Chapter 02
Managerial Accounting and Cost Concepts

True / False Questions

1. Managerial accounting is primarily concerned with the organization as a whole rather than with segments of the organization.
True False

2. Managerial accounting places less emphasis on nonmonetary data than financial accounting.
True False

3. Direct labor is a part of both prime cost and conversion cost.
True False

4. Wages paid to production supervisors would be considered direct labor.
True False

5. Direct material cost combined with manufacturing overhead cost is known as conversion cost.
True False

6. Advertising is a product cost as long as it promotes specific products.
True False

7. Although depreciation is always a period cost in a merchandising firm, it can be a product cost in a manufacturing firm.
True False

8. In a manufacturing firm, all costs are product costs.
True False

9. The cost of shipping parts from a supplier is considered a product cost.
True False

10. If the finished goods inventory increases between the beginning and the end of a period, then the cost of goods manufactured for the period is larger than the cost of goods sold.
True False

11. The inventory of finished goods on hand at the end of a period is considered an asset, but inventories of raw materials and work-in-process are not considered assets until production is completed.
True False

12. The cost of goods manufactured for a period is the amount transferred from work in process inventory to finished goods inventory during the period.
True False

13. Differential costs can be either fixed or variable.
True False

14. A fixed cost is constant per unit of product.
True False

15. The variable cost per unit is constant and does not depend on how many units are produced.
True False

16. The cost of napkins put on each person's tray at a fast food restaurant is a fixed cost.
True False

17. A factory supervisor's salary would be classified as a direct cost of a unit of product.
True False

Multiple Choice Questions

18. Managerial accounting:
A. has its primary emphasis on the future.
B. is required by regulatory bodies such as the SEC.
C. focuses on the organization as a whole, rather than on the organization's segments.
D. Responses a, b, and c are all correct.

19. The plans of management are expressed formally in:
A. the annual report to shareholders.
B. Form 10-Q submitted to the Securities and Exchange Commission.
C. performance reports.
D. budgets.

20. Which of the following IS a characteristic of financial accounting?
A. not mandatory
B. must follow GAAP
C. emphasis on relevance of data, rather than precision
D. both A and C above

21. The corporate controller's salary would be considered a(n):
A. manufacturing cost.
B. product cost.
C. administrative cost.
D. selling expense.

22. The costs of direct materials are classified as:

	Conversion cost	Manufacturing cost	Prime cost
A)	**Yes**	**Yes**	**Yes**
B)	**No**	**No**	**No**
C)	**Yes**	**Yes**	**No**
D)	**No**	**Yes**	**Yes**

A. Option A
B. Option B
C. Option C
D. Option D

23. Manufacturing overhead:
A. can be either a variable cost or a fixed cost.
B. includes the costs of shipping finished goods to customers.
C. includes all factory labor costs.
D. includes all fixed costs.

24. The three basic elements of manufacturing cost are direct materials, direct labor, and:
A. cost of goods manufactured.
B. cost of goods sold.
C. work in process.
D. manufacturing overhead.

25. Prime cost consists of direct materials combined with:
A. direct labor.
B. manufacturing overhead.
C. indirect materials.
D. cost of goods manufactured.

26. Which terms below correctly describe the cost of the black paint used to paint the dots on a pair of dice?

	Variable Cost	Administrative Cost
A)	**Yes**	**Yes**
B)	**Yes**	**No**
C)	**No**	**Yes**
D)	**No**	**No**

A. Option A
B. Option B
C. Option C
D. Option D

27. 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. all of the above.

28. An example of a period cost is:
A. fire insurance on a factory building.
B. salary of a factory supervisor.
C. direct materials.
D. rent on a headquarters building.

29. 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

30. Micro Computer Company has set up a toll-free telephone line for customer inquiries regarding computer hardware produced by the company. The cost of this toll-free line would be classified as which of the following?
A. Product cost
B. Manufacturing overhead
C. Direct labor
D. Period cost

31. 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.

32. Cost of goods manufactured will usually include:
A. only costs incurred during the current period.
B. only direct labor and direct materials costs.
C. some costs incurred during the prior period as well as costs incurred during the current period.
D. some period costs as well as some product costs.

33. Which two terms below describe the wages paid to security guards that monitor a factory 24 hours a day?
A. variable cost and direct cost
B. fixed cost and direct cost
C. variable cost and indirect cost
D. fixed cost and indirect cost

34. 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.

35. Each of the following would be classified as variable in terms of cost behavior except:
A. cost of shipping goods to customers via express mail.
B. sales commissions.
C. plant manager's salary.
D. direct materials.

36. A lawnmower manufacturer computed a cost per unit of $53 by adding together last month's direct labor, direct materials, and manufacturing overhead and dividing that total by the 10,000 units produced last month. (There were no beginning or ending inventories.) If 9,000 units are going to be manufactured this month, we would expect that the:
A. cost per unit will remain the same.
B. cost per unit will decrease.
C. direction of change in unit costs cannot be determined.
D. cost per unit will increase.

37. Which one of the following costs should NOT be considered an indirect cost of serving a particular 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.

38. An opportunity cost is:
A. the difference in total costs which results from selecting one alternative instead of another.
B. the 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.

39. Buford Company rents out a small unused portion of its factory to another company for $1,000 per month. The rental agreement will expire next month, and rather than renew the agreement Buford Company is thinking about using the space itself to store materials. The term to describe the $1,000 per month is:
A. sunk cost.
B. period cost.
C. opportunity cost.
D. variable cost.

40. The following costs were incurred in August:

Direct materials	**$37,000**
Direct labor	**$14,000**
Manufacturing overhead	**$38,000**
Selling expenses	**$10,000**
Administrative expenses	**$28,000**

Conversion costs during the month totaled:
A. $127,000
B. $51,000
C. $52,000
D. $75,000

41. The following costs were incurred in August:

Direct materials	**$20,000**
Direct labor	**$18,000**
Manufacturing overhead	**$21,000**
Selling expenses	**$16,000**
Administrative expenses	**$21,000**

Prime costs during the month totaled:
A. $39,000
B. $59,000
C. $96,000
D. $38,000

42. During the month of August, direct labor cost totaled $13,000 and direct labor cost was 20% of prime cost. If total manufacturing costs during August were $88,000, the manufacturing overhead was:
A. $75,000
B. $23,000
C. $65,000
D. $52,000

43. In August direct labor was 60% of conversion cost. If the manufacturing overhead for the month was $54,000 and the direct materials cost was $34,000, the direct labor cost was:
A. $36,000
B. $22,667
C. $51,000
D. $81,000

44. Williams Company's direct labor cost is 25% of its conversion cost. If the manufacturing overhead for the last period was $45,000 and the direct materials cost was $25,000, the direct labor cost was:
A. $15,000
B. $60,000
C. $33,333
D. $20,000

45. Green Company's costs for the month of August were as follows: direct materials, $27,000; direct labor, $34,000; selling, $14,000; administrative, $12,000; and manufacturing overhead, $44,000. 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. $132,000
C. $138,000
D. $112,000

46. Consider the following costs incurred in a recent period:

Direct materials	**$33,000**
Depreciation on factory equipment	**$12,000**
Factory janitor's salary	**$23,000**
Direct labor	**$28,000**
Utilities for factory	**$9,000**
Selling expenses	**$16,000**
Production supervisor's salary	**$34,000**
Administrative expenses	**$21,000**

What was the total amount of the period costs listed above for the period?
A. $78,000
B. $71,000
C. $46,000
D. $37,000

47. 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

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

Beginning finished goods inventory	**$90,000**
Ending finished goods inventory	**$63,000**
Sales	**$412,000**
Gross margin	**$62,000**

What was the cost of goods manufactured for the month?
A. $350,000
B. $385,000
C. $377,000
D. $323,000

49. The following inventory balances relate to Lequin Manufacturing Corporation at the beginning and end of the year:

	Beginning	Ending
Raw materials.....	**$14,000**	**$19,000**
Work in process	**$31,000**	**$7,000**
Finished goods.....	**$25,000**	**$23,000**

Lequin's total manufacturing cost was $543,000. What was Lequin's cost of goods sold?
A. $517,000
B. $545,000
C. $569,000
D. $567,000

50. Gabrisch Inc. is a merchandising company. Last month the company's merchandise purchases totaled $90,000. The company's beginning merchandise inventory was $13,000 and its ending merchandise inventory was $22,000. What was the company's cost of goods sold for the month?
A. $90,000
B. $99,000
C. $125,000
D. $81,000

51. Haan Inc. is a merchandising company. Last month the company's cost of goods sold was $66,000. The company's beginning merchandise inventory was $14,000 and its ending merchandise inventory was $16,000. What was the total amount of the company's merchandise purchases for the month?
A. $68,000
B. $96,000
C. $64,000
D. $66,000

52. During August, the cost of goods manufactured was $73,000. The beginning finished goods inventory was $15,000 and the ending finished goods inventory was $21,000. What was the cost of goods sold for the month?
A. $79,000
B. $109,000
C. $67,000
D. $73,000

53. Walton Manufacturing Company gathered the following data for the month.

Cost of goods sold	**$35,000**
Sales	**$89,000**
Selling expenses	**$16,000**
Administrative expenses	**$21,000**

How much net operating income will be reported for the period?
A. $54,000
B. $17,000
C. $52,000
D. Cannot be determined.

54. Using the following data for August, calculate the cost of goods manufactured:

Direct materials	**$35,000**
Direct labor	**$15,000**
Manufacturing overhead	**$42,000**
Beginning work in process inventory	**$14,000**
Ending work in process inventory	**$17,000**

The cost of goods manufactured was:
A. $106,000
B. $92,000
C. $95,000
D. $89,000

55. The following inventory balances relate to Bharath Manufacturing Corporation at the beginning and end of the year:

	Beginning	Ending
Raw materials	**$9,000**	**$3,000**
Work in process	**$2,000**	**$12,000**
Finished goods	**$29,000**	**$36,000**

Bharath's cost of goods sold was $653,000. What was Bharath's cost of goods manufactured?
A. $660,000
B. $670,000
C. $682,000
D. $689,000

56. The following data have been provided by a company for a recent accounting period:

Inventories, beginning:	
Raw materials	**$10,000**
Work-in-process	**$2,000**
Finished goods	**$34,000**
Inventories, ending:	
Raw materials	**$11,000**
Work-in-process	**$4,000**
Finished goods	**$30,000**
Purchases of raw materials	**$50,000**
Direct labor wages	**$40,000**
Sales commissions	**$3,000**
Manufacturing overhead	**$60,000**
Marketing costs	**$55,000**
Administrative expenses	**$70,000**
Sales	**$300,000**

The cost of goods manufactured for the period was:
A. $147,000
B. $151,000
C. $153,000
D. $154,000

57. Direct materials used in production totaled $330,000. Direct labor was $415,000 and manufacturing overhead was $220,000. What were the total manufacturing costs incurred for the month?
A. $530,000
B. $965,000
C. $745,000
D. $635,000

58. How much opportunity cost is represented in the following information concerning a machine?

Annual operating cost	**$80,000**
Fixed operating costs other than depreciation	**$14,000**
Resale value, if sold now	**$25,000**
Original cost of machine	**$68,000**

A. $80,000
B. $14,000
C. $25,000
D. $68,000

Corcetti Company manufactures and sells prewashed denim jeans. Large rolls of denim cloth are purchased and are first washed in a giant washing machine. After the cloth is dried, it is cut up into jean pattern shapes and then sewn together. The completed jeans are sold to various retail chains.

59. Which of the following terms could be used to correctly describe the cost of the soap used to wash the denim cloth?

	Direct Cost	Product Cost
A)	**Yes**	**Yes**
B)	**Yes**	**No**
C)	**No**	**Yes**
D)	**No**	**No**

A. Option A
B. Option B
C. Option C
D. Option D

60. Which of the following terms could be used to correctly describe the wages paid to the workers that cut up the cloth into the jean pattern shapes?

	Conversion Cost	Variable Cost
A)	Yes	Yes
B)	Yes	No
C)	No	Yes
D)	No	No

A. Option A
B. Option B
C. Option C
D. Option D

61. Which of the following terms could be used to correctly describe the cost of the thread used to sew the jeans together?

	Manufacturing Overhead	Fixed Cost
A)	Yes	Yes
B)	Yes	No
C)	No	Yes
D)	No	No

A. Option A
B. Option B
C. Option C
D. Option D

62. Which of the following terms could be used to correctly describe the wages paid to the data entry clerk who enters customer order information into the company's computer system?

	Period Cost	Product Cost
A)	Yes	Yes
B)	Yes	No
C)	No	Yes
D)	No	No

A. Option A
B. Option B
C. Option C
D. Option D

A partial listing of costs incurred at Peggs Corporation during September appears below:

Direct materials	**$199,000**
Utilities, factory	**$11,000**
Administrative salaries	**$83,000**
Indirect labor	**$29,000**
Sales commissions	**$37,000**
Depreciation of production equipment	**$31,000**
Depreciation of administrative equipment	**$44,000**
Direct labor	**$81,000**
Advertising	**$154,000**

63. The total of the manufacturing overhead costs listed above for September is:
A. $71,000
B. $351,000
C. $669,000
D. $40,000

64. The total of the product costs listed above for September is:
A. $351,000
B. $669,000
C. $71,000
D. $318,000

65. The total of the period costs listed above for September is:
A. $389,000
B. $318,000
C. $71,000
D. $351,000

A partial listing of costs incurred during February at Urfer Corporation appears below:

Factory supplies	**$9,000**
Administrative wages and salaries	**$106,000**
Direct materials	**$142,000**
Sales staff salaries	**$53,000**
Factory depreciation	**$28,000**
Corporate headquarters building rent	**$30,000**
Indirect labor	**$24,000**
Marketing	**$129,000**
Direct labor	**$74,000**

66. The total of the period costs listed above for February is:
A. $379,000
B. $277,000
C. $61,000
D. $318,000

67. The total of the manufacturing overhead costs listed above for February is:
A. $61,000
B. $595,000
C. $277,000
D. $33,000

68. The total of the product costs listed above for February is:
A. $277,000
B. $595,000
C. $318,000
D. $61,000

Nadell Corporation reported the following data for the month of April:

Inventories:	Beginning	Ending
Raw materials.....	$30,000	$32,000
Work in process	$20,000	$21,000
Finished goods.....	$39,000	$53,000

69. If the raw materials purchased during April totaled $63,000, what was the cost of the raw materials used in production for the month?
A. $63,000
B. $61,000
C. $62,000
D. $65,000

70. If the company transferred $234,000 of completed goods from work in process to finished goods inventory during April, what was the cost of goods sold for the month?
A. $234,000
B. $235,000
C. $220,000
D. $248,000

Tart Corporation reported the following data for the month of September:

Inventories:	Beginning	Ending
Raw materials.....	$34,000	$37,000
Work in process	$14,000	$14,000
Finished goods.....	$58,000	$57,000
Additional information:		
Raw materials purchases	$50,000	
Direct labor cost.....	$36,000	
Manufacturing overhead.....	$67,000	
Selling expense	$13,000	
Administrative expense	$37,000	

71. The conversion cost for September was:
A. $150,000
B. $103,000
C. $117,000
D. $86,000

72. The prime cost for September was:
A. $50,000
B. $83,000
C. $86,000
D. $103,000

Management of Solman Corporation has asked your help as an intern in preparing some key reports for June. The beginning balance in the raw materials inventory account was $20,000. During the month, the company made raw materials purchases amounting to $69,000. At the end of the month, the balance in the raw materials inventory account was $32,000. Direct labor cost was $24,000 and manufacturing overhead was $71,000. The beginning balance in the work in process account was $24,000 and the ending balance was $19,000. The beginning balance in the finished goods account was $53,000 and the ending balance was $58,000. Selling expense was $20,000 and administrative expense was $35,000.

73. The conversion cost for June was:
A. $95,000
B. $140,000
C. $93,000
D. $152,000

74. The prime cost for June was:
A. $95,000
B. $93,000
C. $81,000
D. $55,000

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 labor	**$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**

75. The cost of the raw materials used in production during the year (in thousands of dollars) was:
A. $180
B. $40
C. $120
D. $160

76. The cost of goods manufactured (finished) for the year (in thousands of dollars) was:
A. $530
B. $520
C. $500
D. $460

77. The cost of goods sold for the year (in thousands of dollars) was:
A. $670
B. $500
C. $540
D. $650

78. The net operating income for the year (in thousands of dollars) was:
A. $410
B. $110
C. $40
D. $180

Lavell Corporation reported the following data for the month of February:

Inventories:	Beginning	Ending
Raw materials	$34,000	$37,000
Work in process	$11,000	$23,000
Finished goods	$31,000	$56,000

Additional information:	
Sales	$250,000
Raw materials purchases	$66,000
Direct labor cost	$38,000
Manufacturing overhead	$70,000
Selling expense	$19,000
Administrative expense	$37,000

79. The total manufacturing cost for February was:
A. $174,000
B. $171,000
C. $70,000
D. $108,000

80. The cost of goods manufactured for February was:
A. $171,000
B. $174,000
C. $183,000
D. $159,000

81. The cost of goods sold for February was:
A. $225,000
B. $134,000
C. $184,000
D. $127,000

82. The net operating income for February was:
A. $20,000
B. $116,000
C. $86,000
D. $60,000

Management of Parrent Corporation has asked your help as an intern in preparing some key reports for April. The company started the month with raw materials inventories of $32,000. During the month, the company made raw materials purchases amounting to $68,000. At the end of the month, raw materials inventories totaled $35,000. Direct labor cost was $43,000 and manufacturing overhead was $62,000. The beginning balance in the work in process account was $19,000 and the ending balance was $12,000. The beginning balance in the finished goods account was $35,000 and the ending balance was $58,000. Sales totaled $240,000. Selling expense was $18,000 and administrative expense was $42,000.

83. The total manufacturing cost for April was:
A. $170,000
B. $173,000
C. $62,000
D. $105,000

84. The cost of goods manufactured for April was:
A. $177,000
B. $173,000
C. $170,000
D. $163,000

85. The cost of goods sold for April was:
A. $123,000
B. $200,000
C. $217,000
D. $154,000

86. The net operating income for April was:
A. $26,000
B. $86,000
C. $75,000
D. $7,000

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 labor costs	**$39,000**	
Gross profit	**$100,000**	
Sales	**$210,000**	

87. The beginning work in process inventory was:
A. $10,000
B. $14,000
C. $1,000
D. $4,000

88. The ending finished goods inventory was:
A. $17,000
B. $12,000
C. $7,000
D. $2,000

Derflinger Corporation reported the following data for the month of January:

Inventories:	Beginning	Ending
Raw materials	$30,000	$26,000
Work in process	$18,000	$19,000
Finished goods	$42,000	$37,000

Additional information:	
Sales	$250,000
Raw materials purchases	$66,000
Direct labor cost	$32,000
Manufacturing overhead	$74,000
Selling expense	$20,000
Administrative expense	$45,000

89. The total manufacturing cost for January was:
A. $176,000
B. $74,000
C. $106,000
D. $172,000

90. The cost of goods manufactured for January was:
A. $176,000
B. $172,000
C. $175,000
D. $177,000

91. The cost of goods sold for January was:
A. $126,000
B. $180,000
C. $255,000
D. $170,000

92. The net operating income for January was:
A. $79,000
B. $70,000
C. $13,000
D. $5,000

Tator Corporation reported the following data for the month of April:

Inventories:	Beginning	Ending
Raw materials	$23,000	$29,000
Work in process	$21,000	$23,000
Finished goods	$43,000	$59,000

Additional information:	
Sales	$250,000
Raw materials purchases	$59,000
Direct labor cost	$29,000
Manufacturing overhead	$82,000
Selling expense	$15,000
Administrative expense	$43,000

93. The cost of goods sold for April was:
A. $178,000
B. $146,000
C. $126,000
D. $234,000

94. The net operating income for April was:
A. $22,000
B. $81,000
C. $46,000
D. $104,000

Weygandt Corporation reported the following data for the month of February:

Inventories:	Beginning	Ending
Raw materials	$22,000	$26,000
Work in process	$24,000	$11,000
Finished goods.....	$40,000	$59,000

Additional information:	
Sales.....	$200,000
Raw materials purchases	$72,000
Direct labor cost.....	$23,000
Manufacturing overhead	$67,000
Selling expense	$17,000
Administrative expense.....	$25,000

95. The total manufacturing cost for February was:
A. $90,000
B. $158,000
C. $67,000
D. $162,000

96. The net operating income for February was:
A. $48,000
B. $6,000
C. $68,000
D. -$4,000

Management of Berndt Corporation has asked your help as an intern in preparing some key reports for August. The beginning balance in the raw materials inventory account was $33,000. During the month, the company made raw materials purchases amounting to $62,000. At the end of the month, the balance in the raw materials inventory account was $30,000. Direct labor cost was $46,000 and manufacturing overhead was $74,000. The beginning balance in the work in process account was $13,000 and the ending balance was $19,000. The beginning balance in the finished goods account was $54,000 and the ending balance was $50,000. Sales totaled $270,000. Selling expense was $18,000 and administrative expense was $49,000.

97. The total manufacturing cost for August was:
A. $185,000
B. $182,000
C. $120,000
D. $74,000

98. The cost of goods manufactured for August was:
A. $191,000
B. $185,000
C. $182,000
D. $179,000

99. The cost of goods sold for August was:
A. $175,000
B. $183,000
C. $138,000
D. $274,000

100. The net operating income for August was:
A. $20,000
B. $21,000
C. $87,000
D. $83,000

The CFO of Stoffer Corporation has provided the following data for October. The beginning balance in the raw materials inventory account was $39,000. During the month, the company made raw materials purchases amounting to $68,000. At the end of the month, the balance in the raw materials inventory account was $28,000. Direct labor cost was $29,000 and manufacturing overhead was $78,000. The beginning balance in the work in process account was $11,000 and the ending balance was $13,000. The beginning balance in the finished goods account was $37,000 and the ending balance was $47,000. Sales totaled $240,000. Selling expense was $21,000 and administrative expense was $27,000.

101. The cost of goods sold for October was:
A. $194,000
B. $230,000
C. $128,000
D. $174,000

102. The net operating income for October was:
A. $85,000
B. $18,000
C. $17,000
D. $66,000

Cromuel Corporation has provided the following data for January. The beginning balance in the raw materials inventory account was $27,000. During the month, the company made raw materials purchases amounting to $50,000. At the end of the month, the balance in the raw materials inventory account was $24,000. Direct labor cost was $53,000 and manufacturing overhead was $70,000. The beginning balance in the work in process account was $14,000 and the ending balance was $12,000. The beginning balance in the finished goods account was $33,000 and the ending balance was $51,000. Sales totaled $270,000. Selling expense was $21,000 and administrative expense was $48,000.

103. The total manufacturing cost for January was:
A. $70,000
B. $123,000
C. $176,000
D. $173,000

104. The net operating income for January was:
A. $41,000
B. $78,000
C. $110,000
D. $28,000

Gluth Corporation has provided the following data for the month of July. The beginning balance in the finished goods inventory account was $56,000 and the ending balance was $49,000. Sales totaled $290,000. Cost of goods manufactured was $147,000, selling expense was $17,000, and administrative expense was $68,000.

105. The cost of goods sold for July was:
A. $232,000
B. $140,000
C. $154,000
D. $147,000

106. The net operating income for July was:
A. $58,000
B. $143,000
C. $150,000
D. $51,000

Twichell Inc., a local retailer, has provided the following data for the month of December:

Merchandise inventory, beginning balance	**$28,000**
Merchandise inventory, ending balance	**$31,000**
Sales	**$290,000**
Purchases of merchandise inventory	**$131,000**
Selling expense	**$17,000**
Administrative expense	**$52,000**

107. The cost of goods sold for December was:
A. $131,000
B. $128,000
C. $134,000
D. $200,000

108. The net operating income for December was:
A. $93,000
B. $159,000
C. $90,000
D. $156,000

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 labor 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**

109. The balance of the finished goods inventory at the end of the year was:
A. $95,000
B. $50,000
C. $193,000
D. $45,000

110. Manufacturing overhead for the year was:
A. $84,000
B. $78,000
C. $56,000
D. $72,000

111. Cost of goods manufactured for the year was:
A. $171,000
B. $160,000
C. $243,000
D. $244,000

Dagg Corporation reported the following data for the month of October:

Inventories:	**Beginning**	**Ending**
Raw materials	**$27,000**	**$38,000**
Work in process	**$15,000**	**$18,000**
Finished goods	**$47,000**	**$51,000**
Additional information:		
Raw materials purchases	**$62,000**	
Direct labor cost	**$30,000**	
Manufacturing overhead	**$84,000**	
Selling expense	**$18,000**	
Administrative expense	**$44,000**	

112. The total manufacturing cost for October was:
A. $84,000
B. $114,000
C. $176,000
D. $165,000

113. The cost of goods manufactured for October was:
A. $176,000
B. $168,000
C. $162,000
D. $165,000

Ruggeri Corporation reported the following data for the month of July:

Inventories:	**Beginning**	**Ending**
Raw materials	**$24,000**	**$39,000**
Work in process	**$22,000**	**$12,000**
Finished goods	**$55,000**	**$31,000**
Additional information:		
Raw materials purchases	**$77,000**	
Direct labor cost	**$40,000**	
Manufacturing overhead	**$60,000**	

114. The cost of goods manufactured for July was:
A. $152,000
B. $172,000
C. $177,000
D. $162,000

115. The cost of goods sold for July was:
A. $196,000
B. $120,000
C. $148,000
D. $244,000

Dodridge Corporation has provided the following data for February. The beginning balance in the raw materials inventory account was $23,000. During the month, the company made raw materials purchases amounting to $59,000. At the end of the month, the balance in the raw materials inventory account was $33,000. Direct labor cost was $28,000 and manufacturing overhead was $74,000. The beginning balance in the work in process account was $12,000 and the ending balance was $17,000. The beginning balance in the finished goods account was $48,000 and the ending balance was $54,000.

116. The total manufacturing cost for February was:
A. $74,000
B. $151,000
C. $102,000
D. $161,000

117. The cost of goods manufactured for February was:
A. $156,000
B. $146,000
C. $151,000
D. $161,000

At a sales volume of 36,000 units, Quale Corporation's sales commissions (a cost that is variable with respect to sales volume) total $187,200.

118. To the nearest whole dollar, what should be the total sales commissions at a sales volume of 38,300 units? (Assume that this sales volume is within the relevant range.)
A. $199,160
B. $175,958
C. $193,180
D. $187,200

119. To the nearest whole cent, what should be the average sales commission per unit at a sales volume of 36,400 units? (Assume that this sales volume is within the relevant range.)
A. $5.20
B. $4.89
C. $5.17
D. $5.14

At a sales volume of 37,000 units, Bonham Corporation's property taxes (a cost that is fixed with respect to sales volume) total $555,000.

120. To the nearest whole dollar, what should be the total property taxes at a sales volume of 34,900 units? (Assume that this sales volume is within the relevant range.)
A. $539,250
B. $588,395
C. $523,500
D. $555,000

121. To the nearest whole cent, what should be the average property tax per unit at a sales volume of 38,600 units? (Assume that this sales volume is within the relevant range.)
A. $15.00
B. $14.38
C. $15.90
D. $14.69

Mire Corporation staffs a helpline to answer questions from customers. The costs of operating the helpline are variable with respect to the number of calls in a month. At a volume of 29,000 calls in a month, the costs of operating the helpline total $171,100.

122. To the nearest whole dollar, what should be the total cost of operating the helpline costs at a volume of 31,200 calls in a month? (Assume that this call volume is within the relevant range.)
A. $171,100
B. $177,590
C. $184,080
D. $159,035

123. To the nearest whole cent, what should be the average cost of operating the helpline per call at a volume of 27,500 calls in a month? (Assume that this call volume is within the relevant range.)
A. $5.48
B. $5.90
C. $6.22
D. $6.06

Henscheid Corporation leases its corporate headquarters building. This lease cost is fixed with respect to the company's sales volume. In a recent month in which the sales volume was 33,000 units, the lease cost was $283,800.

124. To the nearest whole dollar, what should be the total lease cost at a sales volume of 35,300 units in a month? (Assume that this sales volume is within the relevant range.)
A. $283,800
B. $293,690
C. $303,580
D. $265,309

125. To the nearest whole cent, what should be the average lease cost per unit at a sales volume of 31,600 units in a month? (Assume that this sales volume is within the relevant range.)
A. $8.04
B. $8.98
C. $8.79
D. $8.60

The following cost data pertain to the operations of Lefthand Department Stores, Inc., for the month of December.

Corporate legal office salaries	**$74,000**
Shoe Department cost of sales, Brentwood Store	**$35,000**
Corporate headquarters building lease	**$78,000**
Store manager's salary--Brentwood Store	**$14,000**
Shoe Department sales commissions, Brentwood Store	**$5,000**
Store utilities--Brentwood Store	**$14,000**
Shoe Department manager's salary, Brentwood Store	**$3,000**
Central warehouse lease cost	**$10,000**
Janitorial costs, Brentwood Store	**$8,000**

The Brentwood Store is just one of many stores owned and operated by the company. The Shoe Department is one of many departments at the Brentwood Store. The central warehouse serves all of the company's stores.

126. What is the total amount of the costs listed above that are direct costs of the Shoe Department?
A. $43,000
B. $35,000
C. $79,000
D. $40,000

127. What is the total amount of the costs listed above that are NOT direct costs of the Brentwood Store?
A. $78,000
B. $43,000
C. $162,000
D. $36,000

The following cost data pertain to the operations of Polek Department Stores, Inc., for the month of March.

Corporate headquarters building lease	**$79,000**
Cosmetics Department sales commissions, Northridge Store	**$6,000**
Corporate legal office salaries	**$50,000**
Store manager's salary-Northridge Store	**$14,000**
Heating-Northridge Store	**$11,000**
Cosmetics Department cost of sales, Northridge Store	**$56,000**
Central warehouse lease cost	**$18,000**
Store security-Northridge Store	**$14,000**
Cosmetics Department manager's salary, Northridge Store	**$4,000**

The Northridge Store is just one of many stores owned and operated by the company. The Cosmetics Department is one of many departments at the Northridge Store. The central warehouse serves all of the company's stores.

128. What is the total amount of the costs listed above that are direct costs of the Cosmetics Department?
A. $66,000
B. $105,000
C. $62,000
D. $56,000

129. What is the total amount of the costs listed above that are NOT direct costs of the Northridge Store?
A. $39,000
B. $66,000
C. $79,000
D. $147,000

Lucena Corporation purchased a machine 7 years ago for $339,000 when it launched product X05K. Unfortunately, this machine has broken down and cannot be repaired. The machine could be replaced by a new model 360 machine costing $353,000 or by a new model 280 machine costing $332,000. Management has decided to buy the model 280 machine. It has less capacity than the model 360 machine, but its capacity is sufficient to continue making product X05K. Management also considered, but rejected, the alternative of dropping product X05K and not replacing the old machine. If that were done, the $332,000 invested in the new machine could instead have been invested in a project that would have returned a total of $426,000.

130. In making the decision to buy the model 280 machine rather than the model 360 machine, the differential cost was:
A. $21,000
B. $87,000
C. $7,000
D. $14,000

131. In making the decision to buy the model 280 machine rather than the model 360 machine, the sunk cost was:
A. $426,000
B. $339,000
C. $332,000
D. $353,000

132. In making the decision to invest in the model 280 machine, the opportunity cost was:
A. $426,000
B. $353,000
C. $332,000
D. $339,000

Management of Sourwine Corporation is considering whether to purchase a new model 320 machine costing $389,000 or a new model 280 machine costing $318,000 to replace a machine that was purchased 6 years ago for $376,000. The old machine was used to make product C78P until it broke down last week. Unfortunately, the old machine cannot be repaired.

Management has decided to buy the new model 280 machine. It has less capacity than the new model 320 machine, but its capacity is sufficient to continue making product C78P.

Management also considered, but rejected, the alternative of simply dropping product C78P. If that were done, instead of investing $318,000 in the new machine, the money could be invested in a project that would return a total of $405,000.

133. In making the decision to buy the model 280 machine rather than the model 320 machine, the sunk cost was:
A. $376,000
B. $318,000
C. $405,000
D. $389,000

134. In making the decision to buy the model 280 machine rather than the model 320 machine, the differential cost was:
A. $58,000
B. $13,000
C. $29,000
D. $71,000

135. In making the decision to invest in the model 280 machine, the opportunity cost was:
A. $376,000
B. $389,000
C. $405,000
D. $318,000

Essay Questions

136. Sid Freeman has developed a new electronic device that he has decided to produce and market. The production facility will be in a nearby industrial park which Sid will rent for $4,000 per month. Utilities will cost about $500 per month. He will use his personal computer, which he purchased for $2,000 last year, to monitor the production process. The computer will become obsolete before it wears out from use. The computer will be depreciated at the rate of $1,000 per year. He will rent production equipment at a monthly cost of $8,000. Sid estimates the material cost per finished unit of product to be $50, and the labor cost to be $10. He will hire workers, and spend his time promoting the product. To do this he will quit his job which pays $4,500 per month. Advertising will cost $2,000 per month. Sid will not draw a salary from the new company until it gets well established.

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.

					Product Cost				
	Oppor-tunity Cost	Sunk Cost	Variable Cost	Fixed Cost	Direct Materials	Direct Labor	Manufac-turing Overhead	Selling Cost	Differ-ential Cost
Facility rent									
Utilities									
Personal computer depreciation									
Equipment rent									
Material cost									
Labor cost									
Present salary									
Advertising									

*Between the alternatives of producing and not producing the device.

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 labor	**$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:

a. Prepare a Schedule of Cost of Goods Manufactured in good form.

b. Compute the Cost of Goods Sold.

c. Using data from your answers above as needed, prepare an Income Statement in good form.

138. Beauchesne Corporation, a manufacturing company, has provided the following data for the month of May:

Inventories:	Beginning	Ending
Raw materials	$36,000	$24,000
Finished goods	$57,000	$28,000

Raw materials purchased during May totaled $69,000 and the cost of goods manufactured totaled $146,000.

Required:

a. What was the cost of raw materials used in production during May? Show your work.

b. What was the cost of goods sold for May? Show your work.

139. During the month of January, Fisher Corporation, a manufacturing company, purchased raw materials costing $76,000. The cost of goods manufactured for the month was $129,000. The beginning balance in the raw materials account was $26,000 and the ending balance was $21,000. The beginning balance in the finished goods account was $52,000 and the ending balance was $35,000.

Required:

a. What was the cost of raw materials used in production during January? Show your work.

b. What was the cost of goods sold for January? Show your work.

140. Joe Ringworth, factory supervisor at Winger Enterprises, had been attending night classes to earn a degree in business. He was particularly puzzled by what one of his accounting professors had said in class the previous evening. The professor, who knew that Joe worked as a factory supervisor, had said that some of Joe's salary could end up on the company's balance sheet at the end of the month. This didn't make any sense to Joe since he gets the salary, not the company.

Required:

Explain to Joe why some of his salary could end up on the company's balance sheet at the end of the month.

141. A partial listing of costs incurred at Rust Corporation during August appears below:

Direct materials	**$135,000**
Utilities, factory	**$11,000**
Sales commissions	**$69,000**
Administrative salaries	**$101,000**
Indirect labor	**$29,000**
Advertising	**$94,000**
Depreciation of production equipment	**$31,000**
Direct labor	**$73,000**
Depreciation of administrative equipment	**$40,000**

Required:

a. What is the total amount of product cost listed above? Show your work.

b. What is the total amount of period cost listed above? Show your work.

142. Machowski Corporation has provided the following partial listing of costs incurred during November:

Marketing salaries	**$47,000**
Property taxes, factory	**$6,000**
Administrative travel	**$113,000**
Sales commissions	**$56,000**
Indirect labor	**$36,000**
Direct materials	**$119,000**
Advertising	**$63,000**
Depreciation of production equipment	**$56,000**
Direct labor	**$117,000**

Required:

a. What is the total amount of product cost listed above? Show your work.

b. What is the total amount of period cost listed above? Show your work.

143. Standford Corporation has provided the following data for the month of February:

Sales	**$280,000**
Raw materials purchases	**$76,000**
Direct labor cost	**$42,000**
Manufacturing overhead	**$77,000**
Selling expense	**$20,000**
Administrative expense	**$35,000**

Inventories:	**Beginning**	**Ending**
Raw materials	**$22,000**	**$33,000**
Work in process	**$15,000**	**$23,000**
Finished goods	**$52,000**	**$43,000**

Required:

a. Prepare a Schedule of Cost of Goods Manufactured in good form for February.

b. Prepare an Income Statement in good form for February.

144. In October, Ringler Corporation had sales of $273,000, selling expenses of $26,000, and administrative expenses of $47,000. The cost of goods manufactured was $183,000. The beginning balance in the finished goods inventory account was $45,000 and the ending balance was $34,000.

Required:

Prepare an Income Statement in good form for October.

145. In July, Neidich Inc., a merchandising company, had sales of $295,000, selling expenses of $24,000, and administrative expenses of $29,000. The cost of merchandise purchased during the month was $215,000. The beginning balance in the merchandise inventory account was $25,000 and the ending balance was $30,000.

Required:

Prepare an Income Statement in good form for July.

146. Dinius Corporation has provided the following data for the month of December:

Raw materials purchases	**$55,000**
Direct labor cost	**$22,000**
Manufacturing overhead	**$68,000**

Inventories:	**Beginning**	**Ending**
Raw materials	**$25,000**	**$27,000**
Work in process	**$16,000**	**$22,000**
Finished goods	**$39,000**	**$25,000**

Required:

Prepare a Schedule of Cost of Goods Manufactured for December.

147. A number of costs and measures of activity are listed below.

	Cost Description	Possible Measure of Activity
1.	Cost of heating a hardware store	Dollar sales
2.	Windshield wiper blades installed on autos at an auto assembly plant	Number of autos assembled
3.	Cost of tomato sauce used at a pizza shop	Pizzas cooked
4.	Cost of shipping bags of fertilizer to a customer at a chemical plant	Bags shipped
5.	Cost of electricity for production equipment at a snowboard manufacturer	Snowboards produced
6.	Cost of renting production equipment on a monthly basis at a snowboard manufacturer	Snowboards produced
7.	Cost of vaccine used at a clinic	Vaccines administered
8.	Cost of sales at a hardware store	Dollar sales
9.	Receptionist's wages at dentist's office	Number of patients
10.	Salary of production manager at a snowboard manufacturer	Snowboards produced

Required:

For each item above, indicate whether the cost is MAINLY fixed or variable with respect to the possible measure of activity listed next to it.

148. A number of costs and measures of activity are listed below.

	Cost Description	Possible Measure of Activity
1.	Cost of renting production equipment on a monthly basis at a surfboard manufacturer	Surfboards produced
2.	Pilot's salary on a regularly scheduled commuter airline	Number of passengers
3.	Cost of dough used at a pizza shop	Pizzas cooked
4.	Janitorial wages at a surfboard manufacturer	Surfboards produced
5.	Cost of shipping bags of garden mulch to a retail garden store	Bags shipped
6.	Salary of production manager at a surfboard manufacturer	Surfboards produced
7.	Property tax on corporate headquarters building	Dollar sales
8.	Cost of heating an electronics store	Dollar sales
9.	Shift manager's wages at a coffee shop	Dollar sales
10.	Cost of bags used in packaging chickens for shipment to grocery stores	Crates of chicken shipped

Required:

For each item above, indicate whether the cost is MAINLY fixed or variable with respect to the possible measure of activity listed next to it.

149. A number of costs are listed below.

	Cost Description	Cost Object
1.	Supervisor's wages in a computer manufacturing facility	A particular personal computer
2.	Salary of the president of a home construction company	A particular home
3.	Cost of tongue depressors used in an outpatient clinic at a hospital	The outpatient clinic
4.	Cost of lubrication oil used at the auto repair shop of an automobile dealer	The auto repair shop
5.	Manager's salary at a hotel run by a chain of hotels	The particular hotel
6.	Cost of screws used to secure wood trim in a yacht at a yacht manufacturer	A particular yacht
7.	Accounting professor's salary	The Accounting Department
8.	Cost of a measles vaccine administered at an outpatient clinic at a hospital	A particular patient
9.	Cost of electronic navigation system installed in a yacht at a yacht manufacturer	A particular yacht
10.	Wood used to build a home	A particular home

Required:

For each item above, indicate whether the cost is direct or indirect with respect to the cost object listed next to it.

Chapter 02 Managerial Accounting and Cost Concepts Answer Key

True / False Questions

1. Managerial accounting is primarily concerned with the organization as a whole rather than with segments of the organization.
FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Reporting
Learning Objective: 1
Level: Easy

2. Managerial accounting places less emphasis on nonmonetary data than financial accounting.
FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Reporting
Learning Objective: 1
Level: Medium

3. Direct labor is a part of both prime cost and conversion cost.
TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Medium

4. Wages paid to production supervisors would be considered direct labor.
FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Easy

5. Direct material cost combined with manufacturing overhead cost is known as conversion cost.
FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Easy

6. Advertising is a product cost as long as it promotes specific products.
FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

7. Although depreciation is always a period cost in a merchandising firm, it can be a product cost in a manufacturing firm.
TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

8. In a manufacturing firm, all costs are product costs.
FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Easy

9. The cost of shipping parts from a supplier is considered a product cost.
TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Easy

10. If the finished goods inventory increases between the beginning and the end of a period, then the cost of goods manufactured for the period is larger than the cost of goods sold.
TRUE

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Hard

11. The inventory of finished goods on hand at the end of a period is considered an asset, but inventories of raw materials and work-in-process are not considered assets until production is completed.
FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Reporting
Learning Objective: 5
Level: Medium

12. The cost of goods manufactured for a period is the amount transferred from work in process inventory to finished goods inventory during the period.
TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

13. Differential costs can be either fixed or variable.
TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Learning Objective: 8
Level: Medium

14. A fixed cost is constant per unit of product.
FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

15. The variable cost per unit is constant and does not depend on how many units are produced.
TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

16. The cost of napkins put on each person's tray at a fast food restaurant is a fixed cost.
FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

17. A factory supervisor's salary would be classified as a direct cost of a unit of product.
FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 7
Level: Easy

Multiple Choice Questions

18. Managerial accounting:
A. has its primary emphasis on the future.
B. is required by regulatory bodies such as the SEC.
C. focuses on the organization as a whole, rather than on the organization's segments.
D. Responses a, b, and c are all correct.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Reporting
Learning Objective: 1
Level: Easy

19. The plans of management are expressed formally in:
A. the annual report to shareholders.
B. Form 10-Q submitted to the Securities and Exchange Commission.
C. performance reports.
D. budgets.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Reporting
Learning Objective: 1
Level: Easy

20. Which of the following IS a characteristic of financial accounting?
A. not mandatory
B. must follow GAAP
C. emphasis on relevance of data, rather than precision
D. both A and C above

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Reporting
Learning Objective: 1
Level: Easy

21. The corporate controller's salary would be considered a(n):
A. manufacturing cost.
B. product cost.
C. administrative cost.
D. selling expense.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Learning Objective: 3
Level: Easy

22. The costs of direct materials are classified as:

	Conversion cost	Manufacturing cost	Prime cost
A)	Yes	Yes	Yes
B)	No	No	No
C)	Yes	Yes	No
D)	No	Yes	Yes

A. Option A
B. Option B
C. Option C
D. Option D

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Medium

23. Manufacturing overhead:
A. can be either a variable cost or a fixed cost.
B. includes the costs of shipping finished goods to customers.
C. includes all factory labor costs.
D. includes all fixed costs.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Easy

24. The three basic elements of manufacturing cost are direct materials, direct labor, and:
A. cost of goods manufactured.
B. cost of goods sold.
C. work in process.
D. manufacturing overhead.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Easy

25. Prime cost consists of direct materials combined with:
A. direct labor.
B. manufacturing overhead.
C. indirect materials.
D. cost of goods manufactured.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Easy

26. Which terms below correctly describe the cost of the black paint used to paint the dots on a pair of dice?

	Variable Cost	Administrative Cost
A)	**Yes**	**Yes**
B)	**Yes**	**No**
C)	**No**	**Yes**
D)	**No**	**No**

A. Option A
B. Option B
C. Option C
D. Option D

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Learning Objective: 6
Level: Medium

27. 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. all of the above.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Learning Objective: 6
Level: Medium

28. An example of a period cost is:
A. fire insurance on a factory building.
B. salary of a factory supervisor.
C. direct materials.
D. rent on a headquarters building.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Easy

29. 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

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Easy

30. Micro Computer Company has set up a toll-free telephone line for customer inquiries regarding computer hardware produced by the company. The cost of this toll-free line would be classified as which of the following?
A. Product cost
B. Manufacturing overhead
C. Direct labor
D. Period cost

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Easy

31. 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.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Hard
Source: CMA, adapted

32. Cost of goods manufactured will usually include:
A. only costs incurred during the current period.
B. only direct labor and direct materials costs.
C. some costs incurred during the prior period as well as costs incurred during the current period.
D. some period costs as well as some product costs.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Hard

33. Which two terms below describe the wages paid to security guards that monitor a factory 24 hours a day?
A. variable cost and direct cost
B. fixed cost and direct cost
C. variable cost and indirect cost
D. fixed cost and indirect cost

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Learning Objective: 7
Level: Medium

34. 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.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Medium

35. Each of the following would be classified as variable in terms of cost behavior except:
A. cost of shipping goods to customers via express mail.
B. sales commissions.
C. plant manager's salary.
D. direct materials.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

36. A lawnmower manufacturer computed a cost per unit of $53 by adding together last month's direct labor, direct materials, and manufacturing overhead and dividing that total by the 10,000 units produced last month. (There were no beginning or ending inventories.) If 9,000 units are going to be manufactured this month, we would expect that the:
A. cost per unit will remain the same.
B. cost per unit will decrease.
C. direction of change in unit costs cannot be determined.
D. cost per unit will increase.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Medium

37. Which one of the following costs should NOT be considered an indirect cost of serving a particular 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.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 7
Level: Medium

38. An opportunity cost is:
A. the difference in total costs which results from selecting one alternative instead of another.
B. the 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.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Learning Objective: 8
Level: Easy

39. Buford Company rents out a small unused portion of its factory to another company for $1,000 per month. The rental agreement will expire next month, and rather than renew the agreement Buford Company is thinking about using the space itself to store materials. The term to describe the $1,000 per month is:
A. sunk cost.
B. period cost.
C. opportunity cost.
D. variable cost.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Learning Objective: 8
Level: Medium

40. The following costs were incurred in August:

Direct materials	**$37,000**
Direct labor	**$14,000**
Manufacturing overhead	**$38,000**
Selling expenses	**$10,000**
Administrative expenses	**$28,000**

Conversion costs during the month totaled:
A. $127,000
B. $51,000
C. $52,000
D. $75,000

Direct labor	**$14,000**
Manufacturing Overhead	**38,000**
Total	**$52,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Learning Objective: 3
Level: Medium

41. The following costs were incurred in August:

Direct materials	**$20,000**
Direct labor	**$18,000**
Manufacturing overhead	**$21,000**
Selling expenses	**$16,000**
Administrative expenses	**$21,000**

Prime costs during the month totaled:

A. $39,000
B. $59,000
C. $96,000
D. $38,000

Direct materials	**$20,000**
Direct labor	**18,000**
Total	**$38,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Learning Objective: 3
Level: Medium

42. During the month of August, direct labor cost totaled $13,000 and direct labor cost was 20% of prime cost. If total manufacturing costs during August were $88,000, the manufacturing overhead was:
A. $75,000
B. $23,000
C. $65,000
D. $52,000

0.20 × Prime cost = Direct labor
0.20 × Prime cost = $13,000
Prime cost = $65,000
Prime cost = Direct materials + Direct labor
$65,000 = Direct materials + $13,000
Direct materials = $52,000

Total manufacturing costs	=	Direct materials	+	Direct labor	+	Manufacturing Overhead
$88,000	=	$52,000	+	$13,000	+	Manufacturing Overhead

Manufacturing overhead = $23,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Hard

43. In August direct labor was 60% of conversion cost. If the manufacturing overhead for the month was $54,000 and the direct materials cost was $34,000, the direct labor cost was:
A. $36,000
B. $22,667
C. $51,000
D. $81,000

0.60 × Conversion costs = Direct labor
0.40 × Conversion costs = Manufacturing overhead
0.40 × Conversion costs = $54,000
Conversion costs = $135,000
Conversion costs = Direct labor + Manufacturing overhead
$135,000 = Direct labor + $54,000
Direct labor = $81,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Hard

44. Williams Company's direct labor cost is 25% of its conversion cost. If the manufacturing overhead for the last period was $45,000 and the direct materials cost was $25,000, the direct labor cost was:
A. $15,000
B. $60,000
C. $33,333
D. $20,000

0.25 × Conversion costs = Direct labor
0.75 × Conversion costs = Manufacturing overhead
0.75 × Conversion costs = $45,000
Conversion costs = $60,000
Conversion costs = Direct labor + Manufacturing overhead
$60,000 = Direct labor + $45,000
Direct labor = $15,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Hard

45. Green Company's costs for the month of August were as follows: direct materials, $27,000; direct labor, $34,000; selling, $14,000; administrative, $12,000; and manufacturing overhead, $44,000. 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. $132,000
C. $138,000
D. $112,000

	Beginning work in process inventory	**$16,000**
+	**Direct materials**	**27,000**
+	**Direct labor**	**34,000**
+	**Manufacturing overhead**	**44,000**
	Total manufacturing costs	**$121,000**
–	**Ending work in process inventory**	**9,000**
	Cost of goods manufactured	**$112,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Learning Objective: 5
Level: Medium

46. Consider the following costs incurred in a recent period:

Direct materials	**$33,000**
Depreciation on factory equipment	**$12,000**
Factory janitor's salary	**$23,000**
Direct labor	**$28,000**
Utilities for factory	**$9,000**
Selling expenses	**$16,000**
Production supervisor's salary	**$34,000**
Administrative expenses	**$21,000**

What was the total amount of the period costs listed above for the period?

A. $78,000
B. $71,000
C. $46,000
D. $37,000

Selling expenses	**$16,000**
Administrative expenses	**21,000**
Total	**$37,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

47. 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

Cost of goods sold = Sales - Gross margin
Cost of goods sold = $360,000 - $220,000
Cost of goods sold = $140,000

Beginning finished goods inventory	+	Cost of goods manufactured	–	Ending finished goods inventory	=	Cost of goods sold
Beginning finished goods inventory	+	**$120,000**	–	**$30,000**	=	**$140,000**

Beginning finished goods inventory = $50,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Hard

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

Beginning finished goods inventory	**$90,000**
Ending finished goods inventory	**$63,000**
Sales	**$412,000**
Gross margin	**$62,000**

What was the cost of goods manufactured for the month?

A. $350,000
B. $385,000
C. $377,000
D. $323,000

Sales - Cost of goods sold = Gross margin
$412,000 - Cost of goods sold = $62,000
Cost of goods sold = $350,000

Beginning finished goods inventory	+	Cost of goods manufactured	–	Ending finished goods inventory	=	Cost of goods sold
$90,000	+	Cost of goods manufactured	–	$63,000	=	$350,000

Cost of goods manufactured = $323,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Hard

49. The following inventory balances relate to Lequin Manufacturing Corporation at the beginning and end of the year:

	Beginning	Ending
Raw materials	**$14,000**	**$19,000**
Work in process	**$31,000**	**$7,000**
Finished goods	**$25,000**	**$23,000**

Lequin's total manufacturing cost was $543,000. What was Lequin's cost of goods sold?
A. $517,000
B. $545,000
C. $569,000
D. $567,000

Work in process inventory, beginning	**$31,000**
Total manufacturing cost	**543,000**
Less work in process inventory, ending	**7,000**
Cost of goods manufactured	**$567,000**
Finished goods inventory, beginning	**$25,000**
Add: Cost of goods manufactured	**567,000**
Goods available for sale	**592,000**
Deduct: Finished goods inventory, ending	**23,000**
Cost of goods sold	**$569,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Hard

50. Gabrisch Inc. is a merchandising company. Last month the company's merchandise purchases totaled $90,000. The company's beginning merchandise inventory was $13,000 and its ending merchandise inventory was $22,000. What was the company's cost of goods sold for the month?
A. $90,000
B. $99,000
C. $125,000
D. $81,000

Merchandise inventory, beginning	**$13,000**
Add: Merchandise purchased	**90,000**
Goods available for sale	**103,000**
Deduct: Finished goods inventory, ending	**22,000**
Cost of goods sold	**$81,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Easy

51. Haan Inc. is a merchandising company. Last month the company's cost of goods sold was $66,000. The company's beginning merchandise inventory was $14,000 and its ending merchandise inventory was $16,000. What was the total amount of the company's merchandise purchases for the month?

A. $68,000
B. $96,000
C. $64,000
D. $66,000

Merchandise inventory, beginning	**$14,000**
Add: Merchandise purchased	**?**
Goods available for sale	**?**
Deduct: Finished goods inventory, ending	**16,000**
Cost of goods sold	**$66,000**

Goods available for sale = Cost of goods sold + Finished goods inventory, ending
Goods available for sale = $66,000 + $16,000
Goods available for sale = $82,000
Merchandise purchased = $82,000 - Merchandise inventory, beginning
Merchandise purchased = $82,000 - $14,000
Merchandise purchased = $68,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Medium

52. During August, the cost of goods manufactured was $73,000. The beginning finished goods inventory was $15,000 and the ending finished goods inventory was $21,000. What was the cost of goods sold for the month?
A. $79,000
B. $109,000
C. $67,000
D. $73,000

Finished goods inventory, beginning	**$15,000**
Add: Cost of goods manufactured	**73,000**
Goods available for sale	**88,000**
Deduct: Finished goods inventory, ending	**21,000**
Cost of goods sold	**$67,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Easy

53. Walton Manufacturing Company gathered the following data for the month.

Cost of goods sold	**$35,000**
Sales	**$89,000**
Selling expenses	**$16,000**
Administrative expenses	**$21,000**

How much net operating income will be reported for the period?

A. $54,000
B. $17,000
C. $52,000
D. Cannot be determined.

Sales		**$89,000**
Deduct: Cost of goods sold		**35,000**
Gross margin		**54,000**
Deduct: Operating expenses		
Administrative expense	**$21,000**	
Selling expense	**16,000**	**37,000**
Cost of goods sold		**$17,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Reporting
Learning Objective: 4
Level: Easy

54. Using the following data for August, calculate the cost of goods manufactured:

Direct materials	**$35,000**
Direct labor	**$15,000**
Manufacturing overhead	**$42,000**
Beginning work in process inventory	**$14,000**
Ending work in process inventory	**$17,000**

The cost of goods manufactured was:
A. $106,000
B. $92,000
C. $95,000
D. $89,000

Company
Schedule of Cost of Goods Manufactured

Direct materials	**$35,000**
Direct labor	**15,000**
Manufacturing overhead	**42,000**
Total manufacturing costs	**92,000**
Add: Work in process, beginning	**14,000**
	106,000
Deduct: Work in process, ending	**17,000**
Cost of goods manufactured	**$89,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

55. The following inventory balances relate to Bharath Manufacturing Corporation at the beginning and end of the year:

	Beginning	Ending
Raw materials.....	**$9,000**	**$3,000**
Work in process	**$2,000**	**$12,000**
Finished goods.....	**$29,000**	**$36,000**

Bharath's cost of goods sold was $653,000. What was Bharath's cost of goods manufactured?
A. $660,000
B. $670,000
C. $682,000
D. $689,000

Finished goods inventory, beginning	**$29,000**
Add: Cost of goods manufactured	**?**
Goods available for sale	**?**
Deduct: Finished goods inventory, ending	**36,000**
Cost of goods sold	**$653,000**

Goods available for sale = Cost of goods sold + Finished goods inventory, ending
Goods available for sale = $653,000 + $36,000 = $689,000
Finished goods inventory, beginning + Cost of goods manufactured = Goods available for sale
$29,000 + Cost of goods manufactured = $689,000
Cost of goods manufactured = $689,000 - $29,000 = $660,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Hard

56. The following data have been provided by a company for a recent accounting period:

Inventories, beginning:	
Raw materials	**$10,000**
Work-in-process	**$2,000**
Finished goods	**$34,000**
Inventories, ending:	
Raw materials	**$11,000**
Work-in-process	**$4,000**
Finished goods	**$30,000**
Purchases of raw materials	**$50,000**
Direct labor wages	**$40,000**
Sales commissions	**$3,000**
Manufacturing overhead	**$60,000**
Marketing costs	**$55,000**
Administrative expenses	**$70,000**
Sales	**$300,000**

The cost of goods manufactured for the period was:

A. $147,000
B. $151,000
C. $153,000
D. $154,000

Beginning raw materials inventory	**$10,000**
Add: Raw materials purchased	**50,000**
Raw materials available for use	**60,000**
Deduct: Ending raw materials inventory	**11,000**
Raw materials used	**$49,000**

Raw materials used	**$49,000**
Direct labor	**40,000**
Manufacturing overhead	**60,000**
Total manufacturing costs	**149,000**
Add: Beginning work in process inventory	**2,000**
Subtotal	**151,000**
Deduct: Ending work in process inventory	**4,000**
Cost of goods manufactured	**$147,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

57. Direct materials used in production totaled $330,000. Direct labor was $415,000 and manufacturing overhead was $220,000. What were the total manufacturing costs incurred for the month?
A. $530,000
B. $965,000
C. $745,000
D. $635,000

Direct materials used	**$330,000**
Direct labor costs	**415,000**
Manufacturing overhead	**220,000**
Total manufacturing costs	**$965,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Easy

58. How much opportunity cost is represented in the following information concerning a machine?

Annual operating cost	**$80,000**
Fixed operating costs other than depreciation	**$14,000**
Resale value, if sold now	**$25,000**
Original cost of machine	**$68,000**

A. $80,000
B. $14,000
C. $25,000
D. $68,000

$25,000: Only the resale value of the current machine is an opportunity cost in the above list.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Learning Objective: 8
Level: Easy

Corcetti Company manufactures and sells prewashed denim jeans. Large rolls of denim cloth are purchased and are first washed in a giant washing machine. After the cloth is dried, it is cut up into jean pattern shapes and then sewn together. The completed jeans are sold to various retail chains.

59. Which of the following terms could be used to correctly describe the cost of the soap used to wash the denim cloth?

	Direct Cost	Product Cost
A)	Yes	Yes
B)	Yes	No
C)	No	Yes
D)	No	No

A. Option A
B. Option B
C. Option C
D. Option D

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Learning Objective: 7
Level: Hard

60. Which of the following terms could be used to correctly describe the wages paid to the workers that cut up the cloth into the jean pattern shapes?

	Conversion Cost	Variable Cost
A)	Yes	Yes
B)	Yes	No
C)	No	Yes
D)	No	No

A. Option A
B. Option B
C. Option C
D. Option D

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Learning Objective: 6
Level: Medium

61. Which of the following terms could be used to correctly describe the cost of the thread used to sew the jeans together?

	Manufacturing Overhead	Fixed Cost
A)	Yes	Yes
B)	Yes	No
C)	No	Yes
D)	No	No

A. Option A
B. Option B
C. Option C
D. Option D

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Learning Objective: 6
Level: Hard

62. Which of the following terms could be used to correctly describe the wages paid to the data entry clerk who enters customer order information into the company's computer system?

	Period Cost	Product Cost
A)	Yes	Yes
B)	Yes	No
C)	No	Yes
D)	No	No

A. Option A
B. Option B
C. Option C
D. Option D

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

A partial listing of costs incurred at Peggs Corporation during September appears below:

Direct materials	**$199,000**
Utilities, factory	**$11,000**
Administrative salaries	**$83,000**
Indirect labor	**$29,000**
Sales commissions	**$37,000**
Depreciation of production equipment	**$31,000**
Depreciation of administrative equipment	**$44,000**
Direct labor	**$81,000**
Advertising	**$154,000**

63. The total of the manufacturing overhead costs listed above for September is:
A. $71,000
B. $351,000
C. $669,000
D. $40,000

Utilities, factory	**$11,000**
Indirect labor	**29,000**
Depreciation of production equipment	**31,000**
Total manufacturing overhead costs	**$71,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Medium

64. The total of the product costs listed above for September is:
A. $351,000
B. $669,000
C. $71,000
D. $318,000

Direct materials	**$199,000**
Utilities, factory	**11,000**
Indirect labor	**29,000**
Depreciation of production equipment	**31,000**
Direct labor	**81,000**
Total product costs	**$351,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

65. The total of the period costs listed above for September is:
A. $389,000
B. $318,000
C. $71,000
D. $351,000

Administrative salaries	**$ 83,000**
Sales commissions	**37,000**
Depreciation of administrative equipment	**44,000**
Advertising	**154,000**
Total period costs	**$318,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

A partial listing of costs incurred during February at Urfer Corporation appears below:

Factory supplies	**$9,000**
Administrative wages and salaries	**$106,000**
Direct materials	**$142,000**
Sales staff salaries	**$53,000**
Factory depreciation	**$28,000**
Corporate headquarters building rent	**$30,000**
Indirect labor	**$24,000**
Marketing	**$129,000**
Direct labor	**$74,000**

66. The total of the period costs listed above for February is:
A. $379,000
B. $277,000
C. $61,000
D. $318,000

Administrative wages and salaries	**$106,000**
Sales staff salaries	**53,000**
Corporate headquarters building rent	**30,000**
Marketing	**129,000**
Total period costs	**$318,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

67. The total of the manufacturing overhead costs listed above for February is:
A. $61,000
B. $595,000
C. $277,000
D. $33,000

Factory supplies	**$ 9,000**
Factory depreciation	**28,000**
Indirect labor	**24,000**
Total manufacturing overhead	**$61,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Medium

68. The total of the product costs listed above for February is:
A. $277,000
B. $595,000
C. $318,000
D. $61,000

Factory supplies	**$9,000**
Direct materials	**142,000**
Factory depreciation	**28,000**
Indirect labor	**24,000**
Direct labor	**74,000**
Total product costs	**$277,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

Nadell Corporation reported the following data for the month of April:

Inventories:	**Beginning**	**Ending**
Raw materials	**$30,000**	**$32,000**
Work in process	**$20,000**	**$21,000**
Finished goods	**$39,000**	**$53,000**

69. If the raw materials purchased during April totaled $63,000, what was the cost of the raw materials used in production for the month?
A. $63,000
B. $61,000
C. $62,000
D. $65,000

Beginning raw materials inventory	**$30,000**
Add: Raw materials purchased	**63,000**
Raw materials available for use	**$93,000**
Deduct: Ending raw material inventory	**32,000**
Raw materials used in production	**$61,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Learning Objective: 4
Level: Easy

70. If the company transferred $234,000 of completed goods from work in process to finished goods inventory during April, what was the cost of goods sold for the month?
A. $234,000
B. $235,000
C. $220,000
D. $248,000

Beginning finished goods inventory	**$39,000**
Add: Cost of goods manufactured	**234,000**
Goods available for sale	**273,000**
Deduct: Ending finished inventory	**53,000**
Cost of goods sold	**$220,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Learning Objective: 4
Level: Easy

Tart Corporation reported the following data for the month of September:

Inventories:	Beginning	Ending
Raw materials	$34,000	$37,000
Work in process	$14,000	$14,000
Finished goods	$58,000	$57,000

Additional information:	
Raw materials purchases	$50,000
Direct labor cost	$36,000
Manufacturing overhead	$67,000
Selling expense	$13,000
Administrative expense	$37,000

71. The conversion cost for September was:
A. $150,000
B. $103,000
C. $117,000
D. $86,000

Direct labor	$36,000
Manufacturing overhead	67,000
Total conversion costs	$103,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Medium

72. The prime cost for September was:
A. $50,000
B. $83,000
C. $86,000
D. $103,000

Beginning raw materials inventory	**$34,000**
Add: Raw materials purchased	**50,000**
Raw materials available for use	**84,000**
Deduct: Ending raw materials inventory	**37,000**
Raw materials used	**47,000**
Direct labor	**36,000**
Total prime cost	**$83,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Medium

Management of Solman Corporation has asked your help as an intern in preparing some key reports for June. The beginning balance in the raw materials inventory account was $20,000. During the month, the company made raw materials purchases amounting to $69,000. At the end of the month, the balance in the raw materials inventory account was $32,000. Direct labor cost was $24,000 and manufacturing overhead was $71,000. The beginning balance in the work in process account was $24,000 and the ending balance was $19,000. The beginning balance in the finished goods account was $53,000 and the ending balance was $58,000. Selling expense was $20,000 and administrative expense was $35,000.

73. The conversion cost for June was:
A. $95,000
B. $140,000
C. $93,000
D. $152,000

Direct labor	**$24,000**
Manufacturing overhead	**71,000**
Total conversion costs	**$95,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Medium

74. The prime cost for June was:
A. $95,000
B. $93,000
C. $81,000
D. $55,000

Beginning raw materials inventory	**$20,000**
Add: Raw materials purchased	**69,000**
Raw materials available for use	**89,000**
Deduct: Ending raw materials inventory	**32,000**
Raw materials used	**57,000**
Direct labor	**24,000**
Total prime cost	**$81,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Level: Medium

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 labor	**$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**

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

A. $180
B. $40
C. $120
D. $160

Beginning raw materials inventory	**$80**
Add: Raw materials purchased	**100**
Raw materials available for use	**180**
Deduct: Ending raw materials inventory	**20**
Raw materials used	**$160**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Learning Objective: 4
Learning Objective: 5
Level: Medium

76. The cost of goods manufactured (finished) for the year (in thousands of dollars) was:
A. $530
B. $520
C. $500
D. $460

Beginning raw materials inventory	**$80**
Add: Raw materials purchased	**100**
Raw materials available for use	**180**
Deduct: Ending raw materials inventory	**20**
Raw materials used	**$160**

Raw materials used	**$160**
Direct labor	**130**
Manufacturing overhead	**200**
Total manufacturing costs	**490**
Add: Beginning work in process inventory	**40**
Subtotal	**530**
Deduct: Ending work in process inventory	**10**
Cost of goods manufactured	**$520**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Learning Objective: 4
Learning Objective: 5
Level: Medium

77. The cost of goods sold for the year (in thousands of dollars) was:
A. $670
B. $500
C. $540
D. $650

Beginning raw materials inventory	**$80**
Add: Raw materials purchased	**100**
Raw materials available for use	**180**
Deduct: Ending raw materials inventory	**20**
Raw materials used	**$160**

Raw materials used	**$160**
Direct labor	**130**
Manufacturing overhead	**200**
Total manufacturing costs	**490**
Add: Beginning work in process inventory	**40**
Subtotal	**530**
Deduct: Ending work in process inventory	**10**
Cost of goods manufactured	**$520**

Beginning finished goods inventory	**$130**
Add: Cost of goods manufactured	**520**
Goods available for sale	**650**
Deduct: Ending finished goods inventory	**150**
Cost of goods sold	**$500**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Learning Objective: 4
Learning Objective: 5
Level: Medium

78. The net operating income for the year (in thousands of dollars) was:
A. $410
B. $110
C. $40
D. $180

Beginning raw materials inventory	**$80**
Add: Raw materials purchased	**100**
Raw materials available for use	**180**
Deduct: Ending raw materials inventory	**20**
Raw materials used	**$160**
Raw materials used	**$160**
Direct labor	**130**
Manufacturing overhead	**200**
Total manufacturing costs	**490**
Add: Beginning work in process inventory	**40**
Subtotal	**530**
Deduct: Ending work in process inventory	**10**
Cost of goods manufactured	**$520**
Beginning finished goods inventory	**$130**
Add: Cost of goods manufactured	**520**
Goods available for sale	**650**
Deduct: Ending finished goods inventory	**150**
Cost of goods sold	**$500**
Sales	**$910**
Deduct: Cost of goods sold	**500**
Gross margin	**410**
Deduct: Operating expenses	
Administrative expense 160	
Selling expense 140	**300**
Net operating income	**$110**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Learning Objective: 4
Learning Objective: 5
Level: Medium

Lavell Corporation reported the following data for the month of February:

Inventories:	Beginning	Ending
Raw materials	$34,000	$37,000
Work in process	$11,000	$23,000
Finished goods	$31,000	$56,000

Additional information:	
Sales	$250,000
Raw materials purchases	$66,000
Direct labor cost	$38,000
Manufacturing overhead	$70,000
Selling expense	$19,000
Administrative expense	$37,000

79. The total manufacturing cost for February was:
A. $174,000
B. $171,000
C. $70,000
D. $108,000

Beginning raw materials inventory	$34,000
Add: Raw materials purchased	66,000
Raw materials available for use	100,000
Deduct: Ending raw materials inventory	37,000
Raw materials used	63,000
Add: Direct labor costs	38,000
Add: Manufacturing overhead	70,000
Total manufacturing costs	$171,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

80. The cost of goods manufactured for February was:
A. $171,000
B. $174,000
C. $183,000
D. $159,000

Beginning raw materials inventory	**$34,000**
Add: Raw materials purchased	**66,000**
Raw materials available for use	**100,000**
Deduct: Ending raw materials inventory	**37,000**
Raw materials used	**63,000**
Add: Direct labor costs	**38,000**
Add: Manufacturing overhead	**70,000**
Total manufacturing costs	**$171,000**

Total manufacturing costs	**$171,000**
Add: Beginning work in process inventory	**11,000**
Subtotal	**182,000**
Deduct: Ending work in process inventory	**23,000**
Cost of goods manufactured	**$159,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

81. The cost of goods sold for February was:
A. $225,000
B. $134,000
C. $184,000
D. $127,000

Beginning raw materials inventory	**$34,000**
Add: Raw materials purchased	**66,000**
Raw materials available for use	**100,000**
Deduct: Ending raw materials inventory	**37,000**
Raw materials used	**63,000**
Add: Direct labor costs	**38,000**
Add: Manufacturing overhead	**70,000**
Total manufacturing costs	**$171,000**

Total manufacturing costs	**$171,000**
Add: Beginning work in process inventory	**11,000**
Subtotal	**182,000**
Deduct: Ending work in process inventory	**23,000**
Cost of goods manufactured	**$159,000**

Beginning finished goods inventory	**$31,000**
Add: Cost of goods manufactured	**159,000**
Cost of goods available for sale	**190,000**
Deduct: Ending finished goods inventory	**56,000**
Cost of goods sold	**$134,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

82. The net operating income for February was:
A. $20,000
B. $116,000
C. $86,000
D. $60,000

Beginning raw materials inventory	**$34,000**
Add: Raw materials purchased	**66,000**
Raw materials available for use	**100,000**
Deduct: Ending raw materials inventory	**37,000**
Raw materials used	**63,000**
Add: Direct labor costs	**38,000**
Add: Manufacturing overhead	**70,000**
Total manufacturing costs	**$171,000**
Total manufacturing costs	
Add: Beginning work in process inventory	**11,000**
Subtotal	**182,000**
Deduct: Ending work in process inventory	**23,000**
Cost of goods manufactured	**$159,000**
Beginning finished goods inventory	**$31,000**
Add: Cost of goods manufactured	**159,000**
Cost of goods available for sale	**190,000**
Deduct: Ending finished goods inventory	**56,000**
Cost of goods sold	**$134,000**
Sales	**$250,000**
Deduct: Cost of goods sold	**134,000**
Gross margin	**116,000**
Deduct: Operating expenses	
Administrative expenses 37,000	
Selling expenses 19,000	**56,000**
Net operating income	**$ 60,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

Management of Parrent Corporation has asked your help as an intern in preparing some key reports for April. The company started the month with raw materials inventories of $32,000. During the month, the company made raw materials purchases amounting to $68,000. At the end of the month, raw materials inventories totaled $35,000. Direct labor cost was $43,000 and manufacturing overhead was $62,000. The beginning balance in the work in process account was $19,000 and the ending balance was $12,000. The beginning balance in the finished goods account was $35,000 and the ending balance was $58,000. Sales totaled $240,000. Selling expense was $18,000 and administrative expense was $42,000.

83. The total manufacturing cost for April was:
A. $170,000
B. $173,000
C. $62,000
D. $105,000

Beginning raw materials inventory	**$32,000**
Add: Raw materials purchased	**68,000**
Raw materials available for use	**100,000**
Deduct: Ending raw materials inventory	**35,000**
Raw materials used	**65,000**
Add: Direct labor costs	**43,000**
Add: Manufacturing overhead	**62,000**
Total manufacturing costs	**$170,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

84. The cost of goods manufactured for April was:
A. $177,000
B. $173,000
C. $170,000
D. $163,000

Beginning raw materials inventory	**$32,000**
Add: Raw materials purchased	**68,000**
Raw materials available for use	**100,000**
Deduct: Ending raw materials inventory	**35,000**
Raw materials used	**65,000**
Add: Direct labor costs	**43,000**
Add: Manufacturing overhead	**62,000**
Total manufacturing costs	**$170,000**

Total manufacturing costs	**$170,000**
Add: Beginning work in process inventory	**19,000**
Subtotal	**189,000**
Deduct: Ending work in process inventory	**12,000**
Cost of goods manufactured	**$177,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

85. The cost of goods sold for April was:
A. $123,000
B. $200,000
C. $217,000
D. $154,000

Beginning raw materials inventory	**$32,000**
Add: Raw materials purchased	**68,000**
Raw materials available for use	**100,000**
Deduct: Ending raw materials inventory	**35,000**
Raw materials used	**65,000**
Add: Direct labor costs	**43,000**
Add: Manufacturing overhead	**62,000**
Total manufacturing costs	**$170,000**
Total manufacturing costs	**$170,000**
Add: Beginning work in process inventory	**19,000**
Subtotal	**189,000**
Deduct: Ending work in process inventory	**12,000**
Cost of goods manufactured	**$177,000**
Beginning finished goods inventory	**$35,000**
Add: Cost of goods manufactured	**177,000**
Cost of goods available for sale	**212,000**
Deduct: Ending finished goods inventory	**58,000**
Cost of goods sold	**$154,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

86. The net operating income for April was:
A. $26,000
B. $86,000
C. $75,000
D. $7,000

Beginning raw materials inventory		**$32,000**
Add: Raw materials purchased		**68,000**
Raw materials available for use		**100,000**
Deduct: Ending raw materials inventory		**35,000**
Raw materials used		**$65,000**
Raw materials used		**$65,000**
Direct labor		**43,000**
Manufacturing overhead		**62,000**
Total manufacturing costs		**170,000**
Add: Beginning work in process inventory		**19,000**
Subtotal		**189,000**
Deduct: Ending work in process inventory		**12,000**
Cost of goods manufactured		**$177,000**
Beginning finished goods inventory		**$35,000**
Add: Cost of goods manufactured		**177,000**
Goods available for sale		**212,000**
Deduct: Ending finished goods inventory		**58,000**
Cost of goods sold		**$154,000**
Sales		**$240,000**
Deduct: Cost of goods sold		**154,000**
Gross margin		**86,000**
Deduct: Operating expenses		
Administrative expenses	**42,000**	
Selling expenses	**18,000**	**60,000**
Net operating income		**$26,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

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 labor costs	$39,000
Gross profit	$100,000
Sales	$210,000

87. The beginning work in process inventory was:
A. $10,000
B. $14,000
C. $1,000
D. $4,000

Beginning work in process inventory	$?*
Add: Raw materials used	40,000
Add: Direct labor costs	39,000
Add: Manufacturing overhead costs	20,000
Deduct: Ending work in process inventory	4,000
Cost of goods manufactured	$105,000

* Calculate this item by working backwards as shown:
Beginning work in process inventory + $40,000 + $39,000 + $20,000 - $4,000 = $105,000
Beginning work in process inventory = $105,000 - $40,000 - $39,000 - $20,000 + $4,000 l= $10,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Hard

88. The ending finished goods inventory was:
A. $17,000
B. $12,000
C. $7,000
D. $2,000

Sales	**$210,000**
Less cost of goods sold	**?***
Gross profit	**$100,000**

*** Cost of goods sold = $210,000 – $100,000 = $110,000**

Beginning finished goods inventory	**$12,000**
Add: Cost of goods manufactured	**105,000**
Cost of goods available for sale	**$117,000**
Deduct: Ending finished goods inventory	**?****
Cost of goods sold	**$110,000**

**$117,000 - $110,000 = $7,000 = Ending finished goods inventory

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Hard

Derflinger Corporation reported the following data for the month of January:

Inventories:	**Beginning**	**Ending**
Raw materials	**$30,000**	**$26,000**
Work in process	**$18,000**	**$19,000**
Finished goods	**$42,000**	**$37,000**

Additional information:	
Sales	**$250,000**
Raw materials purchases	**$66,000**
Direct labor cost	**$32,000**
Manufacturing overhead	**$74,000**
Selling expense	**$20,000**
Administrative expense	**$45,000**

89. The total manufacturing cost for January was:
A. $176,000
B. $74,000
C. $106,000
D. $172,000

Beginning raw materials inventory	**$30,000**
Add: Raw materials purchased	**66,000**
Raw materials available for use	**96,000**
Deduct: Ending raw materials inventory	**26,000**
Raw materials used	**70,000**
Direct labor	**32,000**
Manufacturing overhead	**74,000**
Total manufacturing costs	**$176,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

90. The cost of goods manufactured for January was:
A. $176,000
B. $172,000
C. $175,000
D. $177,000

Beginning raw materials inventory	**$30,000**
Add: Raw materials purchased	**66,000**
Raw materials available for use	**96,000**
Deduct: Ending raw materials inventory	**26,000**
Raw materials used	**70,000**
Direct labor	**32,000**
Manufacturing overhead	**74,000**
Total manufacturing costs	**$176,000**

Total manufacturing costs	**$176,000**
Add: Beginning work in process inventory	**18,000**
Subtotal	**194,000**
Deduct: Ending work in process inventory	**19,000**
Cost of goods manufactured	**$175,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

91. The cost of goods sold for January was:
A. $126,000
B. $180,000
C. $255,000
D. $170,000

Beginning raw materials inventory	**$30,000**
Add: Raw materials purchased	**66,000**
Raw materials available for use	**96,000**
Deduct: Ending raw materials inventory	**26,000**
Raw materials used	**70,000**
Direct labor	**32,000**
Manufacturing overhead	**74,000**
Total manufacturing costs	**$176,000**

Total manufacturing costs	**$176,000**
Add: Beginning work in process inventory	**18,000**
Subtotal	**194,000**
Deduct: Ending work in process inventory	**19,000**
Cost of goods manufactured	**$175,000**

Beginning finished goods inventory	**$42,000**
Add: Cost of goods manufactured	**175,000**
Cost of goods available for sale	**217,000**
Deduct: Ending finished goods inventory	**37,000**
Cost of goods sold	**$180,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

92. The net operating income for January was:
A. $79,000
B. $70,000
C. $13,000
D. $5,000

Beginning raw materials inventory	**$30,000**
Add: Raw materials purchased	**66,000**
Raw materials available for use	**96,000**
Deduct: Ending raw materials inventory	**26,000**
Raw materials used	**$70,000**

Raw materials used	**$70,000**
Direct labor	**32,000**
Manufacturing overhead	**74,000**
Total manufacturing costs	**176,000**
Add: Beginning work in process inventory	**18,000**
Subtotal	**194,000**
Deduct: Ending work in process inventory	**19,000**
Cost of goods manufactured	**$175,000**

Beginning finished goods inventory	**$42,000**
Add: Cost of goods manufactured	**175,000**
Goods available for sale	**217,000**
Deduct: Ending finished goods inventory	**37,000**
Cost of goods sold	**$180,000**

Sales		**$250,000**
Deduct: Cost of goods sold		**180,000**
Gross margin		**70,000**
Deduct: Operating expenses		
Administrative expenses	**45,000**	
Selling expenses	**20,000**	**65,000**
Net operating income		**$5,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

Tator Corporation reported the following data for the month of April:

Inventories:	Beginning	Ending
Raw materials	$23,000	$29,000
Work in process	$21,000	$23,000
Finished goods	$43,000	$59,000

Additional information:	
Sales	$250,000
Raw materials purchases	$59,000
Direct labor cost	$29,000
Manufacturing overhead	$82,000
Selling expense	$15,000
Administrative expense	$43,000

93. The cost of goods sold for April was:
A. $178,000
B. $146,000
C. $126,000
D. $234,000

Beginning raw materials inventory	**$23,000**
Add: Raw materials purchased	**59,000**
Raw materials available for use	**82,000**
Deduct: Ending raw materials inventory	**29,000**
Raw materials used	**53,000**
Add: Direct labor costs	**29,000**
Add: Manufacturing overhead	**82,000**
Total manufacturing costs	**$164,000**

Total manufacturing costs	**$164,000**
Add: Beginning work in process inventory	**21,000**
Subtotal	**185,000**
Deduct: Ending work in process inventory	**23,000**
Cost of goods manufactured	**$162,000**

Beginning finished goods inventory	**$43,000**
Add: Cost of goods manufactured	**162,000**
Cost of goods available for sale	**205,000**
Deduct: Ending finished goods inventory	**59,000**
Cost of goods sold	**$146,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

94. The net operating income for April was:
A. $22,000
B. $81,000
C. $46,000
D. $104,000

Beginning raw materials inventory		**$23,000**
Add: Raw materials purchased		**59,000**
Raw materials available for use		**82,000**
Deduct: Ending raw materials inventory		**29,000**
Raw materials used		**$53,000**
Raw materials used		**$53,000**
Direct labor		**29,000**
Manufacturing overhead		**82,000**
Total manufacturing costs		**164,000**
Add: Beginning work in process inventory		**21,000**
Subtotal		**185,000**
Deduct: Ending work in process inventory		**23,000**
Cost of goods manufactured		**$162,000**
Beginning finished goods inventory		**$43,000**
Add: Cost of goods manufactured		**162,000**
Goods available for sale		**205,000**
Deduct: Ending finished goods inventory		**59,000**
Cost of goods sold		**$146,000**
Sales		**$250,000**
Deduct: Cost of goods sold		**146,000**
Gross margin		**104,000**
Deduct: Operating expenses		
Administrative expenses	**43,000**	
Selling expenses	**15,000**	**58,000**
Net operating income		**$46,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

Weygandt Corporation reported the following data for the month of February:

Inventories:	Beginning	Ending
Raw materials	$22,000	$26,000
Work in process	$24,000	$11,000
Finished goods	$40,000	$59,000

Additional information:	
Sales	$200,000
Raw materials purchases	$72,000
Direct labor cost	$23,000
Manufacturing overhead	$67,000
Selling expense	$17,000
Administrative expense	$25,000

95. The total manufacturing cost for February was:
A. $90,000
B. $158,000
C. $67,000
D. $162,000

Beginning raw materials inventory	$22,000
Add: Raw materials purchased	72,000
Raw materials available for use	94,000
Deduct: Ending raw materials inventory	26,000
Raw materials used	68,000
Add: Direct labor costs	23,000
Add: Manufacturing overhead	67,000
Total manufacturing costs	$158,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

96. The net operating income for February was:
A. $48,000
B. $6,000
C. $68,000
D. -$4,000

Beginning raw materials inventory	**$22,000**
Add: Raw materials purchased	**72,000**
Raw materials available for use	**94,000**
Deduct: Ending raw materials inventory	**26,000**
Raw materials used	**$68,000**
Raw materials used	**$68,000**
Direct labor	**23,000**
Manufacturing overhead	**67,000**
Total manufacturing costs	**158,000**
Add: Beginning work in process inventory	**24,000**
Subtotal	**182,000**
Deduct: Ending work in process inventory	**11,000**
Cost of goods manufactured	**$171,000**
Beginning finished goods inventory	**$40,000**
Add: Cost of goods manufactured	**171,000**
Goods available for sale	**211,000**
Deduct: Ending finished goods inventory	**59,000**
Cost of goods sold	**$152,000**
Sales	**$200,000**
Deduct: Cost of goods sold	**152,000**
Gross margin	**48,000**
Deduct: Operating expenses	
Administrative expenses 25,000	
Selling expenses 17,000	**42,000**
Net operating income	**$6,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

Management of Berndt Corporation has asked your help as an intern in preparing some key reports for August. The beginning balance in the raw materials inventory account was $33,000. During the month, the company made raw materials purchases amounting to $62,000. At the end of the month, the balance in the raw materials inventory account was $30,000. Direct labor cost was $46,000 and manufacturing overhead was $74,000. The beginning balance in the work in process account was $13,000 and the ending balance was $19,000. The beginning balance in the finished goods account was $54,000 and the ending balance was $50,000. Sales totaled $270,000. Selling expense was $18,000 and administrative expense was $49,000.

97. The total manufacturing cost for August was:
A. $185,000
B. $182,000
C. $120,000
D. $74,000

Beginning raw materials inventory	**$33,000**
Add: Raw materials purchased	**62,000**
Raw materials available for use	**95,000**
Deduct: Ending raw materials inventory	**30,000**
Raw materials used	**65,000**
Add: Direct labor costs	**46,000**
Add: Manufacturing overhead	**74,000**
Total manufacturing costs	**$185,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

98. The cost of goods manufactured for August was:
A. $191,000
B. $185,000
C. $182,000
D. $179,000

Beginning raw materials inventory	**$33,000**
Add: Raw materials purchased	**62,000**
Raw materials available for use	**95,000**
Deduct: Ending raw materials inventory	**30,000**
Raw materials used	**65,000**
Add: Direct labor costs	**46,000**
Add: Manufacturing overhead	**74,000**
Total manufacturing costs	**$185,000**

Total manufacturing costs	**$185,000**
Add: Beginning work in process inventory	**13,000**
Subtotal	**198,000**
Deduct: Ending work in process inventory	**19,000**
Cost of goods manufactured	**$179,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

99. The cost of goods sold for August was:
A. $175,000
B. $183,000
C. $138,000
D. $274,000

Beginning raw materials inventory	**$33,000**
Add: Raw materials purchased	**62,000**
Raw materials available for use	**95,000**
Deduct: Ending raw materials inventory	**30,000**
Raw materials used	**65,000**
Add: Direct labor costs	**46,000**
Add: Manufacturing overhead	**74,000**
Total manufacturing costs	**$185,000**

Total manufacturing costs	**$185,000**
Add: Beginning work in process inventory	**13,000**
Subtotal	**198,000**
Deduct: Ending work in process inventory	**19,000**
Cost of goods manufactured	**$179,000**

Beginning finished goods inventory	**$54,000**
Add: Cost of goods manufactured	**179,000**
Cost of goods available for sale	**233,000**
Deduct: Ending finished goods inventory	**50,000**
Cost of goods sold	**$183,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

100. The net operating income for August was:
A. $20,000
B. $21,000
C. $87,000
D. $83,000

Beginning raw materials inventory	**$33,000**
Add: Raw materials purchased	**62,000**
Raw materials available for use	**95,000**
Deduct: Ending raw materials inventory	**30,000**
Raw materials used	**65,000**
Add: Direct labor costs	**46,000**
Add: Manufacturing overhead	**74,000**
Total manufacturing costs	**$185,000**
Total manufacturing costs	**$185,000**
Add: Beginning work in process inventory	**13,000**
Subtotal	**198,000**
Deduct: Ending work in process inventory	**19,000**
Cost of goods manufactured	**$179,000**
Beginning finished goods inventory	**$54,000**
Add: Cost of goods manufactured	**179,000**
Cost of goods available for sale	**233,000**
Deduct: Ending finished goods inventory	**50,000**
Cost of goods sold	**$183,000**
Sales	**$270,000**
Deduct: Cost of goods sold	**183,000**
Gross margin	**87,000**
Deduct: Operating expenses	
Administrative expenses 49,000	
Selling expenses 18,000	**67,000**
Net operating income	**$20,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

The CFO of Stoffer Corporation has provided the following data for October. The beginning balance in the raw materials inventory account was $39,000. During the month, the company made raw materials purchases amounting to $68,000. At the end of the month, the balance in the raw materials inventory account was $28,000. Direct labor cost was $29,000 and manufacturing overhead was $78,000. The beginning balance in the work in process account was $11,000 and the ending balance was $13,000. The beginning balance in the finished goods account was $37,000 and the ending balance was $47,000. Sales totaled $240,000. Selling expense was $21,000 and administrative expense was $27,000.

101. The cost of goods sold for October was:
A. $194,000
B. $230,000
C. $128,000
D. $174,000

Beginning raw materials inventory	**$39,000**
Add: Raw materials purchased	**68,000**
Raw materials available for use	**107,000**
Deduct: Ending raw materials inventory	**28,000**
Raw materials used	**79,000**
Add: Direct labor costs	**29,000**
Add: Manufacturing overhead	**78,000**
Total manufacturing costs	**$186,000**

Total manufacturing costs	**$186,000**
Add: Beginning work in process inventory	**11,000**
Subtotal	**197,000**
Deduct: Ending work in process inventory	**13,000**
Cost of goods manufactured	**$184,000**

Beginning finished goods inventory	**$37,000**
Add: Cost of goods manufactured	**184,000**
Cost of goods available for sale	**221,000**
Deduct: Ending finished goods inventory	**47,000**
Cost of goods sold	**$174,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

102. The net operating income for October was:
A. $85,000
B. $18,000
C. $17,000
D. $66,000

Beginning raw materials inventory	**$39,000**
Add: Raw materials purchased	**68,000**
Raw materials available for use	**107,000**
Deduct: Ending raw materials inventory	**28,000**
Raw materials used	**79,000**
Add: Direct labor costs	**29,000**
Add: Manufacturing overhead	**78,000**
Total manufacturing costs	**$186,000**
Total manufacturing costs	**$186,000**
Add: Beginning work in process inventory	**11,000**
Subtotal	**197,000**
Deduct: Ending work in process inventory	**13,000**
Cost of goods manufactured	**$184,000**
Beginning finished goods inventory	**$37,000**
Add: Cost of goods manufactured	**184,000**
Cost of goods available for sale	**221,000**
Deduct: Ending finished goods inventory	**47,000**
Cost of goods sold	**$174,000**
Sales	**$240,000**
Deduct: Cost of goods sold	**174,000**
Gross margin	**66,000**
Deduct: Operating expenses	
Administrative expenses 27,000	
Selling expenses 21,000	**48,000**
Net operating income	**$18,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

Cromuel Corporation has provided the following data for January. The beginning balance in the raw materials inventory account was $27,000. During the month, the company made raw materials purchases amounting to $50,000. At the end of the month, the balance in the raw materials inventory account was $24,000. Direct labor cost was $53,000 and manufacturing overhead was $70,000. The beginning balance in the work in process account was $14,000 and the ending balance was $12,000. The beginning balance in the finished goods account was $33,000 and the ending balance was $51,000. Sales totaled $270,000. Selling expense was $21,000 and administrative expense was $48,000.

103. The total manufacturing cost for January was:
A. $70,000
B. $123,000
C. $176,000
D. $173,000

Beginning raw materials inventory	**$27,000**
Add: Raw materials purchased	**50,000**
Raw materials available for use	**77,000**
Deduct: Ending raw materials inventory	**24,000**
Raw materials used	**53,000**
Add: Direct labor costs	**53,000**
Add: Manufacturing overhead	**70,000**
Total manufacturing costs	**$176,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

104. The net operating income for January was:
A. $41,000
B. $78,000
C. $110,000
D. $28,000

Beginning raw materials inventory		**$27,000**
Add: Raw materials purchased		**50,000**
Raw materials available for use		**77,000**
Deduct: Ending raw materials inventory		**24,000**
Raw materials used		**53,000**
Add: Direct labor costs		**53,000**
Add: Manufacturing overhead		**70,000**
Total manufacturing costs		**$176,000**
Total manufacturing costs		**$176,000**
Add: Beginning work in process inventory		**14,000**
Subtotal		**190,000**
Deduct: Ending work in process inventory		**12,000**
Cost of goods manufactured		**$178,000**
Beginning finished goods inventory		**$33,000**
Add: Cost of goods manufactured		**178,000**
Cost of goods available for sale		**211,000**
Deduct: Ending finished goods inventory		**51,000**
Cost of goods sold		**$160,000**
Sales		**$270,000**
Deduct: Cost of goods sold		**160,000**
Gross margin		**110,000**
Deduct: Operating expenses		
Administrative expenses	**48,000**	
Selling expenses	**21,000**	**69,000**
Net operating income		**$41,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Medium

Gluth Corporation has provided the following data for the month of July. The beginning balance in the finished goods inventory account was $56,000 and the ending balance was $49,000. Sales totaled $290,000. Cost of goods manufactured was $147,000, selling expense was $17,000, and administrative expense was $68,000.

105. The cost of goods sold for July was:
A. $232,000
B. $140,000
C. $154,000
D. $147,000

Beginning finished goods inventory	**$56,000**
Add: Cost of goods manufactured	**147,000**
Cost of goods available for sale	**203,000**
Deduct: Ending finished goods inventory	**49,000**
Cost of goods sold	**$154,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Easy

106. The net operating income for July was:
A. $58,000
B. $143,000
C. $150,000
D. $51,000

Beginning finished goods inventory		**$56,000**
Add: Cost of goods manufactured		**147,000**
Cost of goods available for sale		**203,000**
Deduct: Ending finished goods inventory		**49,000**
Cost of goods sold		**$154,000**
Sales		**$290,000**
Deduct: Cost of goods sold		**154,000**
Gross margin		**136,000**
Deduct: Operating expenses		
Administrative expenses	**68,000**	
Selling expenses	**17,000**	**85,000**
Net operating income		**$51,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Easy

Twichell Inc., a local retailer, has provided the following data for the month of December:

Merchandise inventory, beginning balance	**$28,000**
Merchandise inventory, ending balance	**$31,000**
Sales	**$290,000**
Purchases of merchandise inventory	**$131,000**
Selling expense	**$17,000**
Administrative expense	**$52,000**

107. The cost of goods sold for December was:
A. $131,000
B. $128,000
C. $134,000
D. $200,000

Beginning merchandise inventory	**$ 28,000**
Add: Purchases	**131,000**
Cost of goods available for sale	**159,000**
Deduct: Ending finished goods inventory	**31,000**
Cost of goods sold	**$128,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Easy

108. The net operating income for December was:
A. $93,000
B. $159,000
C. $90,000
D. $156,000

Beginning merchandise inventory		**$ 28,000**
Add: Purchases		**131,000**
Cost of goods available for sale		**159,000**
Deduct: Ending finished goods inventory		**31,000**
Cost of goods sold		**$128,000**
Sales		**$290,000**
Deduct: Cost of goods sold		**128,000**
Gross margin		**162,000**
Deduct: Operating expenses		
Administrative expenses	**52,000**	
Selling expenses	**17,000**	**69,000**
Net operating income		**$93,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Easy

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 labor 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**

109. The balance of the finished goods inventory at the end of the year was:
A. $95,000
B. $50,000
C. $193,000
D. $45,000

Cost of goods available for sale - Cost of goods sold = Balance of finished goods inventory at end of year
$288,000 - $238,000 = $50,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Hard

110. Manufacturing overhead for the year was:
A. $84,000
B. $78,000
C. $56,000
D. $72,000

Cost of goods available for sale - Cost of goods sold = Balance of finished goods inventory at end of year
$288,000 - $238,000 = $50,000

Cost of goods sold - Beginning finished goods inventory + Ending finished goods inventory = Cost of goods manufactured
$238,000 - $45,000 + $50,000 = $243,000

Company
Schedule of Cost of Goods Manufactured

Direct materials	**$110,000**	
Direct labor	**55,000**	
Manufacturing overhead	**72,000**	*
Total manufacturing costs	**237,000**	*
Add: Work in process, beginning	**22,000**	
	259,000	*
Deduct: Work in process, ending	**16,000**	
Cost of goods manufactured	**$243,000**	

* These items must be calculated by working backwards upwards through the statements.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Hard

111. Cost of goods manufactured for the year was:
A. $171,000
B. $160,000
C. $243,000
D. $244,000

Cost of goods available for sale - Cost of goods sold = Balance of finished goods inventory at end of year
$288,000 - $238,000 = $50,000
Cost of goods sold - Beginning finished goods inventory + Ending finished goods inventory = Cost of goods manufactured
$238,000 - $45,000 + $50,000 = $243,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Hard

Dagg Corporation reported the following data for the month of October:

Inventories:	**Beginning**	**Ending**
Raw materials	**$27,000**	**$38,000**
Work in process	**$15,000**	**$18,000**
Finished goods	**$47,000**	**$51,000**
Additional information:		
Raw materials purchases	**$62,000**	
Direct labor cost	**$30,000**	
Manufacturing overhead	**$84,000**	
Selling expense	**$18,000**	
Administrative expense	**$44,000**	

112. The total manufacturing cost for October was:
A. $84,000
B. $114,000
C. $176,000
D. $165,000

Beginning raw materials inventory	**$27,000**
Add: Raw materials purchased	**62,000**
Raw materials available for use	**89,000**
Deduct: Ending raw materials inventory	**38,000**
Raw materials used	**51,000**
Add: Direct labor costs	**30,000**
Add: Manufacturing overhead	**84,000**
Total manufacturing costs	**$165,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

113. The cost of goods manufactured for October was:
A. $176,000
B. $168,000
C. $162,000
D. $165,000

Beginning raw materials inventory	**$27,000**
Add: Raw materials purchased	**62,000**
Raw materials available for use	**89,000**
Deduct: Ending raw materials inventory	**38,000**
Raw materials used	**51,000**
Add: Direct labor costs	**30,000**
Add: Manufacturing overhead	**84,000**
Total manufacturing costs	**$165,000**

Total manufacturing costs	**$165,000**
Add: Beginning work in process inventory	**15,000**
Subtotal	**180,000**
Deduct: Ending work in process inventory	**18,000**
Cost of goods manufactured	**$162,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

Ruggeri Corporation reported the following data for the month of July:

Inventories:	**Beginning**	**Ending**
Raw materials	**$24,000**	**$39,000**
Work in process	**$22,000**	**$12,000**
Finished goods	**$55,000**	**$31,000**

Additional information:	
Raw materials purchases	**$77,000**
Direct labor cost	**$40,000**
Manufacturing overhead	**$60,000**

114. The cost of goods manufactured for July was:
A. $152,000
B. $172,000
C. $177,000
D. $162,000

Beginning raw materials inventory	**$24,000**
Add: Raw materials purchased	**77,000**
Raw materials available for use	**101,000**
Deduct: Ending raw materials inventory	**39,000**
Raw materials used	**62,000**
Add: Direct labor costs	**40,000**
Add: Manufacturing overhead	**60,000**
Total manufacturing costs	**$162,000**

Total manufacturing costs	**$162,000**
Add: Beginning work in process inventory	**22,000**
Subtotal	**184,000**
Deduct: Ending work in process inventory	**12,000**
Cost of goods manufactured	**$172,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

115. The cost of goods sold for July was:
A. $196,000
B. $120,000
C. $148,000
D. $244,000

Beginning raw materials inventory	**$24,000**
Add: Raw materials purchased	**77,000**
Raw materials available for use	**101,000**
Deduct: Ending raw materials inventory	**39,000**
Raw materials used	**62,000**
Add: Direct labor costs	**40,000**
Add: Manufacturing overhead	**60,000**
Total manufacturing costs	**$162,000**

Total manufacturing costs	**$162,000**
Add: Beginning work in process inventory	**22,000**
Subtotal	**184,000**
Deduct: Ending work in process inventory	**12,000**
Cost of goods manufactured	**$172,000**

Beginning finished goods inventory	**$55,000**
Add: Cost of goods manufactured	**172,000**
Cost of goods available for sale	**227,000**
Deduct: Ending finished goods inventory	**31,000**
Cost of goods sold	**$196,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

Dodridge Corporation has provided the following data for February. The beginning balance in the raw materials inventory account was $23,000. During the month, the company made raw materials purchases amounting to $59,000. At the end of the month, the balance in the raw materials inventory account was $33,000. Direct labor cost was $28,000 and manufacturing overhead was $74,000. The beginning balance in the work in process account was $12,000 and the ending balance was $17,000. The beginning balance in the finished goods account was $48,000 and the ending balance was $54,000.

116. The total manufacturing cost for February was:
A. $74,000
B. $151,000
C. $102,000
D. $161,000

Beginning raw materials inventory	**$23,000**
Add: Raw materials purchased	**59,000**
Raw materials available for use	**82,000**
Deduct: Ending raw materials inventory	**33,000**
Raw materials used	**49,000**
Add: Direct labor costs	**28,000**
Add: Manufacturing overhead	**74,000**
Total manufacturing costs	**$151,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

117. The cost of goods manufactured for February was:
A. $156,000
B. $146,000
C. $151,000
D. $161,000

Beginning raw materials inventory	**$23,000**
Add: Raw materials purchased	**59,000**
Raw materials available for use	**82,000**
Deduct: Ending raw materials inventory	**33,000**
Raw materials used	**49,000**
Add: Direct labor costs	**28,000**
Add: Manufacturing overhead	**74,000**
Total manufacturing costs	**$151,000**

Total manufacturing costs	**$151,000**
Add: Beginning work in process inventory	**12,000**
Subtotal	**163,000**
Deduct: Ending work in process inventory	**17,000**
Cost of goods manufactured	**$146,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

At a sales volume of 36,000 units, Quale Corporation's sales commissions (a cost that is variable with respect to sales volume) total $187,200.

118. To the nearest whole dollar, what should be the total sales commissions at a sales volume of 38,300 units? (Assume that this sales volume is within the relevant range.)
A. $199,160
B. $175,958
C. $193,180
D. $187,200

$187,200 ÷ 36,000 = $5.20 per unit
38,300 units × $5.20 = $199,160

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

119. To the nearest whole cent, what should be the average sales commission per unit at a sales volume of 36,400 units? (Assume that this sales volume is within the relevant range.)
A. $5.20
B. $4.89
C. $5.17
D. $5.14

$187,200 ÷ 36,000 = $5.20 per unit average cost
Since sales commission is a variable cost, the average per unit cost is the same at any volume level within the relevant range.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

At a sales volume of 37,000 units, Bonham Corporation's property taxes (a cost that is fixed with respect to sales volume) total $555,000.

120. To the nearest whole dollar, what should be the total property taxes at a sales volume of 34,900 units? (Assume that this sales volume is within the relevant range.)
A. $539,250
B. $588,395
C. $523,500
D. $555,000

Fixed costs do not change with changes in volume; therefore, fixed costs will total $555,000 at a sales volume of 34,900 units.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

121. To the nearest whole cent, what should be the average property tax per unit at a sales volume of 38,600 units? (Assume that this sales volume is within the relevant range.)
A. $15.00
B. $14.38
C. $15.90
D. $14.69

$555,000 ÷ 38,600 units = $14.38 per unit (rounded)

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

Mire Corporation staffs a helpline to answer questions from customers. The costs of operating the helpline are variable with respect to the number of calls in a month. At a volume of 29,000 calls in a month, the costs of operating the helpline total $171,100.

122. To the nearest whole dollar, what should be the total cost of operating the helpline costs at a volume of 31,200 calls in a month? (Assume that this call volume is within the relevant range.)
A. $171,100
B. $177,590
C. $184,080
D. $159,035

$171,100 ÷ 29,000 calls = $5.90 per call
$5.90 × 31,200 calls = $184,080

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

123. To the nearest whole cent, what should be the average cost of operating the helpline per call at a volume of 27,500 calls in a month? (Assume that this call volume is within the relevant range.)
A. $5.48
B. $5.90
C. $6.22
D. $6.06

$171,100 ÷ 29,000 calls = $5.90 per call (average)

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

Henscheid Corporation leases its corporate headquarters building. This lease cost is fixed with respect to the company's sales volume. In a recent month in which the sales volume was 33,000 units, the lease cost was $283,800.

124. To the nearest whole dollar, what should be the total lease cost at a sales volume of 35,300 units in a month? (Assume that this sales volume is within the relevant range.)
A. $283,800
B. $293,690
C. $303,580
D. $265,309

Fixed costs do not change with changes in volume; therefore, fixed costs will total $283,800 at all sales levels within the relevant range.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

125. To the nearest whole cent, what should be the average lease cost per unit at a sales volume of 31,600 units in a month? (Assume that this sales volume is within the relevant range.)
A. $8.04
B. $8.98
C. $8.79
D. $8.60

$283,800 ÷ 31,600 units = $8.98 (rounded)

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

The following cost data pertain to the operations of Lefthand Department Stores, Inc., for the month of December.

Corporate legal office salaries	**$74,000**
Shoe Department cost of sales, Brentwood Store	**$35,000**
Corporate headquarters building lease	**$78,000**
Store manager's salary--Brentwood Store	**$14,000**
Shoe Department sales commissions, Brentwood Store	**$5,000**
Store utilities--Brentwood Store	**$14,000**
Shoe Department manager's salary, Brentwood Store	**$3,000**
Central warehouse lease cost	**$10,000**
Janitorial costs, Brentwood Store	**$8,000**

The Brentwood Store is just one of many stores owned and operated by the company. The Shoe Department is one of many departments at the Brentwood Store. The central warehouse serves all of the company's stores.

126. What is the total amount of the costs listed above that are direct costs of the Shoe Department?

A. $43,000
B. $35,000
C. $79,000
D. $40,000

Shoe Department cost of sales−Brentwood Store	**$35,000**
Shoe Department sales commissions−Brentwood Store	**5,000**
Shoe Department manager's salary−Brentwood Store	**3,000**
Total direct costs	**$43,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 7
Level: Easy

127. What is the total amount of the costs listed above that are NOT direct costs of the Brentwood Store?
A. $78,000
B. $43,000
C. $162,000
D. $36,000

Corporate legal office salaries	**$74,000**
Corporate headquarters building lease	**78,000**
Central warehouse lease cost	**10,000**
Total	**$162,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 7
Level: Medium

The following cost data pertain to the operations of Polek Department Stores, Inc., for the month of March.

Corporate headquarters building lease	**$79,000**
Cosmetics Department sales commissions, Northridge Store	**$6,000**
Corporate legal office salaries	**$50,000**
Store manager's salary-Northridge Store	**$14,000**
Heating-Northridge Store	**$11,000**
Cosmetics Department cost of sales, Northridge Store	**$56,000**
Central warehouse lease cost	**$18,000**
Store security-Northridge Store	**$14,000**
Cosmetics Department manager's salary, Northridge Store	**$4,000**

The Northridge Store is just one of many stores owned and operated by the company. The Cosmetics Department is one of many departments at the Northridge Store. The central warehouse serves all of the company's stores.

128. What is the total amount of the costs listed above that are direct costs of the Cosmetics Department?
A. $66,000
B. $105,000
C. $62,000
D. $56,000

Cosmetics Department sales commissions−Northridge Store.....	**$ 6,000**
Cosmetics Department cost of sales−Northridge Store	**56,000**
Cosmetics Department manager's salary−Northridge Store.....	**4,000**
Total direct costs	**$66,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 7
Level: Easy

129. What is the total amount of the costs listed above that are NOT direct costs of the Northridge Store?
A. $39,000
B. $66,000
C. $79,000
D. $147,000

Corporate headquarters building lease.....	**$79,000**
Corporate legal office salaries.....	**50,000**
Central warehouse lease cost	**18,000**
Total costs which are NOT direct.....	**$147,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 7
Level: Medium

Lucena Corporation purchased a machine 7 years ago for $339,000 when it launched product X05K. Unfortunately, this machine has broken down and cannot be repaired. The machine could be replaced by a new model 360 machine costing $353,000 or by a new model 280 machine costing $332,000. Management has decided to buy the model 280 machine. It has less capacity than the model 360 machine, but its capacity is sufficient to continue making product X05K. Management also considered, but rejected, the alternative of dropping product X05K and not replacing the old machine. If that were done, the $332,000 invested in the new machine could instead have been invested in a project that would have returned a total of $426,000.

130. In making the decision to buy the model 280 machine rather than the model 360 machine, the differential cost was:
A. $21,000
B. $87,000
C. $7,000
D. $14,000

Model 360 cost	**$353,000**
Model 280 cost	**332,000**
Differential cost	**$21,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Learning Objective: 8
Level: Easy

131. In making the decision to buy the model 280 machine rather than the model 360 machine, the sunk cost was:
A. $426,000
B. $339,000
C. $332,000
D. $353,000

The original cost of $339,000 is a sunk cost.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Learning Objective: 8
Level: Easy

132. In making the decision to invest in the model 280 machine, the opportunity cost was:
A. $426,000
B. $353,000
C. $332,000
D. $339,000

The opportunity cost is the proceeds from the project that would have yielded $426,000.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Learning Objective: 8
Level: Easy

Management of Sourwine Corporation is considering whether to purchase a new model 320 machine costing $389,000 or a new model 280 machine costing $318,000 to replace a machine that was purchased 6 years ago for $376,000. The old machine was used to make product C78P until it broke down last week. Unfortunately, the old machine cannot be repaired.

Management has decided to buy the new model 280 machine. It has less capacity than the new model 320 machine, but its capacity is sufficient to continue making product C78P.

Management also considered, but rejected, the alternative of simply dropping product C78P. If that were done, instead of investing $318,000 in the new machine, the money could be invested in a project that would return a total of $405,000.

133. In making the decision to buy the model 280 machine rather than the model 320 machine, the sunk cost was:
A. $376,000
B. $318,000
C. $405,000
D. $389,000

The original cost of $376,000 is a sunk cost.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Learning Objective: 8
Level: Easy

134. In making the decision to buy the model 280 machine rather than the model 320 machine, the differential cost was:
A. $58,000
B. $13,000
C. $29,000
D. $71,000

Model 320 cost	**$389,000**
Model 280 cost	**318,000**
Differential cost	**$ 71,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Learning Objective: 8
Level: Easy

135. In making the decision to invest in the model 280 machine, the opportunity cost was:
A. $376,000
B. $389,000
C. $405,000
D. $318,000

The opportunity cost is the proceeds from the project that would have yielded $405,000.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Learning Objective: 8
Level: Easy

Essay Questions

136. Sid Freeman has developed a new electronic device that he has decided to produce and market. The production facility will be in a nearby industrial park which Sid will rent for $4,000 per month. Utilities will cost about $500 per month. He will use his personal computer, which he purchased for $2,000 last year, to monitor the production process. The computer will become obsolete before it wears out from use. The computer will be depreciated at the rate of $1,000 per year. He will rent production equipment at a monthly cost of $8,000. Sid estimates the material cost per finished unit of product to be $50, and the labor cost to be $10. He will hire workers, and spend his time promoting the product. To do this he will quit his job which pays $4,500 per month. Advertising will cost $2,000 per month. Sid will not draw a salary from the new company until it gets well established.

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.

					Product Cost				
	Oppor-tunity Cost	Sunk Cost	Variable Cost	Fixed Cost	Direct Materials	Direct Labor	Manufac-turing Overhead	Selling Cost	Differ-ential Cost
Facility rent									
Utilities									
Personal computer depreciation									
Equipment rent									
Material cost									
Labor cost									
Present salary									
Advertising									

*Between the alternatives of producing and not producing the device.

					Product Cost				
	Opportunity Cost	Sunk Cost	Variable Cost	Fixed Cost	Direct Materials	Direct Labor	Manufacturing Overhead	Selling Cost	Differential Cost
Facility rent				X			X		X
Utilities				X			X		X
Personal computer depreciation		X		X			X		
Equipment rent				X			X		X
Material cost			X		X				X
Labor cost			X			X			X
Present salary	X								X
Advertising				X				X	

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Decision Making
Learning Objective: 2
Learning Objective: 3
Learning Objective: 6
Learning Objective: 8
Level: Medium

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 labor	**$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:

a. Prepare a Schedule of Cost of Goods Manufactured in good form.

b. Compute the Cost of Goods Sold.

c. Using data from your answers above as needed, prepare an Income Statement in good form.

a. Schedule of cost of goods manufactured

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

b. Computation of cost of goods sold

Finished goods inventory, beginning	**$80**
Add: Cost of goods manufactured	**370**
Goods available for sale	**450**
Deduct: Finished goods inventory, ending	**150**
Cost of goods sold	**$300**

c. Income statement

Sales	**$860**
Cost of goods sold	**300**
Gross margin	**560**
Administrative expenses	**130**
Selling expenses	**180**
Net operating income	**$250**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Learning Objective: 4
Learning Objective: 5
Level: Medium

138. Beauchesne Corporation, a manufacturing company, has provided the following data for the month of May:

Inventories:	Beginning	Ending
Raw materials	$36,000	$24,000
Finished goods	$57,000	$28,000

Raw materials purchased during May totaled $69,000 and the cost of goods manufactured totaled $146,000.

Required:

a. What was the cost of raw materials used in production during May? Show your work.

b. What was the cost of goods sold for May? Show your work.

a.

Beginning materials inventory	$36,000
Add: Purchases of raw materials	69,000
Raw materials available for use	105,000
Deduct: Ending raw materials inventory	24,000
Raw materials used in production	$81,000

b.

Cost of goods manufactured	$146,000
Add: Beginning finished goods inventory	57,000
Goods available for sale	203,000
Deduct: Ending finished goods inventory	28,000
Cost of goods sold	$175,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Learning Objective: 4
Level: Easy

139. During the month of January, Fisher Corporation, a manufacturing company, purchased raw materials costing $76,000. The cost of goods manufactured for the month was $129,000. The beginning balance in the raw materials account was $26,000 and the ending balance was $21,000. The beginning balance in the finished goods account was $52,000 and the ending balance was $35,000.

Required:

a. What was the cost of raw materials used in production during January? Show your work.

b. What was the cost of goods sold for January? Show your work.

a.

Beginning materials inventory	**$26,000**
Add: Purchases of raw materials	**76,000**
Raw materials available for use	**102,000**
Deduct: Ending raw materials inventory	**21,000**
Raw materials used in production	**$81,000**

b.

Cost of goods manufactured	**$129,000**
Add: Beginning finished goods inventory	**52,000**
Goods available for sale	**181,000**
Deduct: Ending finished goods inventory	**35,000**
Cost of goods sold	**$146,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 2
Learning Objective: 4
Level: Easy

140. Joe Ringworth, factory supervisor at Winger Enterprises, had been attending night classes to earn a degree in business. He was particularly puzzled by what one of his accounting professors had said in class the previous evening. The professor, who knew that Joe worked as a factory supervisor, had said that some of Joe's salary could end up on the company's balance sheet at the end of the month. This didn't make any sense to Joe since he gets the salary, not the company.

Required:

Explain to Joe why some of his salary could end up on the company's balance sheet at the end of the month.

The key here is to understand the distinction between period and product costs. Product costs are initially assigned to inventories. That is, product costs are added to inventory accounts that appear on the balance sheet. These costs become expenses only when the inventories are sold. For external financial reports, all manufacturing costs must be included in product costs. Since Joe is a factory supervisor, his salary is considered to be part of manufacturing cost. Therefore, his salary is a product cost and some of it may still be in unsold inventories at the end of the month.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

141. A partial listing of costs incurred at Rust Corporation during August appears below:

Direct materials	**$135,000**
Utilities, factory	**$11,000**
Sales commissions	**$69,000**
Administrative salaries	**$101,000**
Indirect labor	**$29,000**
Advertising	**$94,000**
Depreciation of production equipment	**$31,000**
Direct labor	**$73,000**
Depreciation of administrative equipment	**$40,000**

Required:

a. What is the total amount of product cost listed above? Show your work.

b. What is the total amount of period cost listed above? Show your work.

a. Product costs consist of direct materials, direct labor, and manufacturing overhead:

Direct materials		**$135,000**
Direct labor		**73,000**
Manufacturing overhead:		
Utilities, factory	**$11,000**	
Indirect labor	**29,000**	
Depreciation of production equipment	**31,000**	**71,000**
Total product cost		**$279,000**

b. Period costs consist of all costs other than product costs:

Administrative salaries	**$101,000**
Sales commissions	**69,000**
Depreciation of administrative equipment	**40,000**
Advertising	**94,000**
Total period cost	**$304,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

142. Machowski Corporation has provided the following partial listing of costs incurred during November:

Marketing salaries	**$47,000**
Property taxes, factory	**$6,000**
Administrative travel	**$113,000**
Sales commissions	**$56,000**
Indirect labor	**$36,000**
Direct materials	**$119,000**
Advertising	**$63,000**
Depreciation of production equipment	**$56,000**
Direct labor	**$117,000**

Required:

a. What is the total amount of product cost listed above? Show your work.

b. What is the total amount of period cost listed above? Show your work.

a. Product costs consist of direct materials, direct labor, and manufacturing overhead:

Direct materials		**$119,000**
Direct labor		**117,000**
Manufacturing overhead		
Property taxes, factory	**$6,000**	
Indirect labor	**36,000**	
Depreciation of production equipment	**56,000**	**98,000**
Total product cost		**$334,000**

b. Period costs consist of all costs other than product costs:

Administrative travel	**$113,000**
Sales commissions	**56,000**
Marketing salaries	**47,000**
Advertising	**63,000**
Total period cost	**$279,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 3
Level: Medium

143. Standford Corporation has provided the following data for the month of February:

Sales	**$280,000**
Raw materials purchases	**$76,000**
Direct labor cost	**$42,000**
Manufacturing overhead	**$77,000**
Selling expense	**$20,000**
Administrative expense	**$35,000**

Inventories:	**Beginning**	**Ending**
Raw materials	**$22,000**	**$33,000**
Work in process	**$15,000**	**$23,000**
Finished goods	**$52,000**	**$43,000**

Required:

a. Prepare a Schedule of Cost of Goods Manufactured in good form for February.

b. Prepare an Income Statement in good form for February.

a. Schedule of Cost of Goods Manufactured

Direct materials:		
Beginning materials inventory	**$22,000**	
Add: Purchases of raw materials	**76,000**	
Raw materials available for use	**98,000**	
Deduct: Ending raw materials inventory	**33,000**	
Raw materials used in production		**$65,000**
Direct labor		**42,000**
Manufacturing overhead		**77,000**
Total manufacturing costs		**184,000**
Add: Beginning work in process inventory		**15,000**
		199,000
Deduct: Ending work in process inventory		**23,000**
Cost of goods manufactured		**$176,000**

b. Income Statement

Sales		**$280,000**
Cost of goods sold:		
Beginning finished goods inventory	**$52,000**	
Add: Cost of goods manufactured	**176,000**	
Goods available for sale	**228,000**	
Deduct: Ending finished goods inventory	**43,000**	**185,000**
Gross margin		**95,000**
Selling and administrative expenses:		
Selling expenses	**20,000**	
Administrative expenses	**35,000**	**55,000**
Net operating income		**$40,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Learning Objective: 5
Level: Medium

144. In October, Ringler Corporation had sales of $273,000, selling expenses of $26,000, and administrative expenses of $47,000. The cost of goods manufactured was $183,000. The beginning balance in the finished goods inventory account was $45,000 and the ending balance was $34,000.

Required:

Prepare an Income Statement in good form for October.

Income Statement		
Sales		**$273,000**
Cost of goods sold:		
Beginning finished goods inventory	**$45,000**	
Add: Cost of goods manufactured	**183,000**	
Goods available for sale	**228,000**	
Deduct: Ending finished goods inventory	**34,000**	**194,000**
Gross margin		**79,000**
Selling and administrative expenses:		
Selling expenses	**26,000**	
Administrative expenses	**47,000**	**73,000**
Net operating income		**$6,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Easy

145. In July, Neidich Inc., a merchandising company, had sales of $295,000, selling expenses of $24,000, and administrative expenses of $29,000. The cost of merchandise purchased during the month was $215,000. The beginning balance in the merchandise inventory account was $25,000 and the ending balance was $30,000.

Required:

Prepare an Income Statement in good form for July.

Income Statement		
Sales		**$295,000**
Cost of goods sold:		
Beginning merchandise inventory	**$25,000**	
Add: Purchases	**215,000**	
Goods available for sale	**240,000**	
Deduct: Ending merchandise inventory	**30,000**	**210,000**
Gross margin		**85,000**
Selling and administrative expenses:		
Selling expenses	**24,000**	
Administrative expenses	**29,000**	**53,000**
Net operating income		**$32,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 4
Level: Easy

146. Dinius Corporation has provided the following data for the month of December:

Raw materials purchases	**$55,000**
Direct labor cost	**$22,000**
Manufacturing overhead	**$68,000**

Inventories:	**Beginning**	**Ending**
Raw materials	**$25,000**	**$27,000**
Work in process	**$16,000**	**$22,000**
Finished goods	**$39,000**	**$25,000**

Required:

Prepare a Schedule of Cost of Goods Manufactured for December.

Schedule of Cost of Goods Manufactured		
Direct materials:		
Beginning materials inventory	**$25,000**	
Add: Purchases of raw materials	**55,000**	
Raw materials available for use	**80,000**	
Deduct: Ending raw materials inventory	**27,000**	
Raw materials used in production		**$53,000**
Direct labor		**22,000**
Manufacturing overhead		**68,000**
Total manufacturing costs		**143,000**
Add: Beginning work in process inventory		**16,000**
		159,000
Deduct: Ending work in process inventory		**22,000**
Cost of goods manufactured		**$137,000**

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 5
Level: Medium

147. A number of costs and measures of activity are listed below.

	Cost Description	Possible Measure of Activity
1.	Cost of heating a hardware store	Dollar sales
2.	Windshield wiper blades installed on autos at an auto assembly plant	Number of autos assembled
3.	Cost of tomato sauce used at a pizza shop	Pizzas cooked
4.	Cost of shipping bags of fertilizer to a customer at a chemical plant	Bags shipped
5.	Cost of electricity for production equipment at a snowboard manufacturer	Snowboards produced
6.	Cost of renting production equipment on a monthly basis at a snowboard manufacturer	Snowboards produced
7.	Cost of vaccine used at a clinic	Vaccines administered
8.	Cost of sales at a hardware store	Dollar sales
9.	Receptionist's wages at dentist's office	Number of patients
10.	Salary of production manager at a snowboard manufacturer	Snowboards produced

Required:

For each item above, indicate whether the cost is MAINLY fixed or variable with respect to the possible measure of activity listed next to it.

	Cost Description	Possible Measure of Activity	
1.	Cost of heating a hardware store	Dollar sales	Fixed
2.	Windshield wiper blades installed on autos at an auto assembly plant	Number of autos assembled	Variable
3.	Cost of tomato sauce used at a pizza shop	Pizzas cooked	Variable
4.	Cost of shipping bags of fertilizer to a customer at a chemical plant	Bags shipped	Variable
5.	Cost of electricity for production equipment at a snowboard manufacturer	Snowboards produced	Variable
6.	Cost of renting production equipment on a monthly basis at a snowboard manufacturer	Snowboards produced	Fixed
7.	Cost of vaccine used at a clinic	Vaccines administered	Variable
8.	Cost of sales at a hardware store	Dollar sales	Variable
9.	Receptionist's wages at dentist's office	Number of patients	Fixed
10.	Salary of production manager at a snowboard manufacturer	Snowboards produced	Fixed

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

148. A number of costs and measures of activity are listed below.

	Cost Description	Possible Measure of Activity
1.	Cost of renting production equipment on a monthly basis at a surfboard manufacturer	Surfboards produced
2.	Pilot's salary on a regularly scheduled commuter airline	Number of passengers
3.	Cost of dough used at a pizza shop	Pizzas cooked
4.	Janitorial wages at a surfboard manufacturer	Surfboards produced
5.	Cost of shipping bags of garden mulch to a retail garden store	Bags shipped
6.	Salary of production manager at a surfboard manufacturer	Surfboards produced
7.	Property tax on corporate headquarters building	Dollar sales
8.	Cost of heating an electronics store	Dollar sales
9.	Shift manager's wages at a coffee shop	Dollar sales
10.	Cost of bags used in packaging chickens for shipment to grocery stores	Crates of chicken shipped

Required:

For each item above, indicate whether the cost is MAINLY fixed or variable with respect to the possible measure of activity listed next to it.

	Cost Description	Possible Measure of Activity	
1.	Cost of renting production equipment on a monthly basis at a surfboard manufacturer	Surfboards produced	Fixed
2.	Pilot's salary on a regularly scheduled commuter airline	Number of passengers	Fixed
3.	Cost of dough used at a pizza shop	Pizzas cooked	Variable
4.	Janitorial wages at a surfboard manufacturer	Surfboards produced	Fixed
5.	Cost of shipping bags of garden mulch to a retail garden store	Bags shipped	Variable
6.	Salary of production manager at a surfboard manufacturer	Surfboards produced	Fixed
7.	Property tax on corporate headquarters building	Dollar sales	Fixed
8.	Cost of heating an electronics store	Dollar sales	Fixed
9.	Shift manager's wages at a coffee shop	Dollar sales	Fixed
10.	Cost of bags used in packaging chickens for shipment to grocery stores	Crates of chicken shipped	Variable

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Learning Objective: 6
Level: Easy

149. A number of costs are listed below.

	Cost Description	Cost Object
1.	Supervisor's wages in a computer manufacturing facility	A particular personal computer
2.	Salary of the president of a home construction company	A particular home
3.	Cost of tongue depressors used in an outpatient clinic at a hospital	The outpatient clinic
4.	Cost of lubrication oil used at the auto repair shop of an automobile dealer	The auto repair shop
5.	Manager's salary at a hotel run by a chain of hotels	The particular hotel
6.	Cost of screws used to secure wood trim in a yacht at a yacht manufacturer	A particular yacht
7.	Accounting professor's salary	The Accounting Department
8.	Cost of a measles vaccine administered at an outpatient clinic at a hospital	A particular patient
9.	Cost of electronic navigation system installed in a yacht at a yacht manufacturer	A particular yacht
10.	Wood used to build a home	A particular home

Required:

For each item above, indicate whether the cost is direct or indirect with respect to the cost object listed next to it.

	Cost Description	Cost Object	
1.	Supervisor's wages in a computer manufacturing facility	A particular personal computer	Indirect
2.	Salary of the president of a home construction company	A particular home	Indirect
3.	Cost of tongue depressors used in an outpatient clinic at a hospital	The outpatient clinic	Direct
4.	Cost of lubrication oil used at the auto repair shop of an automobile dealer	The auto repair shop	Direct
5.	Manager's salary at a hotel run by a chain of hotels	The particular hotel	Direct
6.	Cost of screws used to secure wood trim in a yacht at a yacht manufacturer	A particular yacht	Indirect
7.	Accounting professor's salary	The Accounting Department	Direct
8.	Cost of a measles vaccine administered at an outpatient clinic at a hospital	A particular patient	Direct
9.	Cost of electronic navigation system installed in a yacht at a yacht manufacturer	A particular yacht	Direct
10.	Wood used to build a home	A particular home	Direct

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AICPA FN: Measurement
Learning Objective: 7
Level: Easy