollars) have been taken from the accounting records of Karlist Corporation for the just completed year.

Sales	\$800
Raw materials inventory, beginning	\$60
Raw materials inventory, ending	\$70
Purchases of raw materials	\$180
Direct labour	\$100
Manufacturing overhead	\$190
Administrative expenses	\$110
Selling expenses	\$150
Work in process inventory, beginning	\$70
Work in process inventory, ending	\$80
Finished goods inventory, beginning	\$120
Finished goods inventory, ending	\$160

Chapter 02 - Cost Concepts

The net income for the year (in thousands of dollars) was:

- A. \$70.
- B.** \$130.
- C. \$190.
- D. \$390.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Chapter 02 - Cost Concepts

93. The following data pertain to Harriman Company's operations during July:

	July 1	July 31
Raw materials inventory	0	\$5,000
Work in process inventory	?	4,000
Finished goods inventory	\$12,000	?
Other data:		
Cost of goods manufactured		\$105,000
Raw materials used		40,000
Manufacturing overhead costs		20,000
Direct labour costs		39,000
Gross profit		100,000
Sales		210,000

Chapter 02 - Cost Concepts

The beginning work in process inventory was:

- A. \$1,000.
- B. \$4,000.
- C. \$10,000.
- D. \$14,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

94. The following data pertain to Harriman Company's operations during July:

	July 1	July 31
Raw materials inventory	0	\$5,000
Work in process inventory	?	4,000
Finished goods inventory	\$12,000	?
Other data:		
Cost of goods manufactured		\$105,000
Raw materials used		40,000
Manufacturing overhead costs		20,000
Direct labour costs		39,000
Gross profit		100,000
Sales		210,000

Chapter 02 - Cost Concepts

The ending finished goods inventory was:

- A. \$2,000.
- B.** \$7,000.
- C. \$12,000.
- D. \$17,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

95. Bergeron Inc. reported the following data for last year:

Work in process inventory, beginning	\$100
Work in process inventory, ending	\$150
Finished goods inventory, beginning	\$180
Finished goods inventory, ending	\$200
Direct labour cost	\$300
Direct materials cost	\$500
Manufacturing overhead cost	\$400

The prime cost was:

- A. \$500.
- B. \$700.
- C.** \$800.
- D. \$900.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

Chapter 02 - Cost Concepts

96. Bergeron Inc. reported the following data for last year:

Work in process inventory, beginning	\$100
Work in process inventory, ending	\$150
Finished goods inventory, beginning	\$180
Finished goods inventory, ending	\$200
Direct labour cost	\$300
Direct materials cost	\$500
Manufacturing overhead cost	\$400

The conversion cost was:

- A. \$500.
- B.** \$700.
- C. \$800.
- D. \$900.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

Chapter 02 - Cost Concepts

97. Bergeron Inc. reported the following data for last year:

Work in process inventory, beginning	\$100
Work in process inventory, ending	\$150
Finished goods inventory, beginning	\$180
Finished goods inventory, ending	\$200
Direct labour cost	\$300
Direct materials cost	\$500
Manufacturing overhead cost	\$400

The cost of goods manufactured was:

- A. \$1,150.
- B. \$1,180.
- C. \$1,220.
- D. \$1,250.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

98. Geneva Steel Corporation produces large sheets of heavy gauge steel. The company showed the following amounts relating to its production for the year just completed:

Direct materials used in production	\$110,000
Direct labour costs for the year	55,000
Work in process, beginning	22,000
Finished goods, beginning	45,000
Cost of goods available for sale	288,000
Cost of goods sold	238,000
Work in process, ending	16,000

The balance of the finished goods inventory at the end of the year was:

- A. \$45,000.
- B.** \$50,000.
- C. \$95,000.
- D. \$193,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

99. Geneva Steel Corporation produces large sheets of heavy gauge steel. The company showed the following amounts relating to its production for the year just completed:

Direct materials used in production	\$110,000
Direct labour costs for the year	55,000
Work in process, beginning	22,000
Finished goods, beginning	45,000
Cost of goods available for sale	288,000
Cost of goods sold	238,000
Work in process, ending	16,000

Manufacturing overhead cost for the year was:

- A. \$56,000.
- B. \$72,000.**
- C. \$78,000.
- D. \$84,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-04 Understand cost classification by function.

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-16 Manufacturing Overhead

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

100. Geneva Steel Corporation produces large sheets of heavy gauge steel. The company showed the following amounts relating to its production for the year just completed:

Direct materials used in production	\$110,000
Direct labour costs for the year	55,000
Work in process, beginning	22,000
Finished goods, beginning	45,000
Cost of goods available for sale	288,000
Cost of goods sold	238,000
Work in process, ending	16,000

Cost of goods manufactured for the year was:

- A. \$160,000.
- B. \$171,000.
- C. \$243,000.
- D. \$244,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-05 Prepare financial reports.

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

101. Boardman Company reported the following data for the month of January:

Inventories:	1/1	1/31
Raw materials	\$32,000	\$31,000
Work in process	\$18,000	\$12,000
Finished goods	\$30,000	\$35,000

Additional information:

Sales revenue	\$210,000
Direct labour costs	40,000
Manufacturing overhead costs	70,000
Selling expenses	25,000
Administrative expenses	35,000

If raw materials costing \$35,000 were purchased during January, the total manufacturing costs for the month was?

- A. \$144,000.
- B. \$145,000.
- C. \$146,000.**
- D. \$151,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

102. Boardman Company reported the following data for the month of January:

Inventories:	1/1	1/31
Raw materials	\$32,000	\$31,000
Work in process	\$18,000	\$12,000
Finished goods	\$30,000	\$35,000

Additional information:

Sales revenue	\$210,000
Direct labour costs	40,000
Manufacturing overhead costs	70,000
Selling expenses	25,000
Administrative expenses	35,000

Assume that cost of goods sold for January was \$124,000. The net income for January was:

- A. \$25,000.
- B.** \$26,000.
- C. \$51,000.
- D. \$61,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Chapter 02 - Cost Concepts

103. Boardman Company reported the following data for the month of January:

Inventories:	1/1	1/31
Raw materials	\$32,000	\$31,000
Work in process	\$18,000	\$12,000
Finished goods	\$30,000	\$35,000

Additional information:

Sales revenue	\$210,000
Direct labour costs	40,000
Manufacturing overhead costs	70,000
Selling expenses	25,000
Administrative expenses	35,000

Boardman Company's total conversion cost for January was:

- A. \$110,000.
- B. \$130,000.
- C. \$135,000.
- D. \$170,000.

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-16 Manufacturing Overhead

Chapter 02 - Cost Concepts

104. Boardman Company reported the following data for the month of January:

Inventories:	1/1	1/31
Raw materials	\$32,000	\$31,000
Work in process	\$18,000	\$12,000
Finished goods	\$30,000	\$35,000

Additional information:

Sales revenue	\$210,000
Direct labour costs	40,000
Manufacturing overhead costs	70,000
Selling expenses	25,000
Administrative expenses	35,000

Assume that cost of goods sold for Boardman Company for January was \$140,000. What was the cost of goods manufactured for the month?

- A. \$135,000
- B. \$139,000
- C. \$140,000
- D.** \$145,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

105. At a sales volume of 32,000 units, CD Company's total fixed costs are \$64,000 and total variable costs are \$60,000. (Do not round intermediate calculations)

If CD Company were to sell 43,000 units, the total expected cost would be?

- A. \$124,000.
- B.** \$144,625.
- C. \$146,000.
- D. \$166,625.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

106. At a sales volume of 32,000 units, CD Company's total fixed costs are \$64,000 and total variable costs are \$60,000. (Do not round intermediate calculations)

If CD Company were to sell 50,000 units, the total expected cost per unit would be (Do not round intermediate calculations. Round the final answer to two decimal places):

- A. \$2.48.
- B.** \$3.16.
- C. \$3.20.
- D. \$3.88.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Chapter 02 - Cost Concepts

107. Jimbob Company has two business alternatives - A & B with different total annual costs as set out below:

Total annual costs:	A	B
Advertising	\$32,000	\$31,000
Other marketing costs	\$18,000	\$12,000
Other expenses	\$30,000	\$35,000

Additionally, if alternative B is chosen the business will have to use some space for its own purposes that are currently being rented to an outside business for \$5,000 per year.

What are the total differential costs between the two alternatives?

- A. \$2,000.
- B. \$3,000.**
- C. \$5,000.
- D. \$7,000.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-03 Understand cost classification by relevance.

Topic: 02-09 Differential Cost and Revenue

Chapter 02 - Cost Concepts

108. Tech Computer manufactures tablets in its plant located in Toronto and then ships the computers directly to distributors and retailers. The company's accountant has enlisted you to classify the following company's expenses:

Annual subscription fee paid to tablet magazine.

- A. Fixed product cost.
- B. Variable product cost.
- C. Fixed period cost.**
- D. Variable period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

109. Tech Computer manufactures tablets in its plant located in Toronto and then ships the computers directly to distributors and retailers. The company's accountant has enlisted you to classify the following company's expenses:

Straight line depreciation on the factory building.

- A. Fixed product cost.**
- B. Variable product cost.
- C. Fixed period cost.
- D. Variable period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

110. Tech Computer manufactures tablets in its plant located in Toronto and then ships the computers directly to distributors and retailers. The company's accountant has enlisted you to classify the following company's expenses:

Units of production depreciation on the factory equipment.

- A. Fixed product cost.
- B. Variable product cost.**
- C. Fixed period cost.
- D. Variable period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Topic: 02-18 Product Costs Versus Period Costs

111. Tech Computer manufactures tablets in its plant located in Toronto and then ships the computers directly to distributors and retailers. The company's accountant has enlisted you to classify the following company's expenses:

The delivery charges incurred when shipping the tablets to distributors and retailers.

- A. Fixed product cost.
- B. Variable product cost.
- C. Fixed period cost.
- D. Variable period cost.**

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

112. Tech Computer manufactures tablets in its plant located in Toronto and then ships the computers directly to distributors and retailers. The company's accountant has enlisted you to classify the following company's expenses:

The delivery charges incurred when shipping the tablet drives to be installed in the tablet.

- A. Fixed product cost.
- B. Variable product cost.**
- C. Fixed period cost.
- D. Variable period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

113. Tech Computer manufactures tablets in its plant located in Toronto and then ships the computers directly to distributors and retailers. The company's accountant has enlisted you to classify the following company's expenses:

The drive installed in each tablet.

- A. Fixed product cost.
- B. Variable product cost.**
- C. Fixed period cost.
- D. Variable period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

114. Tech Computer manufactures tablets in its plant located in Toronto and then ships the computers directly to distributors and retailers. The company's accountant has enlisted you to classify the following company's expenses:

Wages of factory supervisor.

- A. Fixed product cost.
- B. Variable product cost.
- C. Fixed period cost.
- D. Variable period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

115. Tech Computer manufactures tablets in its plant located in Toronto and then ships the computers directly to distributors and retailers. The company's accountant has enlisted you to classify the following company's expenses:

Cost of a warehouse (i.e. rent) used to store finished goods (tablets) prior to selling them to the customer.

- A. Fixed product cost.
- B. Variable product cost.
- C. Fixed period cost.
- D. Variable period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-03 Variable Cost

Topic: 02-04 Fixed Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

116. Charlie's Chocolate Factory manufactures chocolate bars and ships them directly to wholesalers and retailers across the country. The company has two product lines: milk chocolate bars and chocolate covered almonds. Classify the following company's expenses if the cost object is a single product line (either milk chocolate bars or chocolate covered almonds).

The cost of cocoa used in the factory.

- A. Direct product cost.
- B. Indirect product cost.**
- C. Direct period cost.
- D. Indirect period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-06 Direct Cost

Topic: 02-07 Indirect Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

117. Charlie's Chocolate Factory manufactures chocolate bars and ships them directly to wholesalers and retailers across the country. The company has two product lines: milk chocolate bars and chocolate covered almonds. Classify the following company's expenses if the cost object is a single product line (either milk chocolate bars or chocolate covered almonds).

Rent on the production factory.

- A. Direct product cost.
- B. Indirect product cost.**
- C. Direct period cost.
- D. Indirect period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-06 Direct Cost

Topic: 02-07 Indirect Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

118. Charlie's Chocolate Factory manufactures chocolate bars and ships them directly to wholesalers and retailers across the country. The company has two product lines: milk chocolate bars and chocolate covered almonds. Classify the following company's expenses if the cost object is a single product line (either milk chocolate bars or chocolate covered almonds).

Almonds used in the chocolate covered almonds.

- A. Direct product cost.
- B. Indirect product cost.
- C. Direct period cost.
- D. Indirect period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-06 Direct Cost

Topic: 02-07 Indirect Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

119. Charlie's Chocolate Factory manufactures chocolate bars and ships them directly to wholesalers and retailers across the country. The company has two product lines: milk chocolate bars and chocolate covered almonds. Classify the following company's expenses if the cost object is a single product line (either milk chocolate bars or chocolate covered almonds).

Shipping costs to send the finished milk chocolate bars and chocolate covered almonds to wholesalers.

- A. Direct product cost.
- B. Indirect product cost.
- C. Direct period cost.
- D. Indirect period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-06 Direct Cost

Topic: 02-07 Indirect Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

120. Charlie's Chocolate Factory manufactures chocolate bars and ships them directly to wholesalers and retailers across the country. The company has two product lines: milk chocolate bars and chocolate covered almonds. Classify the following company's expenses if the cost object is a single product line (either milk chocolate bars or chocolate covered almonds).

Salaries for milk chocolate bars production line workers

- A. Direct product cost.
- B. Indirect product cost.
- C. Direct period cost.
- D. Indirect period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-06 Direct Cost

Topic: 02-07 Indirect Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

121. Charlie's Chocolate Factory manufactures chocolate bars and ships them directly to wholesalers and retailers across the country. The company has two product lines: milk chocolate bars and chocolate covered almonds. Classify the following company's expenses if the cost object is a single product line (either milk chocolate bars or chocolate covered almonds).

Advertising campaign for chocolate covered almonds.

- A. Direct product cost.
- B. Indirect product cost.
- C. Direct period cost.
- D. Indirect period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-06 Direct Cost

Topic: 02-07 Indirect Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

122. Charlie's Chocolate Factory manufactures chocolate bars and ships them directly to wholesalers and retailers across the country. The company has two product lines: milk chocolate bars and chocolate covered almonds. Classify the following company's expenses if the cost object is a single product line (either milk chocolate bars or chocolate covered almonds).

Advertising campaign for Charlie's Chocolate Factory, no specific products were mentioned in the campaign.

- A. Direct product cost.
- B. Indirect product cost.
- C. Direct period cost.
- D.** Indirect period cost.

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: Medium

Learning Objective: 02-01 Understand cost classification by behaviour.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-06 Direct Cost

Topic: 02-07 Indirect Cost

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

Chapter 02 - Cost Concepts

123. Frosting Corp. has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cupcakes

Baker's salaries	20,000
Finished goods inventory, beginning	18,000
Finished goods inventory, ending	20,000
General & administrative expenses	20,000
Indirect materials	17,500
Production Supervisor, Salary	21,000
Purchases of raw materials	28,000
Raw materials inventory, ending	19,000
Raw materials inventory, beginning	18,000
Rent on production factory	19,000
Rent, retail store	18,000
Sales	243,000
Utilities on production factory	17,500
Utilities, retail store	17,000
Wages, retail staff	20,000
WIP inventory, beginning	19,500
WIP inventory, ending	21,500

Chapter 02 - Cost Concepts

What was the amount of raw materials used in production?

- A. \$18,000
- B.** \$27,000
- C. \$28,000
- D. \$46,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

124. Frosting Corp. has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cupcakes

Baker's salaries	20,000
Finished goods inventory, beginning	18,000
Finished goods inventory, ending	20,000
General & administrative expenses	20,000
Indirect materials	17,500
Production Supervisor, Salary	21,000
Purchases of raw materials	28,000
Raw materials inventory, ending	19,000
Raw materials inventory, beginning	18,000
Rent on production factory	19,000
Rent, retail store	18,000
Sales	243,000
Utilities on production factory	17,500
Utilities, retail store	17,000
Wages, retail staff	20,000
WIP inventory, beginning	19,500
WIP inventory, ending	21,500

Chapter 02 - Cost Concepts

What was the total manufacturing overhead incurred during the period?

- A. \$40,000
- B. \$57,500
- C.** \$75,000
- D. \$92,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

125. Frosting Corp. has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cupcakes

Baker's salaries	20,000
Finished goods inventory, beginning	18,000
Finished goods inventory, ending	20,000
General & administrative expenses	20,000
Indirect materials	17,500
Production Supervisor, Salary	21,000
Purchases of raw materials	28,000
Raw materials inventory, ending	19,000
Raw materials inventory, beginning	18,000
Rent on production factory	19,000
Rent, retail store	18,000
Sales	243,000
Utilities on production factory	17,500
Utilities, retail store	17,000
Wages, retail staff	20,000
WIP inventory, beginning	19,500
WIP inventory, ending	21,500

Chapter 02 - Cost Concepts

What was the total manufacturing costs for the period?

- A. \$47,000
- B. \$95,000
- C. \$102,000
- D.** \$122,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

126. Frosting Corp. has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cupcakes

Baker's salaries	20,000
Finished goods inventory, beginning	18,000
Finished goods inventory, ending	20,000
General & administrative expenses	20,000
Indirect materials	17,500
Production Supervisor, Salary	21,000
Purchases of raw materials	28,000
Raw materials inventory, ending	19,000
Raw materials inventory, beginning	18,000
Rent on production factory	19,000
Rent, retail store	18,000
Sales	243,000
Utilities on production factory	17,500
Utilities, retail store	17,000
Wages, retail staff	20,000
WIP inventory, beginning	19,500
WIP inventory, ending	21,500

Chapter 02 - Cost Concepts

What was the total prime costs for the period?

- A. \$20,000
- B. \$27,000
- C.** \$47,000
- D. \$95,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

127. Frosting Corp. has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cupcakes

Baker's salaries	20,000
Finished goods inventory, beginning	18,000
Finished goods inventory, ending	20,000
General & administrative expenses	20,000
Indirect materials	17,500
Production Supervisor, Salary	21,000
Purchases of raw materials	28,000
Raw materials inventory, ending	19,000
Raw materials inventory, beginning	18,000
Rent on production factory	19,000
Rent, retail store	18,000
Sales	243,000
Utilities on production factory	17,500
Utilities, retail store	17,000
Wages, retail staff	20,000
WIP inventory, beginning	19,500
WIP inventory, ending	21,500

Chapter 02 - Cost Concepts

What was the cost of goods manufactured for the period?

- A. \$122,000
- B. \$120,000**
- C. \$124,000
- D. \$138,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

128. Frosting Corp. has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cupcakes

Baker's salaries	20,000
Finished goods inventory, beginning	18,000
Finished goods inventory, ending	20,000
General & administrative expenses	20,000
Indirect materials	17,500
Production Supervisor, Salary	21,000
Purchases of raw materials	28,000
Raw materials inventory, ending	19,000
Raw materials inventory, beginning	18,000
Rent on production factory	19,000
Rent, retail store	18,000
Sales	243,000
Utilities on production factory	17,500
Utilities, retail store	17,000

Chapter 02 - Cost Concepts

Wages, retail staff	20,000
WIP inventory, beginning	19,500
WIP inventory, ending	21,500

What was the cost of goods sold for the period?

- A. \$118,000
- B. \$120,000
- C. \$121,000
- D. \$123,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

129. Frosting Corp. has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cupcakes

Baker's salaries	20,000
Finished goods inventory, beginning	18,000
Finished goods inventory, ending	20,000
General & administrative expenses	20,000
Indirect materials	17,500
Production Supervisor, Salary	21,000
Purchases of raw materials	28,000
Raw materials inventory, ending	19,000
Raw materials inventory, beginning	18,000
Rent on production factory	19,000
Rent, retail store	18,000
Sales	243,000
Utilities on production factory	17,500
Utilities, retail store	17,000
Wages, retail staff	20,000
WIP inventory, beginning	19,500
WIP inventory, ending	21,500

Chapter 02 - Cost Concepts

What was the operating income for the period?

- A. \$50,000
- B. \$68,000
- C. \$88,000
- D. \$125,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-24 Schedule of Cost of Goods Manufactured

Short Answer Questions

130. Stony Electronics Corporation manufactures a Wifi speaker designed for mounting on the wall of the bathroom. The following list represents some of the different types of costs incurred in the manufacture of these Wifi speakers:

- 1) The plant manager's salary.
- 2) The cost of heating the plant.
- 3) The cost of heating executive offices.
- 4) The cost of printed circuit boards used in the Wifi speakers.
- 5) Salaries and commissions of company salespersons.
- 6) Depreciation on office equipment used in the executive offices.
- 7) Depreciation on production equipment used in the plant.
- 8) Wages of janitorial personnel who clean the plant.
- 9) The cost of insurance on the plant building.
- 10) The cost of electricity to light the plant.
- 11) The cost of electricity to power plant equipment.
- 12) The cost of maintaining and repairing equipment in the plant.
- 13) The cost of printing promotional materials for trade shows.
- 14) The cost of solder used in assembling the Wifi speakers.
- 15) The cost of telephone service for the executive offices.

Required:

Classify each of the items above as product (inventoriable) cost or period (non-inventoriable) costs for the purpose of preparing external financial statements.

Chapter 02 - Cost Concepts

- 1) Product.
- 2) Product.
- 3) Period.
- 4) Product.
- 5) Period.
- 6) Period.
- 7) Product.
- 8) Product.
- 9) Product.
- 10) Product.
- 11) Product.
- 12) Product.
- 13) Period.
- 14) Product.
- 15) Period.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Easy

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-18 Product Costs Versus Period Costs

Topic: 02-19 Product Costs

Topic: 02-20 Period Costs

131. Bill Pope has developed a new device that is so exciting he is considering quitting his job in order to produce and market it on a large-scale basis. Bill will rent a garage for \$300 per month for production purposes. Utilities will cost \$40 per month. Bill has already taken an industrial design course at the local community college to help prepare for this venture. The course cost \$300. Bill will rent production equipment at a monthly cost of \$800. He estimates the material cost per unit will be \$5, and the labour cost will be \$3. He will hire workers and spend his time promoting the product. To do this he will quit his job, which pays \$3,000 per month. Advertising and promotion will cost \$900 per month.

Required:

Complete the chart below by placing an "X" under each heading that helps to identify the cost involved. There can be "Xs" placed under more than one heading for a single cost, e.g., a cost might be a sunk cost, an overhead cost and a product cost; there would be an "X" placed under each of these headings opposite the cost.

Chapter 02 - Cost Concepts

	Opp ortu nity Cost	Sunk Cost	Varia ble Cost	Fixe d Cost	Manuf . Overh ead	Product Cost	Selling Cost	Differential Cost*
General rent								
Utilities								
Cost of the industria l design course								
Equipm ent rented								
Material cost								
Labour cost								
Present salary								
Advertis ing								

Chapter 02 - Cost Concepts

* Between the alternatives of going into business to make the device or not going into business to make the device.

	Oppor tunit y Cost	Su nk Co st	Variab le Cost	Fi xe d C os t	Manuf. Overhe ad	Product Cost	Selling Cost	Differential Cost
General rent				X	X	X		X
Utilities				X	X	X		X
Cost of the industrial design course		X						
Equipment rented				X	X	X		X
Material cost			X			X		X
Labour cost			X			X		X
Present salary	X							X
Advertising				X			X	X

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Easy

Learning Objective: 02-03 Understand cost classification by relevance.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-09 Differential Cost and Revenue

Topic: 02-10 Opportunity Cost

Topic: 02-11 Sunk Cost

Topic: 02-18 Product Costs Versus Period Costs

Chapter 02 - Cost Concepts

132. Logan Products, a small manufacturer, has submitted the items below concerning last year's operations. The president's secretary, trying to be helpful, has alphabetized the list.

Administrative salaries	\$2,400
Advertising expense	1,200
Depreciation—factory building	800
Depreciation—factory equipment	1,600
Depreciation—office equipment	180
Direct labour cost	21,900
Raw materials inventory, beginning	2,100
Raw materials inventory, ending	3,200
Finished goods inventory, beginning	46,980
Finished goods inventory, ending	44,410
General liability insurance expense	240
Indirect labour cost	11,800
Insurance on factory	1,400
Purchases of raw materials	14,600
Repairs and maintenance of factory	900
Sales salaries	2,000
Taxes on factory	450
Travel and entertainment expense	1,410
Work in process inventory, beginning	1,670
Work in process inventory, ending	1,110

Required:

Chapter 02 - Cost Concepts

- a. Prepare a schedule of Cost of Goods Manufactured in good form for the year.
- b. Determine the Cost of Goods Sold for the year.

a.

LOGAN COMPANY		
Schedule of Cost of Goods Manufactured		
Raw materials used:		
Beginning inventory	\$2,100	
Purchases	<u>14,600</u>	
Available	16,700	
Less ending inventory	<u>3,200</u>	\$13,500
Direct labour		21,900
Manufacturing overhead:		
Depreciation—factory building	800	
Depreciation—factory equipment	1,600	
Indirect labour cost	11,800	
Insurance on factory	1,400	
Repairs and maintenance	900	
Taxes on factory	<u>450</u>	<u>16,950</u>
Total manufacturing cost		52,350
Add work in process inventory, beginning		<u>1,670</u>
		54,020
Less work in process inventory, ending		<u>1,110</u>
Cost of goods manufactured		<u>\$52,910</u>

b. Cost of Goods Sold

Chapter 02 - Cost Concepts

Finished goods inventory, beginning	\$46,980
Cost of goods manufactured (above)	52,910
Available for sale	99,890
Less finished goods inventory, ending	44,410
Cost of goods sold	<u>\$55,480</u>

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

133. Laco Company acquired its factory building about 20 years ago. For several years, the company has rented out a small, unused part of the building. The renter's lease will expire soon. Rather than renewing the lease, Laco Company is considering using the space itself to manufacture a new product. Under this option, the unused space will continue to be depreciated on a straight-line basis, as in past years.

Direct materials and direct labour cost for the new product would be \$50 per unit. In order to have a place to store finished units of the new product, the company would have to rent a small warehouse nearby. The rental cost would be \$2,000 per month. It would cost the company an additional \$4,000 each month to advertise the new product. A new production supervisor would be hired to oversee production of the new product who would be paid \$3,000 per month. The company would pay a sales commission of \$10 for each unit of product that is sold.

Required:

Complete the chart below by placing an "X" under each column heading that helps to identify the costs listed to the left. There can be "X's" placed under more than one heading for a single cost. For example, a cost might be a product cost, an opportunity cost, and a sunk cost; there would be an "X" placed under each of these headings on the answer sheet opposite the cost.

Chapter 02 - Cost Concepts

	Opportunity Cost	Sunk Cost	Variable Cost	Fixed Cost	Product Cost	Selling & Admin. Cost	Differential Cost*
Rent on unused factory space							
Depreciation on the factory space							
Direct material and direct labour							
Rental cost of the small warehouse							
Advertising cost							
Production supervisor's salary							
Sales commissions							

Chapter 02 - Cost Concepts

* Between the alternatives of (1) renting the space out again or (2) using the space to produce the new product.

	Opportunity Cost	Sunk Cost	Variable Cost	Fixed Cost	Product Cost	Selling & Admin. Cost	Differential Cost*
Rent on unused factory space	X						X
Depreciation on the factory space		X		X	X		
Direct material and direct labour			X		X		X
Rental cost of the small warehouse				X		X	X
Advertising cost				X		X	X
Production supervisor's salary			X	X			X
Sales commissions		X				X	X

We suggest you allow either answers (a blank or an X) in this cell. Some experts would consider an opportunity cost to be a differential cost and others would not. It is all a matter of definition and the definitions given in the text do not really cover this contingency.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Easy

Learning Objective: 02-03 Understand cost classification by relevance.

Learning Objective: 02-04 Understand cost classification by function.

Topic: 02-09 Differential Cost and Revenue

Topic: 02-10 Opportunity Cost

Topic: 02-11 Sunk Cost

Topic: 02-18 Product Costs Versus Period Costs

Chapter 02 - Cost Concepts

134. A list of accounts for a manufacturing company for an accounting period is given below. Find the unknown amounts indicated by question marks.

Sales	\$39,000
Cost of goods sold	?
Purchases of direct materials	11,000
Direct labour	5,000
Finished goods inventory, beginning	5,000
Work in process, beginning	800
Work in process, ending	3,000
Gross margin	11,700
Finished goods inventory, ending	?
Accounts payable, beginning	4,000
Accounts payable, ending	2,800
Direct materials inventory, beginning	1,000
Direct materials inventory, ending	3,000
Indirect labour	2,000
Indirect materials used	4,000
Utilities expense, factory	3,000
Cost of goods manufactured	?
Depreciation on factory equipment	7,000

Cost of goods sold = $39,000 - 11,700 = 27,300$.

Direct materials used = $1,000 + 11,000 - 3,000 = 9,000$.

Cost of goods manufactured = $9,000 + 5,000 + (2,000 + 4,000 + 3,000 + 7,000) + 800 - 3,000 = 27,800$.

Finished goods inventory, ending = $5,000 + 27,800 - 27,300 = 5,500$.

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

135. Use the following information to determine the gross margin for British Columbia Manufacturing for the year just ended (all amounts are in thousands (\$000) of dollars):

Sales	\$31,800
Purchases of direct materials	7,000
Direct labour	5,000
Work in process inventory, 1/1	800
Work in process inventory, 12/31	3,000
Finished goods inventory, 1/1	4,000
Finished goods inventory, 12/31	5,300
Accounts payable, 1/1	1,700
Accounts payable, 12/31	1,500
Direct materials inventory, 1/1	6,000
Direct materials inventory, 12/31	1,000
Indirect labour	600
Indirect materials used	500
Utilities expense, factory	1,900
Depreciation on factory equipment	3,500

Direct materials used = $6,000 + 7,000 - 1,000 = 12,000$.

Cost of goods manufactured = $12,000 + 5,000 + (600 + 500 + 1,900 + 3,500) + 800 - 3,000 = 21,300$.

Cost of goods sold = $4,000 + 21,300 - 5,300 = 20,000$.

Gross margin = $31,800 - 20,000 = 11,800$

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

136. The following information is from Marchant Manufacturing Co. for September:

Direct materials used in production	\$95,000
Direct labour	67,000
Total manufacturing cost	234,000
Raw materials inventory, Sept. 1	24,000
Work in process inventory, Sept. 1	6,000
Finished goods inventory, Sept. 1	101,000
Purchases of raw materials	102,000
Cost of goods manufactured	233,000
Administrative expense	41,000
Selling expense	56,000
Sales	344,000
Gross margin	127,000
Net income	30,000

Required:

- Compute the Cost of Goods Sold.
- Compute the balance in Finished Goods Inventory at September 30.
- Compute the balance in Work in Process Inventory at September 30.
- Compute the balance in Raw Materials Inventory at September 30.
- Compute the total Manufacturing Overhead.

(Hint: The easiest method of solving this problem is to sketch out the income statement and the schedule of cost of goods manufactured, enter the given amounts, and then enter the unknowns as plug figures.)

MARCHANT MANUFACTURING

Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

Direct materials used:	
Inventory, Sept. 1	\$24,000
Purchases	<u>102,000</u>
	126,000
Inventory, Sept. 30 (d)	<u>31,000</u>
Direct materials used—given	95,000
Direct labour	67,000
Manufacturing overhead (e)	<u>72,000</u>
Total manufacturing cost—given	234,000
Inventory of work in process, Sept 1	<u>6,000</u>
	240,000
Inventory of work in process, Sept 30 (c)	<u>7,000</u>
Cost of goods manufactured—given	<u>\$233,000</u>

MARCHANT MANUFACTURING

Income Statement

Sales		\$344,000
Cost of goods sold:		
Finished goods, Sept 1	\$101,000	
Cost of goods manufactured—above	<u>233,000</u>	
Available for sale	334,000	
Finished goods, Sept 30 (b)	<u>117,000</u>	
Cost of goods sold (a)		<u>217,000</u>
Gross margin—given		127,000
Operating expenses:		
Administrative expenses	41,000	
Selling expenses	<u>56,000</u>	<u>97,000</u>
Net income—given		<u>\$30,000</u>

Chapter 02 - Cost Concepts

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Hard

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

137. The following data (in thousands of dollars) have been taken from the accounting records of Larsen Corporation for the just completed year.

Sales	\$860
Purchases of raw materials	\$150
Direct labour	\$110
Manufacturing overhead	\$210
Administrative expenses	\$130
Selling expenses	\$180
Raw materials inventory, beginning	\$40
Raw materials inventory, ending	\$80
Work in process inventory, beginning	\$20
Work in process inventory, ending	\$80
Finished goods inventory, beginning	\$80
Finished goods inventory, ending	\$150

Required:

- Prepare a Schedule of Cost of Goods Manufactured in good form.
- Compute the Cost of Goods Sold.
- Using data from your answers above as needed, prepare an Income Statement in good form.

a. Larsen Corporation
Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

Direct materials:	
Raw materials inventory, beginning	\$40
Add: Purchases of raw materials	<u>150</u>
Raw materials available for use	190
Deduct: Raw materials inventory, ending	<u>80</u>
Raw materials used in production	110
Direct labour	110
Manufacturing overhead	210
Total manufacturing cost	430
Add: Work in process inventory, beginning	<u>20</u>
	450
Deduct: Work in process inventory, ending	<u>80</u>
Cost of goods manufactured	<u>\$370</u>

b. Computation of cost of goods sold

Finished goods inventory, beginning	\$80
Add: Cost of goods manufactured	<u>370</u>
Goods available for sale	450
Deduct: Finished goods inventory, ending	<u>150</u>
Cost of goods sold	<u>\$300</u>

c. Larsen Corporation
Income Statement

Sales	\$860
Less: Cost of goods sold	<u>300</u>
Gross margin	560
Less: Administrative expenses	<u>130</u>
Less: Selling expenses	<u>180</u>
Net income	<u>\$250</u>

Chapter 02 - Cost Concepts

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

138. The following data (in thousands of dollars) have been taken from the accounting records of Larner Corporation for the just completed year.

Sales	\$870
Purchases of raw materials	\$110
Direct labour	\$130
Manufacturing overhead	\$200
Administrative expenses	\$160
Selling expenses	\$140
Raw materials inventory, beginning	\$30
Raw materials inventory, ending	\$60
Work in process inventory, beginning	\$50
Work in process inventory, ending	\$10
Finished goods inventory, beginning	\$150
Finished goods inventory, ending	\$140

Required:

- Prepare a Schedule of Cost of Goods Manufactured in good form.
- Compute the Cost of Goods Sold.
- Using data from your answers above as needed, prepare an Income Statement in good form.

a. Larner Corporation
Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

Direct materials:	
Raw materials inventory, beginning	\$30
Add: Purchases of raw materials	<u>110</u>
Raw materials available for use	140
Deduct: Raw materials inventory, ending	<u>60</u>
Raw materials used in production	80
Direct labour	130
Manufacturing overhead	<u>200</u>
Total manufacturing cost	410
Add: Work in process inventory, beginning	<u>50</u>
	460
Deduct: Work in process inventory, ending	<u>10</u>
Cost of goods manufactured	<u>\$450</u>

b. Computation of cost of goods sold

Finished goods inventory, beginning	\$150
Add: Cost of goods manufactured	<u>450</u>
Goods available for sale	600
Deduct: Finished goods inventory, ending	<u>140</u>
Cost of goods sold	<u>\$460</u>

c. Larner Corporation
Income Statement

Sales	\$870
Less: Cost of goods sold	<u>460</u>
Gross margin	410
Less: Administrative expenses	160
Less: Selling expenses	<u>140</u>
Net income	<u>\$110</u>

Chapter 02 - Cost Concepts

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

139. The following data (in thousands of dollars) have been taken from the accounting records of Larmont Corporation for the just completed year.

Sales	\$990
Purchases of raw materials	\$100
Direct labour	\$240
Manufacturing overhead	\$210
Administrative expenses	\$100
Selling expenses	\$140
Raw materials inventory, beginning	\$20
Raw materials inventory, ending	\$80
Work in process inventory, beginning	\$50
Work in process inventory, ending	\$30
Finished goods inventory, beginning	\$160
Finished goods inventory, ending	\$150

Required:

- Prepare a Schedule of Cost of Goods Manufactured in good form.
- Compute the Cost of Goods Sold.
- Using data from your answers above as needed, prepare an Income Statement in good form.

a. Larmont Corporation
Schedule of the Cost of Goods Manufactured

Chapter 02 - Cost Concepts

Direct materials:	
Raw materials inventory, beginning	\$20
Add: Purchases of raw materials	<u>100</u>
Raw materials available for use	120
Deduct: Raw materials inventory, ending	<u>80</u>
Raw materials used in production	40
Direct labour	240
Manufacturing overhead	<u>210</u>
Total manufacturing cost	490
Add: Work in process inventory, beginning	<u>50</u>
	540
Deduct: Work in process inventory, ending	<u>30</u>
Cost of goods manufactured	<u>\$510</u>

b. Computation of cost of goods sold

Finished goods inventory, beginning	\$160
Add: Cost of goods manufactured	<u>510</u>
Goods available for sale	670
Deduct: Finished goods inventory, ending	<u>150</u>
Cost of goods sold	<u>\$520</u>

c. Larmont Corporation
Income Statement

Sales	\$990
Less: Cost of goods sold	<u>520</u>
Gross margin	470
Less: Administrative expenses	<u>100</u>
Less: Selling expenses	<u>140</u>
Net income	<u>\$230</u>

Chapter 02 - Cost Concepts

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

140. The following costs relate to one month's activity in Martin Company:

Indirect materials	\$300
Rent on factory building	500
Maintenance of equipment	50
Direct material used	1,200
Utilities on factory	250
Direct labour	1,500
Selling expense	500
Administrative expense	300
Work in process inventory, beginning	600
Work in process inventory, ending	800
Finished goods inventory, beginning	500
Finished goods inventory, ending	250

Required:

- Prepare a Schedule of Cost of Goods Manufactured in good form.
- Determine the Cost of Goods Sold.

a. Martin Company

Schedule of the Cost of Goods Manufactured

Chapter 02 - Cost Concepts

Direct materials		\$1,200
Direct labour		1,500
Manufacturing overhead:		
Indirect materials	\$300	
Rent	500	
Maintenance	50	
Utilities	<u>250</u>	<u>1,100</u>
Total manufacturing costs		3,800
Add: WIP, beginning		<u>600</u>
		4,400
Deduct: WIP, ending		<u>800</u>
Cost of goods manufactured		<u>\$3,600</u>

b. Cost of Goods Sold

Finished goods, beginning	\$500
Add: Cost of goods manufactured	<u>3,600</u>
Goods available for sale	4,100
Finished goods, ending	<u>250</u>
Cost of goods sold	<u>\$3,850</u>

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

141. Simply Sweets has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cookies.

Baker's salary	3,000
Finished goods inventory, beginning	1,000
Finished goods inventory, ending	3,000
General & administrative expenses	3,500
Indirect materials	500
Production Supervisor, Salary	4,000
Purchases of raw materials	11,000
Raw materials inventory, ending	2,000
Raw materials inventory, beginning	1,000
Rent on production factory	2,000
Rent, retail store	1,000
Sales	40,000
Utilities on production factory	500
Utilities, retail store	500
Wages, retail staff	3,000
WIP inventory, beginning	2,500
WIP inventory, ending	4,500

Required:

- Prepare a schedule of cost of goods manufactured in good format.
- Prepare the cost of goods sold section of the income statement.
- Prepare an income statement in good format.

Simply Sweets
Schedule of Cost of Goods Manufactured
For the month ended August 31, 2020

Chapter 02 - Cost Concepts

Raw materials, beginning	1,000	
Purchases of raw materials	11,000	
Raw materials available	12,000	
Raw materials inventory, ending	2,000	
Raw materials used in production		10,000
Baker's salary		3,000
Manufacturing Overhead:		
Rent on production factory	2,000	
Utilities on production factory	500	
Production Supervisor, Salary	4,000	
Indirect materials	500	7,000
Total manufacturing costs		20,000
Add: WIP inventory, beginning		2,500
Less: WIP inventory, ending		4,500
Cost of Goods Manufactured		18,000

Simply Sweets

Cost of Goods Sold Section

For the month ended August 31, 2020

Finished goods inventory, beginning	1,000	
Add: Cost of Goods Manufactured	18,000	
Finished goods available for sale	19,000	
Less: Finished goods inventory, ending	3,000	
Cost of Goods Sold		16,000

Chapter 02 - Cost Concepts

Simply Sweets

Income Statement

For the month ended August 31, 2020

Sales		40,000
Finished goods inventory, beginning	1,000	
Add: Cost of Goods Manufactured	18,000	
Finished goods available for sale	19,000	
Less: Finished goods inventory, ending	3,000	
Cost of Goods Sold		16,000
Gross Margin		24,000
Rent, retail store	1,000	
Wages, retail staff	3,000	
Utilities, retail store	500	
General & administrative expenses	3,500	
Total operating expenses		8,000
Net Income		16,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

142. Sprinkles Inc. has provided the following relating to the most recent month (October 31, 2020) of operations, for their main product, cupcakes.

Baker's salary	4,000
General & administrative expenses	4,500
Indirect materials	1,500
Production Supervisor, Salary	5,000
Raw material purchases	12,000
Rent on production factory	3,000
Rent, retail store	2,000
Sales	41,000
Utilities on production factory	1,500
Utilities, retail store	1,500
Wages, retail staff	4,000

Inventory Balances:	Beginning	Ending
Raw Materials	2,000	3,000
Work in Process	3,500	5,500
Finished Goods	2,000	4,000

- a. Prepare a schedule of cost of goods manufactured in good format.
- b. Prepare the cost of goods sold section of the income statement.
- c. Prepare an income statement in good format.

Sprinkles Inc.
 Schedule of Cost of Goods Manufactured
 For the month ended October 31, 2020

Chapter 02 - Cost Concepts

Raw materials, beginning	2,000	
Purchases of raw materials	12,000	
Raw materials available	14,000	
Raw materials inventory, ending	3,000	
Raw materials used in production		11,000
Baker's salary		4,000
Manufacturing Overhead:		
Rent on production factory	3,000	
Utilities on production factory	1,500	
Production Supervisor, Salary	5,000	
Indirect materials	1,500	11,000
Total manufacturing costs		26,000
Add: WIP inventory, beginning		3,500
Less: WIP inventory, ending		5,500
Cost of Goods Manufactured		24,000

Sprinkles Inc.
 Cost of Goods Sold Section
 For the month ended October 31, 2020

Finished goods inventory, beginning	2,000	
Add: Cost of Goods Manufactured	24,000	
Finished goods available for sale	26,000	
Less: Finished goods inventory, ending	4,000	
Cost of Goods Sold		22,000

Chapter 02 - Cost Concepts

Sprinkles Inc.
Income Statement
For the month ended October 31, 2020

Sales		41,000
Finished goods inventory, beginning	2,000	
Add: Cost of Goods Manufactured	24,000	
Finished goods available for sale	26,000	
Less: Finished goods inventory, ending	4,000	
Cost of Goods Sold		22,000
Gross Margin		19,000
Rent, retail store	2,000	
Wages, retail staff	4,000	
Utilities, retail store	1,500	
General & administrative expenses	4,500	
Total operating expenses	2,000	12,000
Net Income	24,000	7,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

143. Snickerdoodle Inc. has provided the following relating to the most recent month (September 30, 2020) of operations, for their main product, cookies.

Baker's salary	13,000
General & administrative expenses	13,500
Indirect materials	10,500
Production Supervisor, Salary	14,000
Raw material purchases	21,000
Rent on production factory	12,000
Rent, retail store	11,000
Sales	140,000
Utilities on production factory	10,500
Utilities, retail store	10,500
Wages, retail staff	13,000

Inventory Balances:	Beginning	Ending
Raw Materials	11,000	12,000
Work in Process	12,500	14,500
Finished Goods	11,000	13,000

Required:

1. Prepare a schedule of cost of goods manufactured in good format.
2. Prepare the cost of goods sold section of the income statement.
3. Prepare an income statement in good format.

Snickerdoodle Inc.

Schedule of Cost of Goods Manufactured

For the month ended October 31, 20120

Chapter 02 - Cost Concepts

Raw materials, beginning	11,000	
Purchases of raw materials	21,000	
Raw materials available	32,000	
Raw materials inventory, ending	12,000	
Raw materials used in production		20,000
Baker's salary		13,000
Manufacturing Overhead:		
Rent on production factory	12,000	
Utilities on production factory	10,500	
Production Supervisor, Salary	14,000	
Indirect materials	10,500	47,000
Total manufacturing costs		80,000
Add: WIP inventory, beginning		12,500
Less: WIP inventory, ending		14,500
Cost of Goods Manufactured		78,000

Snickerdoodle Inc.
 Cost of Goods Sold Section
 For the month ended October 31, 2020

Finished goods inventory, beginning	11,000	
Add: Cost of Goods Manufactured	78,000	
Finished goods available for sale	89,000	
Less: Finished goods inventory, ending	13,000	
Cost of Goods Sold		76,000

Chapter 02 - Cost Concepts

Snickerdoodle Inc.
Income Statement
For the month ended October 31, 2020

Sales		140,000
Finished goods inventory, beginning	11,000	
Add: Cost of Goods Manufactured	78,000	
Finished goods available for sale	89,000	
Less: Finished goods inventory, ending	13,000	
Cost of Goods Sold		76,000
Gross Margin		64,000
Rent, retail store	11,000	
Wages, retail staff	13,000	
Utilities, retail store	10,500	
General & administrative expenses	13,500	
Total operating expenses		48,000
Net Income		16,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

144. Snickerdoodle Inc. has provided the following relating to the most recent month (September 30, 2020) of operations, for their main product, cookies.

Baker's salary	13,000
General & administrative expenses	13,500
Indirect materials	10,500
Production Supervisor, Salary	14,000
Raw material purchases	21,000
Rent on production factory	12,000
Rent, retail store	11,000
Sales	140,000
Utilities on production factory	10,500
Utilities, retail store	10,500
Wages, retail staff	13,000

Inventory Balances:	Beginning	Ending
Raw Materials	11,000	12,000
Work in Process	12,500	14,500
Finished Goods	11,000	13,000

Chapter 02 - Cost Concepts

Required:

Calculate the following:

1. Raw materials used in production
2. Total manufacturing overhead
3. Total manufacturing costs
4. Cost of Goods Manufactured
5. Cost of Goods Sold
6. Gross Margin
7. Operating Income (Loss)
8. Prime Costs
9. Conversion Costs

Snickerdoodle Inc.
Schedule of Cost of Goods Manufactured
For the month ended September 30, 2020

Raw materials, beginning	11,000	
Purchases of raw materials	21,000	
Raw materials available	32,000	
Raw materials inventory, ending	12,000	
Raw materials used in production		20,000
Baker's salary		13,000
Manufacturing Overhead:		
Rent on production factory	12,000	
Utilities on production factory	10,500	
Production Supervisor, Salary	14,000	
Indirect materials	10,500	47,000
Total manufacturing costs		80,000
Add: WIP inventory, beginning		12,500
Less: WIP inventory, ending		14,500
Cost of Goods Manufactured		78,000

Chapter 02 - Cost Concepts

Snickerdoodle Inc.
Income Statement
For the month ended August 31, 2020

Sales		140,000
Finished goods inventory, beginning	11,000	
Add: Cost of Goods Manufactured	78,000	
Finished goods available for sale	89,000	
Less: Finished goods inventory, ending	13,000	
Cost of Goods Sold		76,000
Gross Margin		64,000
Rent, retail store	11,000	
Wages, retail staff	13,000	
Utilities, retail store	10,500	
General & administrative expenses	13,500	
Total operating expenses		48,000
Net Income		16,000

Prime Costs (RM used + Direct Labor)	33,000
Conversion Costs (Direct Labor + MOH)	60,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-06 Understand and prepare manufacturing reports.
Topic: 02-23 The Income Statement
Topic: 02-24 Schedule of Cost of Goods Manufactured

Chapter 02 - Cost Concepts

145. Frosting Corp. has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cupcakes.

Baker's salaries	20,000
Finished goods inventory, beginning	18,000
Finished goods inventory, ending	20,000
General & administrative expenses	20,000
Indirect materials	17,500
Production Supervisor, Salary	21,000
Purchases of raw materials	28,000
Raw materials inventory, ending	19,000
Raw materials inventory, beginning	18,000
Rent on production factory	19,000
Rent, retail store	18,000
Sales	243,000
Utilities on production factory	17,500
Utilities, retail store	17,000
Wages, retail staff	20,000
WIP inventory, beginning	19,500
WIP inventory, ending	21,500

Required:

1. Prepare a schedule of cost of goods manufactured in good format.
2. Prepare the cost of goods sold section of the income statement.
3. Prepare an income statement in good format.

Frosting Corp.
Schedule of Cost of Goods Manufactured
For the month ended August 31, 2020

Chapter 02 - Cost Concepts

Raw materials, beginning	18,000	
Purchases of raw materials	28,000	
Raw materials available	46,000	
Raw materials inventory, ending	19,000	
Raw materials used in production		27,000
Baker's salary		20,000
Manufacturing Overhead:		
Rent on production factory	19,000	
Utilities on production factory	17,500	
Production Supervisor, Salary	21,000	
Indirect materials	17,500	75,000
Total manufacturing costs		122,000
Add: WIP inventory, beginning		19,500
Less: WIP inventory, ending		<u>21,500</u>
Cost of Goods Manufactured		120,000

Frosting Corp.
 Cost of Goods Sold Section
 For the month ended August 31, 2020

Finished goods inventory, beginning	18,000	
Add: Cost of Goods Manufactured	120,000	
Finished goods available for sale	138,000	
Less: Finished goods inventory, ending	20,000	
Cost of Goods Sold		118,000

Chapter 02 - Cost Concepts

Frosting Corp.
Income Statement
For the month ended August 31, 2020

Sales		243,000
Finished goods inventory, beginning	18,000	
Add: Cost of Goods Manufactured	120,000	
Finished goods available for sale	138,000	
Less: Finished goods inventory, ending	20,000	
Cost of Goods Sold		118,000
Gross Margin		125,000
Rent, retail store	18,000	
Wages, retail staff	20,000	
Utilities, retail store	17,000	
General & administrative expenses	20,000	
Total operating expenses		75,000
Net Income		50,000

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: Medium

Learning Objective: 02-06 Understand and prepare manufacturing reports.

Topic: 02-23 The Income Statement

Topic: 02-24 Schedule of Cost of Goods Manufactured