50.

TB 01-50 List four management practices (programs of contin...

List four management practices (programs of continuous improvement) that may be used to achieve the objectives of the lean business model.

1. just-in time.
2. total quality management.
3. process reengineering.
4. theory of constraints.

Essay	*TB 01-50 List four management practices (programs of contin...*

51.

TB 02-01 TF All costs incurred in a merchandising firm a...

All costs incurred in a merchandising firm are considered to be period costs.

- True
- → False

True / False	*TB 02-01 TF All costs incurred in a merchandising firm a...*

52.

TB 02-02 TF Depreciation is always considered a product ...

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

- True
- → False

True / False	*TB 02-02 TF Depreciation is always considered a product ...*

53.

TB 02-03 TF Advertising costs are considered product cos...

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

- True
- → False

True / False	*TB 02-03 TF Advertising costs are considered product cos...*

54.

TB 02-04 TF Property taxes and insurance premiums paid o...

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

- → True
- False

True / False	*TB 02-04 TF Property taxes and insurance premiums paid o...*

55.

TB 02-05 TF Manufacturing overhead combined with direct ...

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

- True
- → False

True / False	*TB 02-05 TF Manufacturing overhead combined with direct ...*

56.

TB 02-06 TF If the ending inventory of finished goods is...

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

- True
- → False

True / False	*TB 02-06 TF If the ending inventory of finished goods is...*

57.

TB 02-07 TF In a manufacturing company, goods available ...

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

- → True
- False

True / False	*TB 02-07 TF In a manufacturing company, goods available ...*

58.

TB 02-08 TF Variable costs are costs whose per unit cost...

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

- True
- → False

True / False	*TB 02-08 TF Variable costs are costs whose per unit cost...*

59.

TB 02-09 TF On a per unit basis, a fixed cost varies inv...

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

→ True

False

True / False	*TB 02-09 TF On a per unit basis, a fixed cost varies inv...*

60.

TB 02-10 TF All the following would typically be conside...

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

True

→ False

True / False	*TB 02-10 TF All the following would typically be conside...*

61.

TB 02-11 TF All the following costs should be considered...

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

True

→ False

True / False	*TB 02-11 TF All the following costs should be considered...*

62.

TB 02-12 TF The following costs should be considered by ...

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

→ True

False

True / False	*TB 02-12 TF The following costs should be considered by ...*

63.

TB 02-13 TF A cost that differs from one month to anothe...

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

True

→ False

True / False	*TB 02-13 TF A cost that differs from one month to anothe...*

64.

TB 02-14 TF Opportunity costs are always recorded as exp...

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

True

→ False

True / False	*TB 02-14 TF Opportunity costs are always recorded as exp...*

65.

TB 02-15 Sunk costs are irrelevant in making decisions.

Sunk costs are irrelevant in making decisions.

→ True

False

True / False	*TB 02-15 Sunk costs are irrelevant in making decisions.*

66.

TB 02-16 The inventory accounts reported on the balance she...

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

→ True

False

True / False	*TB 02-16 The inventory accounts reported on the balance she...*

67.

TB 02-17 The corporate controller's salary would be conside...

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

manufacturing cost.

product cost.

→ administrative cost.

selling expense.

Multiple Choice	*TB 02-17 The corporate controller's salary would be conside...*

68.

TB 02-18 The cost of fire insurance for a manufacturing pla...

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

→ product cost.
- period cost.
- variable cost.
- all of the answers are correct.

Multiple Choice	*TB 02-18 The cost of fire insurance for a manufacturing pla...*

69.

TB 02-19 The cost of rent for a manufacturing plant is gene...

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

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

→ choice a.
- choice b.
- choice c.
- choice d.

Multiple Choice	*TB 02-19 The cost of rent for a manufacturing plant is gene...*

70.

TB 02-20 Each of the following would be a period cost excep...

Each of the following would be a period cost except:

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

Multiple Choice	*TB 02-20 Each of the following would be a period cost excep...*

71.

TB 02-21 For a manufacturing company, which of the followin...

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

- Depreciation of factory equipment.
- → Wages of salespersons.
- Wages of machine operators.
- Insurance on factory equipment.

Multiple Choice	*TB 02-21 For a manufacturing company, which of the followin...*

72.

TB 02-22 Which of the following would be considered a produ...

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

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

Multiple Choice	*TB 02-22 Which of the following would be considered a produ...*

73.

TB 02-23 Which of the following would NOT be treated as a p...

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

- Depreciation on a factory building.
- Salaries of factory workers.
- Indirect labour in the factory.
- → Advertising expenses.

Multiple Choice	*TB 02-23 Which of the following would NOT be treated as a p...*

74.

TB 02-24 Transportation costs incurred by a manufacturing c...

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

- Product cost.
- Manufacturing overhead.
- → Period cost.
- Administrative cost.

Multiple Choice	*TB 02-24 Transportation costs incurred by a manufacturing c...*

75.

TB 02-25 The salary of the president of a manufacturing com...

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

- Product cost.
- → Period cost.
- Manufacturing overhead.
- Direct labour.

Multiple Choice	*TB 02-25 The salary of the president of a manufacturing com...*

76.

TB 02-26 Micro Computer Company has set up a toll-free tele...

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?

- Product cost.
- Manufacturing overhead.
- Direct labour.
- → Period cost.

Multiple Choice	*TB 02-26 Micro Computer Company has set up a toll-free tele...*

77.

TB 02-27 The wages of factory maintenance personnel would u...

The wages of factory maintenance personnel would usually be considered to be:

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

- choice a.
- choice b.
- → choice c.
- choice d.

Multiple Choice	*TB 02-27 The wages of factory maintenance personnel would u...*

78.

TB 02-28 Direct materials are a part of:

Direct materials are a part of:

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

- choice a.
- choice b.
- → choice c.
- choice d.

Multiple Choice	*TB 02-28 Direct materials are a part of:*

79.

TB 02-29 Manufacturing overhead consists of:

Manufacturing overhead consists of:

- all manufacturing costs.
- → all manufacturing costs, except direct materials and direct labour.
- indirect materials but not indirect labour.
- indirect labour but not indirect materials.

Multiple Choice	*TB 02-29 Manufacturing overhead consists of:*

80.

TB 02-30 Which of the following should NOT be included as p...

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

→ Sheet steel in a file cabinet made by the company.

Manufacturing equipment depreciation.

Idle time for direct labour.

Taxes on a factory building.

Multiple Choice	*TB 02-30 Which of the following should NOT be included as p...*

81.

TB 02-31 Rossiter Company failed to record a credit sale at...

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?

Accounts receivable was not affected, inventory was not affected, sales were understated, and cost of goods sold was understated.

Accounts receivable was understated, inventory was overstated, sales were understated, and cost of goods sold was overstated.

Accounts receivable was not affected, inventory was understated, sales were understated, and cost of goods sold was understated.

→ Accounts receivable was understated, inventory was not affected, sales were understated, and cost of goods sold was not affected.

Multiple Choice	*TB 02-31 Rossiter Company failed to record a credit sale at...*

82.

TB 02-32 If the cost of goods sold is greater than the cost...

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

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

Multiple Choice	*TB 02-32 If the cost of goods sold is greater than the cost...*

83.

TB 02-33 Last month, when 10,000 units of a product were ma...

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

- total variable cost will remain unchanged.
- fixed costs will increase in total.
- variable cost per unit will increase.
- → total cost per unit will decrease.

Multiple Choice	*TB 02-33 Last month, when 10,000 units of a product were ma...*

84.

TB 02-34 Variable cost:

Variable cost:

- increases on a per unit basis as the number of units produced increases.
- → remains constant on a per unit basis as the number of units produced increases.
- remains the same in total as production increases.
- decreases on a per unit basis as the number of units produced increases.

Multiple Choice	*TB 02-34 Variable cost:*

85.

TB 02-35 Within the relevant range, the difference between ...

Within the relevant range, the difference between variable costs and fixed costs is:

- variable costs per unit fluctuate and fixed costs per unit remain constant.
- → variable costs per unit are constant and fixed costs per unit fluctuate.
- both total variable costs and total fixed costs are constant.
- both total variable costs and total fixed costs fluctuate.

Multiple Choice	*TB 02-35 Within the relevant range, the difference between ...*

86.

TB 02-36 Which of the following statements regarding fixed ...

Which of the following statements regarding fixed costs is incorrect?

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

Multiple Choice	*TB 02-36 Which of the following statements regarding fixed ...*

87.

TB 02-37 Last month, when 10,000 units of a product were ma...

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

- $585,000.
- $600,000.
- → $615,000.
- $630,000.

Multiple Choice	*TB 02-37 Last month, when 10,000 units of a product were ma...*

88.

TB 02-38 Which of the following statements is true?

Which of the following statements is true?

- An indirect cost can be easily traced to an individual cost object.
- → An indirect cost is one incurred to support a number of cost objects.
- A direct cost cannot be easily and economically traced to a cost object.
- The determination of a cost object is nor relevant to the traceability of costs.

Multiple Choice	*TB 02-38 Which of the following statements is true?*

89.

TB 02-39 An opportunity cost is:

An opportunity cost is:

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

Multiple Choice	*TB 02-39 An opportunity cost is:*

90.

TB 02-40 The term differential cost refers to:

The term differential cost refers to:

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

Multiple Choice	*TB 02-40 The term differential cost refers to:*

91.

TB 02-41 Which of the following costs is often important in...

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

- Fixed cost.
- Sunk cost.
- → Opportunity cost.
- Indirect cost.

Multiple Choice	*TB 02-41 Which of the following costs is often important in...*

92.

TB 02-42 When a decision is made among a number of alternat...

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

- realized cost.
- → opportunity cost.
- conversion cost.
- accrued cost.

Multiple Choice	*TB 02-42 When a decision is made among a number of alternat...*

93.

TB 02-43 Conversion cost consists of which of the following...

Conversion cost consists of which of the following?

- Manufacturing overhead cost.
- Direct materials and direct labour costs.
- Direct labour cost.
- → Direct labour and manufacturing overhead costs.

Multiple Choice	*TB 02-43 Conversion cost consists of which of the following...*

94.

TB 02-44 Prime cost consists of direct materials combined w...

Prime cost consists of direct materials combined with:

→ direct labour.

manufacturing overhead.

indirect materials.

cost of goods manufactured.

Multiple Choice	*TB 02-44 Prime cost consists of direct materials combined w...*

95.

TB 02-45 Which one of the following costs should NOT be con...

Which one of the following costs should NOT be considered a direct cost of serving a particular customer who orders a customized personal computer by phone directly from the manufacturer?

The cost of the hard disk drive installed in the computer.

The cost of shipping the computer to the customer.

→ The cost of leasing a machine on a monthly basis that automatically tests hard disk drives before they are installed in computers.

The cost of packaging the computer for shipment.

Multiple Choice	*TB 02-45 Which one of the following costs should NOT be con...*

96.

TB 02-46 The sequence of major activities that every organi...

The sequence of major activities that every organization carries out to fulfill its mission is known as:

the manufacturing process.

product planning and development.

→ the value chain.

marketing.

Multiple Choice	*TB 02-46 The sequence of major activities that every organi...*

97.

TB 02-47 Which of the following major activities of a busin...

Which of the following major activities of a business will result in product costs?

- Marketing.
- Customer support.
- General administrative.
- → Manufacturing.

Multiple Choice	*TB 02-47 Which of the following major activities of a busin...*

98.

TB 02-48 Which one of the following costs should NOT be con...

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?

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

Multiple Choice	*TB 02-48 Which one of the following costs should NOT be con...*

99.

TB 02-49 Green Company's costs for the month of August were...

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

- $105,000.
- → $112,000.
- $132,000.
- $138,000.

Multiple Choice	*TB 02-49 Green Company's costs for the month of August were...*

100.

TB 02-50 A manufacturing company prepays its insurance cove...

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

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

- choice a.
- choice b.
- choice c.
- → choice d.

Multiple Choice	*TB 02-50 A manufacturing company prepays its insurance cove...*

101.

TB 02-51 Using the following data, calculate the beginning ...

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

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

The beginning work in process inventory is:

- $15.
- $20.
- → $25.
- $55.

Multiple Choice	*TB 02-51 Using the following data, calculate the beginning ...*

102.

TB 02-52 During the month of May, Bennett Manufacturing Com...

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

- → $34,000.
- $36,000.
- $38,000.
- $45,000.

Multiple Choice	*TB 02-52 During the month of May, Bennett Manufacturing Com...*

103.

TB 02-53 Using the following data for January, calculate th...

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

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

The cost of goods manufactured was:

→ $78,000.
$79,000.
$80,000.
$89,000.

Multiple Choice	*TB 02-53 Using the following data for January, calculate th...*

104.

TB 02-54 During the month of June, Reardon Company incurred...

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

$38,500.
$40,500.
→ $41,500.
$43,500.

Multiple Choice	*TB 02-54 During the month of June, Reardon Company incurred...*

105.

TB 02-55 Mueller Company reported the following data for th...

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

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

The beginning work in process inventory was:

- $100,000.
- $300,000.
- → $500,000.
- $1,300,000.

Multiple Choice	*TB 02-55 Mueller Company reported the following data for th...*

106.

TB 02-56 Williams Company's direct labour cost is 25% of it...

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

- → $15,000.
- $20,000.
- $33,333.
- $60,000.

Multiple Choice	*TB 02-56 Williams Company's direct labour cost is 25% of it...*

107.

TB 02-57 The Lyons Company's cost of goods manufactured was...

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:

- $20,000.
- → $50,000.
- $110,000.
- $150,000.

Multiple Choice	*TB 02-57 The Lyons Company's cost of goods manufactured was...*

108.

TB 02-58 The gross margin for Cushing Company for the first...

The gross margin for Cushing Company for the first quarter of last year was $325,000 when sales were $700,000. The beginning inventory of finished goods was $60,000 and the ending inventory of finished goods was $85,000. The cost of goods manufactured for the first quarter would have been:

- $350,000.
- $375,000.
- → $400,000.
- $485,000.

Multiple Choice	*TB 02-58 The gross margin for Cushing Company for the first...*

109.

TB 02-59 Last month a manufacturing company had the followi...
Last month a manufacturing company had the following operating results:

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

What was the cost of goods manufactured for the month?

→ $411,000.
$412,000.
$413,000.
$463,000.

Multiple Choice	*TB 02-59 Last month a manufacturing company had the followi...*

110.

TB 02-60 The following information was provided by Wilson C...
The following information was provided by Wilson Company for the year just ended:

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

The cost of goods manufactured for the year was:

→ $314,725.
$325,000.
$333,275.
$334,275.

Multiple Choice	*TB 02-60 The following information was provided by Wilson C...*

111.

TB 02-61 The following information was provided by Grand Co...

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

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

The cost of goods manufactured for the year was:

- $95,345.
- $104,655.
- → $395,345.
- $404,655.

Multiple Choice	*TB 02-61 The following information was provided by Grand Co...*

112.

TB 02-62 The following inventory valuation errors were disc...

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

> The Year 3 ending inventory was understated by $17,000.
> The Year 2 ending inventory was understated by $61,000.
> The Year 1 ending inventory was overstated by $23,000.
The net income for Knox in each of these years was:

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

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

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

- choice a.
- → choice b.
- choice c.
- choice d.

Multiple Choice	*TB 02-62 The following inventory valuation errors were disc...*

113.

TB 02-63 Delta Merchandising, Inc. has provided the followi...

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

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

The ending inventory for the company at year end was:

- $9,950.
- → $14,050.
- $24,500.
- $65,450.

Multiple Choice	*TB 02-63 Delta Merchandising, Inc. has provided the followi...*

114.

TB 02-64 The beginning balance of the Raw Materials invento...

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

- $127,650.
- → $130,150.
- $131,300.
- $157,650.

Multiple Choice	*TB 02-64 The beginning balance of the Raw Materials invento...*

115.

TB 02-65 Gabel Inc. is a merchandising company. Last month ...

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

→ $61,000.
- $63,000.
- $65,000.
- $91,000.

Multiple Choice	*TB 02-65 Gabel Inc. is a merchandising company. Last month ...*

116.

TB 02-66 Haack Inc. is a merchandising company. Last month ...

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

→ $82,000.
- $84,000.
- $86,000.
- $122,000.

Multiple Choice	*TB 02-66 Haack Inc. is a merchandising company. Last month ...*

117.

TB 02-67 During January, the cost of goods manufactured was...

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

→ $89,000.
- $93,000.
- $97,000.
- $129,000.

Multiple Choice	*TB 02-67 During January, the cost of goods manufactured was...*

118.

TB 02-68 An accounting course is taught in two classes per ...

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

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

Multiple Choice	*TB 02-68 An accounting course is taught in two classes per ...*

119.

TB 02-69 An accounting course is taught in two classes per ...

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

→ The course Instructor's salary for teaching the course (he only teaches this one course).

The property taxes on the land and classroom building.

The salary of the building's custodian.

The Accounting Department's secretary salary.

Multiple Choice	*TB 02-69 An accounting course is taught in two classes per ...*

120.

TB 02-70 The following information was provided by Jimbob C...

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

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

What was beginning finished goods inventory?

$100,000.

→ $200,000.

$300,000.

$400,000.

Multiple Choice	*TB 02-70 The following information was provided by Jimbob C...*

121.

TB 02-71 The following account balances has been extracted ...

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

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

What was the total of manufacturing overhead?

- $110,000.
- → $160,000.
- $400,000.
- $740,000.

Multiple Choice	*TB 02-71 The following account balances has been extracted ...*

122.

TB 02-72 The following account balances has been extracted ...

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

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

What was the total of manufacturing costs?

- $400,000.
- $510,000.
- → $560,000.
- $740,000.

Multiple Choice	*TB 02-72 The following account balances has been extracted ...*

123.

TB 02-73 The following account balances has been extracted ...

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

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

What was the total of nonmanufacturing costs?

- $150,000.
- $160,000.
- → $180,000.
- $230,000.

Multiple Choice	*TB 02-73 The following account balances has been extracted ...*

The following data (in thousands of dollars) have ...

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

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

Section Break	*The following data (in thousands of dollars) have ...*

124.

TB 02-74 The cost of the raw materials used in production d...

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

→ $90.

$150.

$160.

$190.

Multiple Choice	*TB 02-74 The cost of the raw materials used in production d...*

125.

TB 02-75 The cost of goods manufactured for the year (in th...

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

- $500.
- → $540.
- $570.
- $590.

Multiple Choice	*TB 02-75 The cost of goods manufactured for the year (in th...*

126.

TB 02-76 The cost of goods sold for the year (in thousands ...

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

- → $500.
- $580.
- $660.
- $700.

Multiple Choice	*TB 02-76 The cost of goods sold for the year (in thousands ...*

127.

TB 02-77 The net income for the year (in thousands of dolla...

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

- $150.
- → $200.
- $250.
- $490.

Multiple Choice	*TB 02-77 The net income for the year (in thousands of dolla...*

The following data (in thousands of dollars) have ...

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

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

Section Break	*The following data (in thousands of dollars) have ...*

128.

TB 02-78 The cost of the raw materials used in production d...

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

- $40.
- $120.
- → $160.
- $180.

Multiple Choice	*TB 02-78 The cost of the raw materials used in production d...*

129.

TB 02-79 The cost of goods manufactured for the year (in th...

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

- $460.
- $500.
- → $520.
- $530.

Multiple Choice	*TB 02-79 The cost of goods manufactured for the year (in th...*

130.

TB 02-80 The cost of goods sold for the year (in thousands ...

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

- → $500.
- $540.
- $650.
- $670.

Multiple Choice	*TB 02-80 The cost of goods sold for the year (in thousands ...*

131.

TB 02-81 The net income for the year (in thousands of dolla...

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

- $18.
- $40.
- → $110.
- $410.

Multiple Choice	*TB 02-81 The net income for the year (in thousands of dolla...*

The following data (in thousands of dollars) have ...

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

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

Section Break	*The following data (in thousands of dollars) have ...*

132.

TB 02-82 The cost of the raw materials used in production d...

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

→ $170.

$190.

$240.

$250.

Multiple Choice	*TB 02-82 The cost of the raw materials used in production d...*

133.

TB 02-83 The cost of goods manufactured or the year (in tho...

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

→ $450.
$470.
$530.
$540.

Multiple Choice	*TB 02-83 The cost of goods manufactured or the year (in tho...*

134.

TB 02-84 The cost of goods sold for the year (in thousands ...

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

→ $410.
$490.
$570.
$610.

Multiple Choice	*TB 02-84 The cost of goods sold for the year (in thousands ...*

135.

TB 02-85 The net income for the year (in thousands of dolla...

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

$70.
→ $130.
$190.
$390.

Multiple Choice	*TB 02-85 The net income for the year (in thousands of dolla...*

The following data pertain to Harriman Company's o...

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

	July 1	*July 31*
Raw materials inventory	0	$5,000
Work in process inventory	?	4,000
Finished goods inventory	$12,000	?

Other data:

Cost of goods manufactured	$105,000
Raw materials used	40,000
Manufacturing overhead costs	20,000
Direct labour costs	39,000
Gross profit	100,000
Sales	210,000

Section Break	*The following data pertain to Harriman Company's o...*

136.

TB 02-86 The beginning work in process inventory was:

The beginning work in process inventory was:

- $1,000.
- $4,000.
- → $10,000.
- $14,000.

Multiple Choice	*TB 02-86 The beginning work in process inventory was:*

137.

TB 02-87 The ending finished goods inventory was:

The ending finished goods inventory was:

- $2,000.
- → $7,000.
- $12,000.
- $17,000.

Multiple Choice	*TB 02-87 The ending finished goods inventory was:*

Bergeron Inc. reported the following data for last...

Bergeron Inc. reported the following data for last year:

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

Section Break	*Bergeron Inc. reported the following data for last...*

138.

TB 02-88 The prime cost was:

The prime cost was:

- $500.
- $700.
- → $800.
- $900.

Multiple Choice	*TB 02-88 The prime cost was:*

139.

TB 02-89 The conversion cost was:

The conversion cost was:

- $500.
- → $700.
- $800.
- $900.

Multiple Choice	*TB 02-89 The conversion cost was:*

140.

TB 02-90 The cost of goods manufactured was:

The cost of goods manufactured was:

- → $1,150.
- $1,180.
- $1,220.
- $1,250.

Multiple Choice	*TB 02-90 The cost of goods manufactured was:*

Geneva Steel Corporation produces large sheets of ...

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

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

Section Break	*Geneva Steel Corporation produces large sheets of ...*

141.

TB 02-91 The balance of the finished goods inventory at the...

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

- $45,000.
- → $50,000.
- $95,000.
- $193,000.

Multiple Choice	*TB 02-91 The balance of the finished goods inventory at the...*

142.

TB 02-92 Manufacturing overhead cost for the year was:

Manufacturing overhead cost for the year was:

- $56,000.
- → $72,000.
- $78,000.
- $84,000.

Multiple Choice	*TB 02-92 Manufacturing overhead cost for the year was:*

143.

TB 02-93 Cost of goods manufactured for the year was:

Cost of goods manufactured for the year was:

- $160,000.
- $171,000.
- → $243,000.
- $244,000.

Multiple Choice	*TB 02-93 Cost of goods manufactured for the year was:*

Boardman Company reported the following data for t...

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

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

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

Section Break	*Boardman Company reported the following data for t...*

144.

TB 02-94 If raw materials costing $35,000 were purchased du...

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

- $144,000.
- $145,000.
- → $146,000.
- $151,000.

Multiple Choice	*TB 02-94 If raw materials costing $35,000 were purchased du...*

145.

TB 02-95 Assume that cost of goods sold for January was $12...

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

- $25,000.
- → $26,000.
- $51,000.
- $61,000.

Multiple Choice	*TB 02-95 Assume that cost of goods sold for January was $12...*

146.

TB 02-96 Boardman Company's total conversion cost for Janua...

Boardman Company's total conversion cost for January was:

- → $110,000.
- $130,000.
- $135,000.
- $170,000.

Multiple Choice	*TB 02-96 Boardman Company's total conversion cost for Janua...*

147.

TB 02-97 Assume that cost of goods sold for Boardman Compan...

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

- $135,000
- $139,000
- $140,000
- → $145,000

Multiple Choice	*TB 02-97 Assume that cost of goods sold for Boardman Compan...*

At a sales volume of 32,000 units, CD Company's to...

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

Section Break	*At a sales volume of 32,000 units, CD Company's to...*

148.

TB 02-98 If CD Company were to sell 43,000 units, the total...

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

- $124,000.
- → $144,625.
- $146,000.
- $166,625.

Multiple Choice	*TB 02-98 If CD Company were to sell 43,000 units, the total...*

149.

TB 02-99 If CD Company were to sell 50,000 units, the total...

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

- $2.48.
- → $3.16.
- $3.20.
- $3.88.

Multiple Choice	*TB 02-99 If CD Company were to sell 50,000 units, the total...*

150.

TB 02-100 Jimbob Company has two business alternatives - A &...

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

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

Additionally, if alternative B is chosen the business will have to use some space for its own purposes that is currently being rented to an outside business for $5,000 per year.
What are the total differential costs between the two alternatives?

- $2,000.
- → $3,000.
- $5,000.
- $7,000.

Multiple Choice	*TB 02-100 Jimbob Company has two business alternatives - A &...*

151.

TB 02-101 Stony Electronics Corporation manufactures a porta...

Stony Electronics Corporation manufactures a portable radio designed for mounting on the wall of the bathroom. The following list represents some of the different types of costs incurred in the manufacture of these radios:

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

Required:

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

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

Essay	*TB 02-101 Stony Electronics Corporation manufactures a porta...*

152.

TB 02-102 Bill Pope has developed a new device that is so ex...

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

Required:

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

	Opportunity Cost	Sunk Cost	Variable Cost	Fixed Cost	Manuf. Overhead	Product Cost	Selling Cost	Diff. enti Cos
General rent								
Utilities Cost of the industrial design course Equipment rented								
Material cost								
Labour cost Present salary								
Advertising								

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

	Oppor-tunity Cost	Sunk Cost	Vari-able Cost	Fixed Cost	Manuf. Over-head	Product Cost	Selling Cost	D e C
General rent				X	X	X		
Utilities				X	X	X		
Cost of the industrial design course		X						
Equipment rented				X	X	X		
Material cost			X			X		
Labour cost			X			X		
Present salary	X							
Advertising				X			X	

Essay	*TB 02-102 Bill Pope has developed a new device that is so ex...*

153.

TB 02-103 Logan Products, a small manufacturer, has submitte...

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

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

Required:

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

a.

LOGAN PRODUCTS
Schedule of Cost of Goods Manufactured

Raw materials used:		
Raw materials inventory, Beginning	$ 2,100	
Purchases of raw materials	14,600	
Raw materials available for use	16,700	
Less Raw materials inventory, ending	3,200	$1
Direct labour cost		2
Manufacturing overhead:		
Depreciation—factory building	800	
Depreciation—factory equipment	1,600	
Indirect labour cost	11,800	
Insurance on factory	1,400	
Repairs and maintenance of factory	900	
Taxes on factory	450	1
Total manufacturing cost		5
Add Work in process inventory, beginning		
		5
Less Work in process inventory, ending		
Cost of goods manufactured		$5

b. Cost of Goods Sold

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

Essay	*TB 02-103 Logan Products, a small manufacturer, has submitte...*

154.

TB 02-104 Laco Company acquired its factory building about 2...

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

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

Required:

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

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

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

	Oppor-tunity Cost	Sunk Cost	Vari-able Cost	Fixed Cost	Product Cost	Selling & Admin. Cost	D e C
Rent on unused factory space	X						
Depreciation on the factory space		X		X	X		
Direct material and direct labour cost			X		X		
Rental cost of the small warehouse				X		X	
Advertising cost				X		X	
Production supervisor's salary				X	X		
Sales commissions			X			X	

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

Essay	*TB 02-104 Laco Company acquired its factory building about 2...*

155.

TB 02-105 A list of accounts for a manufacturing company for...

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

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

Cost of goods sold = 39,000 - 11,700 = 27,300.
Direct materials used = 1,000 + 11,000 - 3,000 = 9,000.
Cost of goods manufactured = 9,000 + 5,000 + (2,000 + 4,000 + 3,000 + 7,000) + 800 - 3,000 = 27,800.
Finished goods inventory, ending = 5,000 + 27,800 - 27,300 = 5,500.

Essay	*TB 02-105 A list of accounts for a manufacturing company for...*

156.

TB 02-106 Use the following information to determine the gro...

Use the following information to determine the gross margin for Pacific States Manufacturing for the year just ended (all amounts are in thousands ($000) of dollars):

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

Direct materials used = 6,000 + 7,000 - 1,000 = 12,000.
Cost of goods manufactured = 12,000 + 5,000 + (600 + 500 + 1,900 + 3,500) + 800 - 3,000 = 21,300.
Cost of goods sold = 4,000 + 21,300 - 5,300 = 20,000.
Gross margin = 31,800 - 20,000 = 11,800

Essay	*TB 02-106 Use the following information to determine the gro...*

157.

TB 02-107 The following information is from Marchant Manufac...

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

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

Required:

a. Compute the Cost of Goods Sold.
b. Compute the balance in Finished Goods Inventory at September 30.
c. Compute the balance in Work in Process Inventory at September 30.
d. Compute the balance in Raw Materials Inventory at September 30.
e. Compute the total Manufacturing Overhead.

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

MARCHANT MANUFACTURING CO.
Schedule of Cost of Goods Manufactured

Direct materials used:	
Raw materials inventory, Sept. 1	$ 24
Purchases of raw materials	102
	126
Raw materials inventory, Sept. 30 (d)	31
Direct materials used in production—given	95
Direct labour	67
Manufacturing overhead (e)	72
Total manufacturing cost given	234
Work in process inventory, Sept 1	6
	240
Work in process inventory, Sept 30 (c)	7
Cost of goods manufactured—given	$233

MARCHANT MANUFACTURING CO.
Income Statement

Sales		$344.
Cost of goods sold:		
Finished goods inventory, Sept 1	$101,000	
Cost of goods manufactured—above	233,000	
Goods available for sale	334,000	
Finished goods, Sept 30 (b)	117,000	
Cost of goods sold (a)		217.
Gross margin—given		127.
Operating expenses:		
Administrative expense	41,000	
Selling expense	56,000	97.
Net income—given		$ 30.

Essay	*TB 02-107 The following information is from Marchant Manufac...*

158.

TB 02-108 The following data (in thousands of dollars) have ...

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

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

Required:

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.

Larsen Corporation
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 labour	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.

Larsen Corporation
Income Statement

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

Essay	*TB 02-108 The following data (in thousands of dollars) have ...*

159.

TB 02-109 The following data (in thousands of dollars) have ...

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

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

Required:

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.

Larner Corporation
Schedule of Cost of Goods Manufactured

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

b. Computation of cost of goods sold

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

c.

Larner Corporation
Income Statement

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

Essay *TB 02-109 The following data (in thousands of dollars) have ...*

160.

TB 02-110 The following data (in thousands of dollars) have ...

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

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

Required:

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.

Larmont Corporation
Schedule of the Cost of Goods Manufactured

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

b. Computation of cost of goods sold

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

c.

Larmont Corporation
Income Statement

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

Essay	*TB 02-110 The following data (in thousands of dollars) have ...*

161.

TB 02-111 The following costs relate to one month's activity...

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

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

Required:

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

a.

Martin Company
Schedule of Cost of
Goods Manufactured

Direct material used		$1,200
Direct labour		1,500
Manufacturing overhead:		
Indirect materials	$300	
Rent on factory building	500	
Maintenance of equipment	50	
Utilities on factory	250	1,100
Total manufacturing costs		3,800
Add: Work in process inventory, beginning		600
		4,400
Deduct: Work in process inventory, ending		800
Cost of goods manufactured		$3,600

b. Cost of goods sold

Finished goods inventory, beginning	$ 500
Add: Cost of goods manufactured	3,600
Goods available for sale	4,100
Finished goods inventory, ending	250
Cost of goods sold	$3,850

Essay *TB 02-111 The following costs relate to one month's activity...*

162.

TB 02-112 The following data have been taken from the accoun...

The following data have been taken from the accounting records of Jimbob Co. for the year.

Depreciation factory building	$	10,000.
Depreciation factory equipment	$	50,000.
Depreciation sales department automobiles	$	10,000.
Direct wages factory employees	$	200,000.
Direct benefits factory employees	$	30,000.
Factory manager's salary and benefits	$	50,000.
Finished goods inventory, beginning	$	20,000.
Finished goods inventory, ending	$	30,000.
Head office salaries and benefits	$	300,000.
Other administrative expenses	$	50,000.
Other manufacturing overhead expenses	$	40,000.
Other selling expenses	$	30,000.
Raw materials inventory, beginning	$	10,000.
Raw materials inventory, ending	$	15,000.
Raw materials purchased	$	200,000.
Sales department salaries and commissions	$	150,000.
Sales revenue	$	1,200,000.
Utility costs factory	$	50,000.
Utility costs sales office	$	20,000.
Work in process inventory, beginning	$	100,000.
Work in process inventory, ending	$	110,000.

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.