

Exam

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) If the cost of the beginning work in process inventory is \$54,000, direct materials cost is \$344,000, direct labor cost is \$210,000, and overhead cost is \$313,000, and the ending work in process inventory is \$49,000, calculate the cost of goods manufactured. 1) _____
- A) \$559,000.
 - B) \$970,000.
 - C) \$921,000.
 - D) \$872,000.
 - E) \$867,000.

Answer: D

Diff: 2 Type: MC

- 2) Use the following information to compute the cost of goods manufactured. Assume that all raw materials used were traceable to specific units of product. 2) _____

Beginning raw materials	\$ 6600
Ending raw materials	5100
Direct labor	13,350
Raw material purchases	8500
Depreciation on factory equipment	7600
Factory repairs and maintenance	4400
Beginning finished goods inventory	11,300
Ending finished goods inventory	10,000
Beginning work in process inventory	6800
Ending work in process inventory	7400

- A) \$36,150. B) \$35,350. C) \$42,150. D) \$35,950. E) \$34,750.

Answer: E

Diff: 3 Type: MC

3) Current information for the Healey Company follows:

3) _____

Beginning raw materials inventory	\$ 22,200
Raw material purchases	67,000
Ending raw materials inventory	23,600
Beginning work in process inventory	29,400
Ending work in process inventory	35,000
Direct labor	49,800
Total factory overhead	37,000

All raw materials used were traceable to specific units of product. Healey Company's cost of goods manufactured for the year is:

- A) \$153,000.
- B) \$146,800.
- C) \$158,000.
- D) \$152,400.
- E) \$149,600.

Answer: B

Diff: 3 Type: MC

4) Comet Company accumulated the following account information for the year:

4) _____

Beginning raw materials inventory	\$ 6900
Indirect materials cost	2900
Indirect labor cost	5900
Maintenance of factory equipment	3700
Direct labor cost	7900

Using the above information, total factory overhead costs equal:

- A) \$12,500.
- B) \$18,500.
- C) \$20,400.
- D) \$9600.
- E) \$15,700.

Answer: A

Diff: 2 Type: MC

- 5) A company's prime costs total \$4,590,000 and its conversion costs total \$5,600,000. If direct materials costs are \$2,110,000, calculate the overhead costs: 5) _____
- A) \$3,490,000.
 - B) \$1,010,000.
 - C) \$2,480,000.
 - D) \$2,110,000.
 - E) \$3,120,000.

Answer: E
 Diff: 3 Type: MC

- 6) If the cost of the beginning work in process inventory is \$70,100, costs of goods manufactured is \$940,000, direct materials cost is \$340,000, direct labor cost is \$220,000, and overhead cost is \$325,000, calculate the ending work in process inventory. 6) _____
- A) \$15,100.
 - B) \$380,000.
 - C) \$55,000.
 - D) \$125,100.
 - E) \$324,900.

Answer: A
 Diff: 3 Type: MC

- 7) Asteroid Industries accumulated the following cost information for the year: 7) _____

Direct materials	\$ 16,700
Indirect materials	4700
Indirect labor	9200
Factory depreciation	13,500
Direct labor	37,700

Using the above information, total factory overhead costs equal:
 A) \$18,200. B) \$54,400. C) \$13,500. D) \$27,400. E) \$81,800.

Answer: D
 Diff: 2 Type: MC

8) Use the cost information below for Sundar Company to determine the cost of goods manufactured during the current year: 8) _____

Direct materials used	\$ 21,000
Direct labor used	26,500
Factory overhead	45,100
Beginning work in process inventory	12,700
Ending work in process inventory	13,300

- A) \$92,600. B) \$47,500. C) \$71,000. D) \$92,000. E) \$46,900.

Answer: D

Diff: 2 Type: MC

9) Calculate the cost of goods sold using the following information: 9) _____

Direct materials used	\$ 299,800
Direct labor used	133,300
Factory overhead costs	265,300
General and administrative expenses	86,800
Selling expenses	50,100
Work in Process inventory, January 1	119,800
Work in Process inventory, December 31	127,200
Finished goods inventory, January 1	233,400
Finished goods inventory, December 31	240,000

- A) \$705,800.
B) \$698,400.
C) \$684,400.
D) \$691,000.
E) \$777,800.

Answer: C

Diff: 3 Type: MC

10) Using the information below, calculate the cost of goods manufactured for the period:

10) _____

Beginning Raw Materials Inventory	\$	33,000
Ending Raw Materials Inventory		24,600
Beginning Work in Process Inventory		63,000
Ending Work in Process Inventory		72,000
Beginning Finished Goods Inventory		92,000
Ending Finished Goods Inventory		75,000
Cost of Goods Sold for the period		548,000
Sales Revenues for the period		1,262,000
Operating Expenses for the period		240,000

- A) \$540,000.
- B) \$557,000.
- C) \$531,000.
- D) \$565,000.
- E) \$573,200.

Answer: C

Diff: 3 Type: MC

11) Craigmont Company's direct materials costs are \$4,200,000, its direct labor costs total \$8,080,000, and its factory overhead costs total \$6,080,000. Its conversion costs total:

11) _____

- A) \$12,280,000.
- B) \$18,360,000.
- C) \$14,160,000.
- D) \$6,200,000.
- E) \$10,280,000.

Answer: C

Diff: 2 Type: MC

12) The following information is available for the year ended December 31:

12) _____

Beginning raw materials inventory	\$ 2800
Raw materials purchases	4300
Ending raw materials inventory	3300
Office supplies expense	1300

The amount of raw materials used in production for the year is:

- A) \$3800. B) \$4300. C) \$4400. D) \$7100. E) \$5700.

Answer: A

Diff: 2 Type: MC

13) A company's prime costs total \$4,800,000 and its conversion costs total \$8,800,000. If direct materials are \$1,900,000 and factory overhead is \$5,900,000, then direct labor is:

13) _____

- A) \$2,900,000.
B) \$4,000,000.
C) \$17,600,000.
D) \$4,800,000.
E) \$1,000,000.

Answer: A

Diff: 3 Type: MC

14) Use the following data to determine the cost of goods manufactured:

14) _____

Beginning finished goods inventory	\$ 12,200
Direct labor used	32,000
Beginning work in process inventory	8600
General and administrative expenses	14,900
Direct materials used	41,900
Ending work in process inventory	10,400
Indirect labor	7700
Ending finished goods inventory	10,900
Indirect materials	14,900
Depreciation—factory equipment	8900

- A) \$103,600.
- B) \$108,500.
- C) \$107,200.
- D) \$122,100.
- E) \$118,500.

Answer: A

Diff: 3 Type: MC

15) Use the following information to calculate the cost of goods sold for the period:

15) _____

Beginning Finished Goods Inventory	\$ 24,500
Ending Finished Goods Inventory	23,000
Cost of Goods Manufactured	131,800

- A) \$133,300.
- B) \$130,300.
- C) \$156,300.
- D) \$179,300.
- E) \$131,800.

Answer: A

Diff: 2 Type: MC

16) Using the information below, calculate cost of goods sold for the period:

16) _____

Sales revenues for the period	\$ 1,320,000
Operating expenses for the period	255,000
Finished Goods Inventory, January 1	52,000
Finished Goods Inventory, December 31	57,000
Cost of goods manufactured for the period	556,000

- A) \$806,000.
- B) \$400,000.
- C) \$514,000.
- D) \$551,000.
- E) \$801,000.

Answer: D

Diff: 2 Type: MC

17) Use the cost information below for Ruiz Inc. to determine the total manufacturing costs incurred during the year:

17) _____

Work in Process, January 1	\$ 50,400
Work in Process, December 31	37,200
Direct materials used	\$ 12,700
Total factory overhead	5700
Direct labor used	26,700

- A) \$13,200.
- B) \$89,800.
- C) \$95,500.
- D) \$45,100.
- E) \$58,300.

Answer: D

Diff: 2 Type: MC

18) Richards Company manufactures a single product. All raw materials used are traceable to specific units of product. Current information for the company follows:

18) _____

Beginning raw materials inventory	\$ 18,000
Ending raw materials inventory	20,000
Raw material purchases	98,000
Beginning work in process inventory	48,000
Ending work in process inventory	33,000
Direct labor	138,000
Total factory overhead	68,000
Beginning finished goods inventory	63,000
Ending finished goods inventory	53,000

The company's cost of direct materials used, cost of goods manufactured and cost of goods sold is:

A)
E. \$100,000 \$287,000 \$317,000

B)
C. \$96,000 \$287,000 \$307,000

C)
B. \$100,000 \$317,000 \$327,000

D)
D. \$96,000 \$317,000 \$327,000

E)

	Cost of Materials Used	Cost of Goods Manufactured	Cost of Goods Sold
A.	\$98,000	\$317,000	\$307,000

Answer: D

Diff: 3 Type: MC

19) Xia Co. manufactures a single product. All raw materials used are traceable to specific units of product. Current information for company follows:

19) _____

Beginning raw materials inventory	\$ 22,000
Ending raw materials inventory	25,000
Raw material purchases	99,000
Beginning work in process inventory	34,000
Ending work in process inventory	44,000
Direct labor	124,000
Total factory overhead	99,000
Beginning finished goods inventory	74,000
Ending finished goods inventory	54,000

The company's cost of direct materials used, cost of goods manufactured and cost of goods sold is:

A)

D.	\$96,000	\$309,000	\$329,000
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B)

	Cost of Materials Used	Cost of Goods Manufactured	Cost of Goods Sold
A.	\$99,000	\$309,000	\$289,000

C)

B.	\$102,000	\$309,000	\$329,000
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D)

E.	\$102,000	\$329,000	\$309,000
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E)

C.	\$96,000	\$329,000	\$289,000
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Answer: A

Diff: 3 Type: MC

20) Romeo Corporation reports the following for the year:

20) _____

Finished goods inventory, January 1	\$ 4100
Finished goods inventory, December 31	4900
Total cost of goods sold	6000

The cost of goods manufactured for the year is:

- A) \$6800. B) \$10,900. C) \$10,100. D) \$1100. E) \$1900.

Answer: A

Diff: 3 Type: MC

21) Use the following data to compute total factory overhead costs for the month:

21) _____

Sales commissions	\$ 11,400
Direct labor	40,200
Indirect materials	15,800
Factory manager salaries	7800
Factory supplies	9600
Indirect labor	6900
Depreciation—office equipment	5600
Direct materials	41,100
Corporate office salaries	43,100
Depreciation—factory equipment	8100

- A) \$48,200.
B) \$129,500.
C) \$88,400.
D) \$146,500.
E) \$60,100.

Answer: A

Diff: 2 Type: MC

22) Current information for the Healey Company follows:

22) _____

Beginning raw materials inventory	\$ 16,100
Raw material purchases	69,000
Ending raw materials inventory	17,500
Beginning work in process inventory	23,300
Ending work in process inventory	28,900
Direct labor	47,300
Total factory overhead	30,900

All raw materials used were traceable to specific units of product. Healey Company's total manufacturing costs for the year are:

- A) \$145,800.
- B) \$151,400.
- C) \$150,700.
- D) \$148,600.
- E) \$140,200.

Answer: A

Diff: 2 Type: MC

23) Current information for the Stellar Corporation follows:

23) _____

Beginning work in process inventory	\$ 36,900
Ending work in process inventory	38,300
Direct materials used	166,000
Direct labor used	104,000
Total factory overhead	82,100

Stellar Corporation's cost of goods manufactured for the year is:

- A) \$350,700.
- B) \$389,000.
- C) \$352,100.
- D) \$353,500.
- E) \$313,800.

Answer: A

Diff: 2 Type: MC

- 24) If beginning and ending work in process inventories are \$6300 and \$16,300, respectively, and cost of goods manufactured is \$183,000, what is the total manufacturing cost for the period? 24) _____
- A) \$189,300.
 B) \$193,000.
 C) \$173,000.
 D) \$166,700.
 E) \$176,700.

Answer: B
 Diff: 3 Type: MC

- 25) Using the information below, compute the days' sales in raw materials inventory: 25) _____

Raw materials used	\$ 129,600
Beginning raw materials inventory	18,400
Ending raw materials inventory	20,600

- A) 51.80. B) 6.29. C) 58.02. D) 7.04. E) 6.65.

Answer: C
 Diff: 2 Type: MC

- 26) The following information relates to the manufacturing operations of the JNR Printing Company for the year: 26) _____

	Beginning	Ending
Raw materials inventory	\$ 61,000	\$ 64,000
Finished goods	72,000	64,000

The raw materials used in manufacturing during the year totaled \$122,000. Raw materials purchased during the year amount to:

- A) \$130,000.
 B) \$125,000.
 C) \$122,000.
 D) \$111,000.
 E) \$119,000.

Answer: B
 Diff: 3 Type: MC

27) Using the information below, calculate net income for the period:

27) _____

Sales revenues for the period	\$ 1,319,000
Operating expenses for the period	254,000
Finished Goods Inventory, January 1	51,000
Finished Goods Inventory, December 31	56,000
Cost of goods manufactured for the period	555,000

- A) \$550,000.
- B) \$403,000.
- C) \$799,000.
- D) \$804,000.
- E) \$515,000.

Answer: E

Diff: 3 Type: MC

28) A manufacturing company has a beginning finished goods inventory of \$29,300, cost of goods manufactured of \$59,500, and an ending finished goods inventory of \$28,600. The cost of goods sold for this company is:

28) _____

- A) \$88,100.
- B) \$1600.
- C) \$117,400.
- D) \$58,800.
- E) \$60,200.

Answer: E

Diff: 2 Type: MC

29) The following information is available for the year ended December 31:

29) _____

Beginning raw materials inventory	\$ 12,800
Raw materials purchases	89,600
Ending raw materials inventory	12,200
Manufacturing supplies expense	720

The amount of raw materials used in production for the year is:

- A) \$89,000.
- B) \$90,920.
- C) \$77,400.
- D) \$90,200.
- E) \$90,320.

Answer: D

Diff: 2 Type: MC

30) Use the following data to compute total manufacturing costs for the month:

30) _____

Sales commissions	\$ 12,400
Direct labor	41,200
Indirect materials	16,800
Factory manager salaries	8800
Factory supplies	10,600
Indirect labor	7900
Depreciation—office equipment	6600
Direct materials	42,100
Corporate office salaries	44,100
Depreciation—factory equipment	9100

- A) \$53,200.
- B) \$136,500.
- C) \$63,100.
- D) \$155,500.
- E) \$94,400.

Answer: B

Diff: 2 Type: MC

31) A manufacturing company has a beginning finished goods inventory of \$16,100, raw material purchases of \$19,500, cost of goods manufactured of \$35,500, and an ending finished goods inventory of \$19,300. The cost of goods sold for this company is:

31) _____

- A) \$51,600.
- B) \$32,300.
- C) \$30,600.
- D) \$22,700.
- E) \$35,500.

Answer: B

Diff: 3 Type: MC

32) Using the information below, compute the days' sales in raw materials inventory:

32) _____

Raw materials used	\$ 104,500
Beginning raw materials inventory	9900
Ending raw materials inventory	12,800

- A) 10.86.
- B) 39.60.
- C) 9.21.
- D) 44.71.
- E) 10.08.

Answer: D

Diff: 2 Type: MC

33) The following information relates to the manufacturing operations of the Abbra Publishing Company for the year:

33) _____

	Beginning	Ending
Raw materials inventory	\$ 563,000	\$ 626,000

The raw materials used in manufacturing during the year totaled \$1,098,000. Raw materials purchased during the year amount to:

- A) \$472,000.
- B) \$1,661,000.
- C) \$1,161,000.
- D) \$1,035,000.
- E) \$972,000.

Answer: C

Diff: 2 Type: MC

34) Calculate the cost of goods manufactured using the following information:

34) _____

Direct materials used	\$ 300,000
Direct labor used	133,500
Factory overhead costs	265,500
General and administrative expenses	87,000
Selling expenses	50,300
Work in Process inventory, January 1	120,000
Work in Process inventory, December 31	127,400
Finished goods inventory, January 1	233,600
Finished goods inventory, December 31	240,200

- A) \$699,000.
- B) \$778,600.
- C) \$691,600.
- D) \$706,400.
- E) \$685,000.

Answer: C

Diff: 3 Type: MC

35) Use the following data to calculate the cost of goods sold for the period:

35) _____

Beginning Raw Materials Inventory	\$	30,600
Ending Raw Materials Inventory		70,600
Beginning Work in Process Inventory		40,600
Ending Work in Process Inventory		46,600
Beginning Finished Goods Inventory		72,600
Ending Finished Goods Inventory		68,600
Cost of Goods Manufactured for the period		246,600

- A) \$250,600.
- B) \$258,600.
- C) \$242,600.
- D) \$290,600.
- E) \$246,600.

Answer: A

Diff: 3 Type: MC

36) Use the cost information below for Laurels Company to determine the cost of goods manufactured during the current year:

36) _____

Direct materials used	\$	5200
Direct labor		7200
Total factory overhead		5300
Beginning work in process		3200
Ending work in process		4400

- A) \$12,400.
- B) \$18,900.
- C) \$14,200.
- D) \$17,700.
- E) \$16,500.

Answer: E

Diff: 2 Type: MC

37) Using the information below, calculate gross profit for the period:

37) _____

Beginning Raw Materials Inventory	\$	23,500
Ending Raw Materials Inventory		28,500
Beginning Work in Process Inventory		52,000
Ending Work in Process Inventory		61,000
Beginning Finished Goods Inventory		77,000
Ending Finished Goods Inventory		64,000
Cost of Goods Sold for the period		525,000
Sales Revenues for the period		1,224,000
Operating Expenses for the period		217,000

- A) \$712,000.
- B) \$1,007,000.
- C) \$176,000.
- D) \$699,000.
- E) \$482,000.

Answer: D

Diff: 3 Type: MC

38) Use the cost information below for Ruiz, Inc. to determine cost of goods manufactured for the year:

38) _____

Work in Process, January 1	\$	51,400
Work in Process, December 31		37,700
Total factory overhead		6200
Direct materials used		13,200
Direct labor used		27,200

- A) \$13,700.
- B) \$98,000.
- C) \$46,600.
- D) \$54,100.
- E) \$60,300.

Answer: E

Diff: 2 Type: MC

39) Using the information below, compute the raw materials inventory turnover:

39) _____

Raw materials used	\$ 131,600
Beginning raw materials inventory	18,500
Ending raw materials inventory	20,700

- A) 57.40. B) 6.36. C) 51.30. D) 7.11. E) 6.71.

Answer: E

Diff: 2 Type: MC

40) Mustang Corporation reports the following for the month of April:

40) _____

Finished goods inventory, April 1	\$ 30,600
Finished goods inventory, April 30	25,000
Total cost of goods manufactured	116,400

The cost of goods sold for April is:

- A) \$110,800.
B) \$147,000.
C) \$122,000.
D) \$171,200.
E) \$60,800.

Answer: C

Diff: 2 Type: MC

41) Using the information below, calculate gross profit for the period.

41) _____

Sales revenues for the period	\$ 1,344,000
Operating expenses for the period	243,000
Finished Goods Inventory, January 1	36,400
Finished Goods Inventory, December 31	41,400
Cost of goods manufactured for the period	560,000

- A) \$794,000.
- B) \$463,200.
- C) \$789,000.
- D) \$555,000.
- E) \$550,000.

Answer: C

Diff: 3 Type: MC

42) Current information for the Healey Company follows:

42) _____

Beginning raw materials inventory	\$ 16,300
Raw material purchases	61,100
Ending raw materials inventory	17,700
Beginning work in process inventory	23,500
Ending work in process inventory	29,100
Direct labor	43,900
Total factory overhead	31,100

All raw materials used were traceable to specific units of product. Healey Company's direct materials used for the year is:

- A) \$62,500.
- B) \$61,100.
- C) \$59,700.
- D) \$77,400.
- E) \$78,800.

Answer: C

Diff: 2 Type: MC

43) Using the information below, compute the raw materials inventory turnover:

43) _____

Raw materials used	\$ 102,500
Beginning raw materials inventory	9700
Ending raw materials inventory	12,400

- A) 10.78. B) 8.27. C) 10.15. D) 368.80. E) 9.28.

Answer: E

Diff: 2 Type: MC

44) Use the cost information below for Sundar Company to determine the total manufacturing costs added during the current year:

44) _____

Direct materials used	\$ 20,200
Direct labor used	25,700
Factory overhead	49,100
Beginning work in process inventory	11,900
Ending work in process inventory	12,500

- A) \$95,000. B) \$45,300. C) \$74,200. D) \$94,400. E) \$45,900.

Answer: A

Diff: 2 Type: MC

45) Craigmont Company's direct materials costs are \$4,400,000, its direct labor costs total \$8,260,000, and its factory overhead costs total \$6,260,000. Its prime costs total:

45) _____

- A) \$10,660,000.
B) \$12,660,000.
C) \$6,400,000.
D) \$18,920,000.
E) \$14,520,000.

Answer: B

Diff: 2 Type: MC

46) Use the cost information below for Laurels Company to determine the manufacturing costs added during the current year:

46) _____

Direct materials used	\$ 6500
Direct labor used	8500
Total factory overhead	6600
Beginning work in process inventory	4500
Ending work in process inventory	7000

- A) \$21,600. B) \$15,000. C) \$18,100. D) \$19,100. E) \$24,100.

Answer: A

Diff: 2 Type: MC

Answer Key

Testname: CH1

- 1) D
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 2) E
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 3) B
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 4) A
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 5) E
Diff: 3 Page Ref:
Topic: Comparing Product and Period Costs
- 6) A
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 7) D
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 8) D
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 9) C
Diff: 3 Page Ref:
Topic: Income Statement
- 10) C
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 11) C
Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs; Manufacturing Costs
- 12) A
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 13) A
Diff: 3 Page Ref:
Topic: Comparing Product and Period Costs
- 14) A
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 15) A
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 16) D
Diff: 2 Page Ref:
Topic: Income Statement

Answer Key

Testname: CH1

- 17) D
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 18) D
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 19) A
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 20) A
Diff: 3 Page Ref:
Topic: Income Statement
- 21) A
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 22) A
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 23) A
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 24) B
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 25) C
Diff: 2 Page Ref:
Topic: Raw Materials Inventory Turnover and Days' Sales
- 26) B
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 27) E
Diff: 3 Page Ref:
Topic: Income Statement
- 28) E
Diff: 2 Page Ref:
Topic: Income Statement
- 29) D
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 30) B
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 31) B
Diff: 3 Page Ref:
Topic: Income Statement
- 32) D
Diff: 2 Page Ref:
Topic: Raw Materials Inventory Turnover and Days' Sales

Answer Key

Testname: CH1

- 33) C
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 34) C
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 35) A
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 36) E
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 37) D
Diff: 3 Page Ref:
Topic: Income Statement
- 38) E
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 39) E
Diff: 2 Page Ref:
Topic: Raw Materials Inventory Turnover and Days' Sales
- 40) C
Diff: 2 Page Ref:
Topic: Income Statement
- 41) C
Diff: 3 Page Ref:
Topic: Income Statement
- 42) C
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 43) E
Diff: 2 Page Ref:
Topic: Raw Materials Inventory Turnover and Days' Sales
- 44) A
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 45) B
Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs; Manufacturing Costs
- 46) A
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

Exam

Name _____

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

1) _____ is the process of setting goals and making plans to achieve them.

Answer: Planning

Diff: 1 Type: ES

2) A _____ cost changes in total in proportion to changes in the volume of activity.

Answer: variable

Diff: 1 Type: ES

3) Expenditures incurred in the process of converting raw materials to finished goods, that include direct labor and factory overhead are known as _____.

Answer: conversion costs

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

4) Which of the following is not a direct cost for a scooter manufacturer?

4) _____

A) Handle bars.

B) Office rent.

C) Brakes.

D) Grip tape.

E) Wheels.

Answer: B

Diff: 3 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

5) Total quality management (TQM) focuses on quality improvement to business activities.

5) _____

Answer: True False

Diff: 1 Type: TF

6) Period costs are incurred by manufacturing finished goods.

6) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 7) Use the cost information below for Ruiz, Inc. to determine cost of goods manufactured for the year: 7) _____

Work in Process, January 1	\$ 50,000
Work in Process, December 31	37,000
Total factory overhead	5,500
Direct materials used	12,500
Direct labor used	26,500

- A) \$44,500. B) \$52,000. C) \$13,000. D) \$94,500. E) \$57,500.

Answer: E

Diff: 2 Type: MC

- 8) Current information for the Healey Company follows: 8) _____

Beginning raw materials inventory	\$ 15,200
Raw material purchases	60,000
Ending raw materials inventory	16,600
Beginning work in process inventory	22,400
Ending work in process inventory	28,000
Direct labor	42,800
Total factory overhead	30,000

All raw materials used were traceable to specific units of product. Healey Company's total manufacturing costs for the year are:

- A) \$131,400.
B) \$137,000.
C) \$139,000.
D) \$125,800.
E) \$128,600.

Answer: A

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 9) Product costs are capitalized as inventory on the balance sheet and period costs are expensed on the income statement. 9) _____

Answer: True False

Diff: 1 Type: TF

10) The sales commission incurred based on units of product sold during the month is an example of a product cost. 10) _____

Answer: True False

Diff: 2 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

11) Flash Company produces lamps. All of the following are direct costs *except*: 11) _____

- A) Factory rent.
- B) Switch.
- C) Wages for assembly.
- D) Lamp shade.
- E) Electrical cord.

Answer: A

Diff: 2 Type: MC

12) Using the information below, compute the raw materials inventory turnover: 12) _____

Raw materials used	\$ 121,600
Beginning raw materials inventory	18,000
Ending raw materials inventory	20,200

- A) 6.02. B) 60.6. C) 6.76. D) 54.0. E) 6.37.

Answer: E

Diff: 2 Type: MC

13) Use the following data to compute total manufacturing costs for the month:

13) _____

Sales commissions	\$ 10,800
Direct labor	39,600
Indirect materials	15,200
Factory manager salaries	7,200
Factory supplies	9,000
Indirect labor	6,300
Depreciation—office equipment	5,000
Direct materials	40,500
Corporate office salaries	42,500
Depreciation—factory equipment	7,500

- A) \$141,100.
- B) \$125,300.
- C) \$58,300.
- D) \$84,800.
- E) \$45,200.

Answer: B

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

14) Both financial and managerial accounting affect user's decisions and actions.

14) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

15) An employee is dissatisfied with the resolution of an ethical conflict with his supervisor at his place of employment. According to the Institute of Management Accountants, the employee's next step should be to:

15) _____

- A) report the incident to the State Board of Accountancy.
- B) contact the IMA.
- C) make the president of the company aware of the ethical conflict.
- D) resign from the company.
- E) contact the next level of management who is not involved in the ethical conflict.

Answer: E

Diff: 2 Type: MC

- 16) Managerial accounting information: 16) _____
- A) Can be used for control purposes but not for planning purposes.
 - B) Has little to do with controlling costs.
 - C) Involves gathering information about costs for planning and control decisions.
 - D) Is used mainly by external users.
 - E) Is generally the only accounting information available to managers.

Answer: C

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 17) The triple bottom line focuses on three measures: financial, social, and environmental. 17) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 18) Use the following data to compute total factory overhead costs for the month: 18) _____

Sales commissions	\$ 10,800
Direct labor	39,600
Indirect materials	15,200
Factory manager salaries	7,200
Factory supplies	9,000
Indirect labor	6,300
Depreciation—office equipment	5,000
Direct materials	40,500
Corporate office salaries	42,500
Depreciation—factory equipment	7,500

- A) \$125,300.
- B) \$141,100.
- C) \$58,300.
- D) \$84,800.
- E) \$45,200.

Answer: E

Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

19) What are the components of the schedule of cost of goods manufactured? Describe each component.

Answer: The components of the schedule of cost of goods manufactured are direct materials, direct labor, factory overhead, and computation of the cost of goods manufactured. Direct materials used is computed by taking beginning raw materials inventory, adding raw materials purchased, and subtracting the ending raw materials inventory (assuming all of the raw materials are direct materials). Direct labor is the cost of the workers whose efforts can be traced to individual units or batches of products. Factory overhead lists all of the indirect manufacturing costs. Finally, the direct materials, direct labor, and factory overhead are added to determine total manufacturing costs. Beginning work in process is added to total manufacturing costs; ending work in process is subtracted to determine the cost of goods manufactured.

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

20) Craigmont Company's direct materials costs are \$3,000,000, its direct labor costs total \$7,000,000, and its factory overhead costs total \$5,000,000. Its prime costs total: 20) _____
A) \$10,000,000.
B) \$15,000,000.
C) \$5,000,000.
D) \$12,000,000.
E) \$8,000,000.

Answer: A

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

21) Factory overhead includes selling and administrative expenses because they are indirect costs of a product. 21) _____

Answer: True False

Diff: 1 Type: TF

22) An employee overstates his reimbursable expenses in one period in order to receive needed additional cash. Since he intends to reduce his expenses the next period by the current overstatement, this act is not considered fraudulent. 22) _____

Answer: True False

Diff: 2 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

23) _____ reveals how much raw materials inventory is available in terms of the number of days' sales.

Answer: Days' sales in raw materials inventory

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 24) A company's prime costs total \$3,000,000 and its conversion costs total \$7,000,000. If direct materials are \$1,000,000 and factory overhead is \$5,000,000, then direct labor is: 24) _____
- A) \$14,000,000.
 - B) \$4,000,000.
 - C) \$1,000,000.
 - D) \$3,000,000.
 - E) \$2,000,000.

Answer: E

Diff: 3 Type: MC

- 25) Wesson Company sold 10,000 units of its only product in the first half of the year. If sales decrease by 15% in the second half of the year, which cost will not change? 25) _____
- A) Depreciation on equipment.
 - B) Direct materials.
 - C) Factory supplies.
 - D) Sales commissions.
 - E) Direct labor.

Answer: A

Diff: 3 Type: MC

- 26) An approach to managing inventories and production operations such that units of materials and products are obtained and provided only as they are needed is called: 26) _____
- A) Continuous improvement.
 - B) Customer orientation.
 - C) Total quality management.
 - D) Just-in-time manufacturing.
 - E) Theory of constraints.

Answer: D

Diff: 1 Type: MC

- 27) The schedule of cost of goods manufactured is divided into four parts consisting of all of the following *except*: 27) _____
- A) Computation of cost of goods sold.
 - B) Computation of cost of goods manufactured.
 - C) Direct materials.
 - D) Overhead.
 - E) Direct labor.

Answer: A

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

28) Straight-line depreciation, rent, and manager salaries are examples of variable costs. 28) _____

Answer: True False

Diff: 2 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

29) Identify and describe the three categories of manufacturing costs.

Answer: The three basic cost elements in accounting for manufactured goods are direct material costs, direct labor costs, and factory overhead costs. Direct materials are tangible components of a finished product, separately and readily traced through the manufacturing process to finished goods. Direct labor is the efforts of employees who physically convert materials to finished products. Factory overhead consists of all manufacturing costs that are not direct materials or direct labor.

Diff: 2 Type: ES

30) Costs necessary and integral to the manufacture of finished products are _____ costs.

Answer: product

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

31) If the cost of the beginning work in process inventory is \$60,000, direct materials cost is \$350,000, direct labor cost is \$216,000, and overhead cost is \$319,000, and the ending work in process inventory is \$55,000, calculate the cost of goods manufactured. 31) _____

- A) \$890,000.
- B) \$885,000.
- C) \$945,000.
- D) \$1,000,000.
- E) \$571,000.

Answer: A

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

32) A lean business model aims to eliminate waste while satisfying the customer and providing a positive return to the company. 32) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 33) If beginning and ending work in process inventories are \$5,000 and \$15,000, respectively, and cost of goods manufactured is \$170,000, what is the total manufacturing cost for the period? 33) _____
- A) \$160,000.
 - B) \$155,000.
 - C) \$165,000.
 - D) \$180,000.
 - E) \$175,000.

Answer: D

Diff: 3 Type: MC

- 34) Products that are in the process of being manufactured but are not yet complete are called: 34) _____
- A) Cost of goods sold.
 - B) Finished goods inventory.
 - C) Conversion costs.
 - D) Raw materials inventory.
 - E) Work in process inventory.

Answer: E

Diff: 1 Type: MC

- 35) Using the information below, calculate the cost of goods manufactured for the period: 35) _____

Beginning Raw Materials Inventory	\$ 25,000
Ending Raw Materials Inventory	30,000
Beginning Work in Process Inventory	55,000
Ending Work in Process Inventory	64,000
Beginning Finished Goods Inventory	80,000
Ending Finished Goods Inventory	67,000
Cost of Goods Sold for the period	540,000
Sales Revenues for the period	1,254,000
Operating Expenses for the period	232,000

- A) \$525,000.
- B) \$553,000.
- C) \$536,000.
- D) \$549,000.
- E) \$527,000.

Answer: E

Diff: 3 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

36) Walter Co. and Sandburg Industries report the following information at December 31:

	<u>WALTER</u>	<u>SANDBURG</u>
Accounts Receivable	\$41,000	\$68,000
Cash	6,000	7,000
Finished Goods Inventory		25,000
Work in Process Inventory		40,000
Merchandise Inventory	48,000	
Prepaid Expenses	1,000	2,000
Raw Materials Inventory		21,000

Required:

(a) Which company is a manufacturer? Explain.

(b) Prepare the current assets section of the balance sheet for the manufacturer.

Answer: (a) Sandburg Industries is the manufacturer. It has three types of inventories: raw materials, work in process, and finished goods. It converts materials to finished goods.

(b) Current Assets–Sandburg Industries:

Cash	\$ 7,000
Accounts Receivable	68,000
Raw Materials Inventory	21,000
Work in Process Inventory	40,000
Finished Goods Inventory	25,000
Prepaid Expenses	<u>2,000</u>
	<u>\$163,000</u>

Diff: 2 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

37) The main goal of the lean business model is the elimination of waste while satisfying the customer and providing a positive return to the company. 37) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

38) The following cost items relate to the Henning Company. Classify each cost as a variable cost or a fixed cost by placing an X in the appropriate column. Each cost should be evaluated by how it changes in total with changes in the volume of activity. Also indicate with an X for each item if it is a product cost or a period cost.

Cost item	Variable or fixed cost?		Product or period cost?	
	Variable	Fixed	Product	Period
Executive salary				
Direct labor				
Direct materials				
Depreciation of factory equipment				
Indirect labor				
Delivery expense				
Television advertising				
Indirect materials				

Answer:

Cost item	Variable or fixed cost?		Product or period cost?	
	Variable	Fixed	Product	Period
Executive salary		X		X
Direct labor	X		X	
Direct materials	X		X	
Depreciation of factory equipment		X	X	
Indirect labor	X		X	
Delivery expense	X			X
Television advertising		X		X
Indirect materials	X		X	

Diff: 2 Type: ES

39) Costs that flow directly to the current income statement and are not reported as assets are _____ costs.

Answer: period

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 40) Use the cost information below for Laurels Company to determine the manufacturing costs added during the current year: 40) _____

Direct materials used	\$ 5,000
Direct labor used	7,000
Total factory overhead	5,100
Beginning work in process inventory	3,000
Ending work in process inventory	4,000

- A) \$18,100. B) \$13,600. C) \$12,000. D) \$17,100. E) \$16,100.

Answer: D

Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 41) Expenditures directly associated with the manufacture of finished goods that include direct materials and direct labor, are _____ costs.

Answer: prime

Diff: 1 Type: ES

- 42) Explain what is meant by the "lean business model" and why many businesses have adopted it.

Answer: The lean business model is a model whose main principle is the elimination of waste while satisfying the customer and providing a positive return to the company. It is based on the changes in the business environment—including an increased emphasis on customers and the expanding global economy. A primary force behind its adoption is competition, both domestic and international.

Diff: 2 Type: ES

- 43) The following items for Neptune Company are used to compute the cost of goods manufactured and the cost of goods sold. Indicate how each item should be used in the calculations by filling in the blanks with "+" if the item is to be added, "-" if the item is to be subtracted, or "0" if the item is not used in the calculation. The first item is completed as an example.

	Cost of Goods	Cost of Goods
	Manufactured	Sold
Beginning finished goods inventory	0	+
Ending finished goods inventory	_____	_____
Direct labor	_____	_____
Indirect labor	_____	_____
Beginning work in process inventory	_____	_____
Ending work in process inventory	_____	_____
General and administrative expenses	_____	_____
Indirect materials	_____	_____
Beginning raw materials inventory	_____	_____
Ending raw materials inventory	_____	_____
Raw material purchases	_____	_____
Depreciation of factory building	_____	_____
Cost of goods manufactured	_____	_____

Answer:

	Cost of Goods	Cost of Goods
	Manufactured	Sold
Beginning finished goods inventory	0	+
Ending finished goods inventory	0	-
Direct labor	+	0
Indirect labor	+	0
Beginning work in process inventory	+	0
Ending work in process inventory	-	0
General and administrative expenses	0	0
Indirect materials	+	0
Beginning raw materials inventory	+	0
Ending raw materials inventory	-	0
Raw material purchases	+	0
Depreciation of factory building	+	0
Cost of goods manufactured	0	+

Diff: 2 Type: ES

44) What does the days' sales in raw materials inventory ratio reveal?

Answer: Days' sales in raw materials inventory reveals how much raw materials inventory is available in terms of the number of days' sales.

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

45) Current information for the Healey Company follows:

45) _____

Beginning raw materials inventory	\$ 15,200
Raw material purchases	60,000
Ending raw materials inventory	16,600
Beginning work in process inventory	22,400
Ending work in process inventory	28,000
Direct labor	42,800
Total factory overhead	30,000

All raw materials used were traceable to specific units of product. Healey Company's direct materials used for the year is:

- A) \$76,600. B) \$60,000. C) \$75,200. D) \$58,600. E) \$61,400.

Answer: D

Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

46) A _____ system means that a company acquires or produces inventory only when needed.

Answer: just-in-time (JIT) or just-in-time manufacturing

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

47) Period costs for a manufacturing company flow directly to:

47) _____

- A) The current schedule of cost of goods manufactured.
- B) The income statement as an expense.
- C) Factory overhead.
- D) Cost of goods sold on the income statement.
- E) The balance sheet as inventory.

Answer: B

Diff: 1 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

48) Information for Eastman Industries is presented below. Compute the cost of goods manufactured.

Beginning work in process inventory	21,200
Ending work in process inventory	20,000
Direct materials used in production	\$46,800
Direct labor	81,000
Total factory overhead	106,000

Answer:

Cost of Goods Manufactured:		
Direct materials used		\$ 46,800
Direct labor		81,000
Factory overhead		<u>106,000</u>
Total Manufacturing Costs		\$233,800
Add Beginning work in process inventory		<u>21,200</u>
Total work in process		255,000
Less Ending work in process inventory		<u>(20,000)</u>
Cost of Goods Manufactured		<u><u>\$235,000</u></u>

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

49) Mustang Corporation reports the following for the month of April:

49) _____

Finished goods inventory, April 1	\$ 30,200
Finished goods inventory, April 30	24,600
Total cost of goods manufactured	114,500

The cost of goods sold for April is:

- A) \$59,700.
- B) \$169,300.
- C) \$120,100.
- D) \$144,700.
- E) \$108,900.

Answer: C

Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

50) Match each of the following terms to the appropriate definitions.

- _____ (1) Prime costs
- _____ (2) Continuous improvement
- _____ (3) Raw materials inventory
- _____ (4) Corporate social responsibility
- _____ (5) Just-in-time manufacturing
- _____ (6) Work in Process inventory
- _____ (7) Lean business model
- _____ (8) Customer orientation
- _____ (9) Managerial accounting
- _____ (10) Raw materials inventory turnover

- (a) An idea that rejects the notions of "good enough" or "acceptable" and challenges employees and managers to continually experiment with new and improved business practices.
- (b) Materials a company acquires to use in making products.
- (c) Reveals how many times a company uses its raw materials inventory in production during a period.
- (d) A system that acquires inventory and produces only when needed.
- (e) A concept that considers the demands of diverse stakeholders, including employees, suppliers, and society.
- (f) Costs directly associated with the manufacture of finished goods; includes direct materials and direct labor.
- (g) The idea that managers and employees understand the changing needs and wants of their customers and align their management and operating practices accordingly.
- (h) Products in the process of being manufactured but not yet complete.
- (i) A model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company.
- (j) An activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers.

Answer: 1. F; 2. A; 3. B; 4. E; 5. D; 6. H; 7. I; 8. G; 9. J; 10. C

Diff: 1 Type: ES

51) _____ is the deliberate misuse of the employer's assets for the employee's personal gain.

Answer: Fraud

Diff: 1 Type: ES

52) Information for Jersey Metalworks as of December 31 follows. Prepare (a) the company's schedule of cost of goods manufactured for the year ended December 31; (b) prepare the company's income statement that reports separate categories for selling and general and administrative expenses.

Administrative salaries expense	\$ 135,000
Depreciation expense–Factory equipment	52,400
Depreciation expense–Delivery vehicles	36,200
Depreciation expense–Office equipment	24,800
Advertising expense	22,350
Direct labor	268,000
Factory supplies use	12,000
Income taxes expense	91,500
Indirect labor	35,000
Indirect material	24,000
Factory insurance	15,500
Factory utilities	14,000
Factory maintenance	7,500
Inventories	
Raw materials inventory, January 1	32,000
Raw materials inventory, December 31	28,000
Work in Process inventory, January 1	33,780
Work in Process inventory, December 31	37,460
Finished goods inventory, January 1	56,970
Finished goods inventory, December 31	62,000
Raw materials purchases	325,000
Rent expense–Factory	50,000
Rent expense–Office space	24,000
Rent expense–Selling Space	24,000
Sales salaries expense	97,500
Sales	1,452,000
Sales discounts	29,000

Answer:

Jersey Metalworks Schedule of Cost of Goods Manufactured For Year Ended December 31		
Direct materials:		
Raw materials, January 1	\$ 32,000	

Answer:

Raw materials purchases	<u>325,000</u>	
Raw materials available	\$357,000	
Less raw materials, December 31	<u>28,000</u>	
Direct materials used		\$329,000
Direct labor		268,000
Factory overhead costs:		
Depreciation expense-Factory equipment	\$ 52,400	
Factory supplies used	12,000	
Indirect labor	35,000	
Indirect material	24,000	
Factory insurance	15,500	
Factory utilities	14,000	
Factory maintenance	7,500	
Rent expense-Factory	<u>50,000</u>	
Total factory overhead costs		<u>210,400</u>
Total manufacturing costs		\$807,400
Work in process inventory, January 1		<u>33,780</u>
Total cost of work in process		\$841,180
Less work in process inventory, December 31		<u>37,460</u>
Cost of goods manufactured		<u><u>\$803,720</u></u>

Jersey Metalworks Income Statement For Year Ended December 31		
Sales		\$1,452,000
Less sales discounts		<u>29,000</u>

Answer:

Net sales		\$1,423,000
Cost of goods sold		
Finished goods inventory, January 1	\$ 56,970	
Cost of goods manufactured	<u>803,720</u>	
Goods available for sale	860,690	
Less finished goods inventory, December 31	<u>62,000</u>	
Cost of goods sold		<u>798,690</u>
Gross profit from sales		624,310
Operating expenses		
Selling expenses		
Sales salaries expense	97,500	
Depreciation expense-Delivery vehicles	36,200	
Advertising expense	22,350	
Rent expense-Selling space	<u>24,000</u>	
Total selling expenses		180,050
General and administrative expenses		
Administrative salaries expense	135,000	
Depreciation expense-Office equipment	24,800	
Rent expense-Office space	<u>24,000</u>	
Total general and administrative expenses		<u>183,800</u>
Total operating expenses		<u>363,850</u>
Income before taxes		260,460
Income taxes expense		<u>91,500</u>
Net income		<u><u>\$168,960</u></u>

Diff: 3 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

53) Using the information below, calculate gross profit for the period:

53) _____

Beginning Raw Materials Inventory	\$	25,000
Ending Raw Materials Inventory		30,000
Beginning Work in Process Inventory		55,000
Ending Work in Process Inventory		64,000
Beginning Finished Goods Inventory		80,000
Ending Finished Goods Inventory		67,000
Cost of Goods Sold for the period		540,000
Sales Revenues for the period		1,254,000
Operating Expenses for the period		232,000

- A) \$714,000.
- B) \$482,000.
- C) \$187,000.
- D) \$727,000.
- E) \$1,022,000.

Answer: A

Diff: 3 Type: MC

54) Current information for the Stellar Corporation follows:

54) _____

Beginning work in process inventory	\$	17,900
Ending work in process inventory		19,300
Direct materials used		147,000
Direct labor used		85,000
Total factory overhead		63,100

Stellar Corporation's cost of goods manufactured for the year is:

- A) \$295,100.
- B) \$296,500.
- C) \$275,800.
- D) \$293,700.
- E) \$313,000.

Answer: D

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

55) Four factors come together in production activity: beginning work in process inventory, direct materials, direct labor, and factory overhead. 55) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

56) Calculate the cost of goods manufactured using the following information: 56) _____

Direct materials used	\$ 298,500
Direct labor used	132,000
Factory overhead costs	264,000
General and administrative expenses	85,500
Selling expenses	48,800
Work in Process inventory, January 1	118,500
Work in Process inventory, December 31	125,900
Finished goods inventory, January 1	232,100
Finished goods inventory, December 31	238,700

A) \$687,100.

B) \$772,600.

C) \$701,900.

D) \$674,600.

E) \$680,500.

Answer: A

Diff: 3 Type: MC

57) Which of the following costs would not be classified as factory overhead? 57) _____

A) Rubber for the soles of shoes produced.

B) Small tools used in production.

C) Insurance on factory building.

D) Wages of the factory janitor.

E) Property taxes on maintenance machinery.

Answer: A

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

58) Selling and administrative expenses are normally period costs. 58) _____

Answer: True False

Diff: 1 Type: TF

59) An important managerial accounting report is the budget, which predicts revenues and expenses. 59) _____
Answer: True False
Diff: 1 Type: TF

60) Managerial accounting provides financial and nonfinancial information to an organization's managers and other internal decision makers. 60) _____
Answer: True False
Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

61) List the four goals of an internal control system.
Answer: An internal control system is the policies and procedures management used to a) urge adherence to company policies, b) promote efficient operations, c) ensure reliable accounting, and d) protect assets.
Diff: 2 Type: ES

62) _____ inventory consists of products in the process of being manufactured but not yet complete.
Answer: Work in process or goods in process
Diff: 1 Type: ES

63) _____ is an activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers.
Answer: Managerial accounting
Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

64) Romeo Corporation reports the following for the year: 64) _____

Finished goods inventory, January 1	\$ 3,200
Finished goods inventory, December 31	4,000
Total cost of goods sold	14,200

The cost of goods manufactured for the year is:
A) \$10,200. B) \$15,000. C) \$21,400. D) \$17,400. E) \$11,000.
Answer: B
Diff: 3 Type: MC

65) Using the information below, calculate gross profit for the period:

65) _____

Sales revenues for the period	\$ 1,304,000
Operating expenses for the period	239,000
Finished Goods Inventory, January 1	36,000
Finished Goods Inventory, December 31	41,000
Cost of goods manufactured for the period	540,000

- A) \$448,000.
- B) \$530,000.
- C) \$535,000.
- D) \$774,000.
- E) \$769,000.

Answer: E
Diff: 3 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

66) The management concept of customer orientation encourages a company to set up its production system to produce large quantities of the same product for all customers.

66) _____

Answer: True False
Diff: 2 Type: TF

67) Managerial accounting reports and information are used by external users and financial accounting by internal users.

67) _____

Answer: True False
Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

68) A management concept based on an understanding of the changing wants and needs of customers, and which leads to flexible product designs and production processes, is called:

68) _____

- A) Customer orientation.
- B) Continuous improvement.
- C) Total quality management.
- D) Just-in-time.
- E) Theory of constraints.

Answer: A
Diff: 1 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

69) Information for Maxim Manufacturing is presented below. Compute both the cost of goods manufactured and the cost of goods sold for Maxim Manufacturing.

Beginning raw materials inventor	\$36,800
Beginning work in process inventory	21,200
Direct labor	81,000
Beginning finished goods inventory	64,000
Total factory overhead	126,000
Raw materials purchased	21,500
Ending raw materials inventory	40,000
Ending work in process inventory	20,000
Ending finished goods inventory	46,000

Answer:

Cost of Goods Manufactured and Sold:		
Beginning raw materials inventory	\$ 36,800	
Add: raw materials purchased	<u>21,500</u>	
	\$ 58,300	
Raw materials available		
Less Ending raw materials inventory	<u>(40,000)</u>	
Direct materials used		\$ 18,300
Direct labor		81,000
Factory overhead		<u>126,000</u>
Total Manufacturing Costs		\$225,300
Add Beginning work in process inventory		<u>21,200</u>
Total work in process		246,500
Less Ending work in process inventory		<u>(20,000)</u>
Cost of Goods Manufactured		<u>\$226,500</u>
Add Beginning finished goods inventory		<u>64,000</u>
Cost of Goods Available		\$290,500
Less: Ending finished goods inventory		<u>(46,000)</u>
Cost of Goods Sold		<u>\$244,500</u>

Diff: 3 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

70) The following information is available for the year ended December 31: 70) _____

Beginning raw materials inventory	\$ 21,500
Raw materials purchases	74,000
Ending raw materials inventory	23,000
Office supplies expense	2,400

The amount of raw materials used in production for the year is:

- A) \$95,500. B) \$76,400. C) \$72,500. D) \$74,900. E) \$70,100.

Answer: C

Diff: 2 Type: MC

71) Manufacturing costs other than direct materials and direct labor, and are not readily traceable to specific units or batches of production are called: 71) _____

- A) Administrative expenses.
- B) Factory overhead.
- C) Prime costs.
- D) Nonmanufacturing costs.
- E) Preproduction costs.

Answer: B

Diff: 1 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

72) _____ inventory consists of goods a company acquires to use in making products.

Answer: Raw materials

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

73) A National Quality Award that encourages an emphasis on quality was established by: 73) _____

- A) The U.S. Congress.
- B) The U.S. Chamber of Commerce.
- C) The Malcolm Baldrige Foundation.
- D) The United Nations.
- E) The SEC.

Answer: A

Diff: 1 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

74) Information for Underwood Industries is presented below. Compute the cost of goods manufactured.

	Beginning	Ending
Raw materials inventory	\$26,800	\$30,100
Work in process inventory	41,200	39,000
Finished goods inventory	54,000	53,500
Raw materials purchased	93,500	
Direct labor	61,000	
Total factory overhead	117,300	

Answer:

Cost of Goods Manufactured:		
Beginning raw materials inventory	\$ 26,800	
Add: raw materials purchased	<u>93,500</u>	
	\$ 120,300	
Raw materials available		
Less Ending raw materials inventory	<u>(30,100)</u>	
Direct materials used		\$ 90,200
Direct labor		61,000
Factory overhead		<u>117,300</u>
Total Manufacturing Costs		268,500
Add Beginning work in process inventory		<u>41,200</u>
Total work in process		309,700
Less Ending work in process inventory		<u>(39,000)</u>
Cost of Goods Manufactured		<u><u>\$270,700</u></u>

Diff: 3 Type: ES

75) The purpose of managerial accounting information is to help _____ users make decisions while the purpose of financial accounting is to help _____ users make decisions.

Answer: internal; external

answers must appear in this order

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

76) Using the information below, calculate net income for the period:

76) _____

Sales revenues for the period	\$ 1,304,000
Operating expenses for the period	239,000
Finished Goods Inventory, January 1	36,000
Finished Goods Inventory, December 31	41,000
Cost of goods manufactured for the period	540,000

- A) \$774,000.
- B) \$769,000.
- C) \$535,000.
- D) \$530,000.
- E) \$448,000.

Answer: D

Diff: 3 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

77) Marketing managers can use managerial accounting information to decide whether to advertise on social media.

77) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

78) Which of the following is not part of the production activity in the flow of manufacturing activities?

78) _____

- A) Cost of goods manufactured.
- B) Total finished goods available for sale.
- C) Beginning Work in Process Inventory.
- D) Direct labor.
- E) Factory overhead.

Answer: B

Diff: 2 Type: MC

79) Use the following data to determine the cost of goods manufactured:

79) _____

Beginning finished goods inventory	\$ 10,800
Direct labor used	30,600
Beginning work in process inventory	7,200
General and administrative expenses	13,500
Direct materials used	40,500
Ending work in process inventory	9,000
Indirect labor	6,300
Ending finished goods inventory	9,500
Indirect materials	13,500
Depreciation—factory equipment	7,500

- A) \$96,600.
- B) \$100,200.
- C) \$102,000.
- D) \$110,100.
- E) \$113,700.

Answer: A

Diff: 3 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

80) Waters, Inc. reported the following data regarding costs and inventories for the current year: beginning finished goods inventory, \$5,000; cost of goods manufactured, \$21,500; ending finished goods inventory, \$4,000. Cost of goods sold for Waters, Inc. equals _____.

Answer: \$22,500

Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory; $\$5,000 + \$21,500 - \$4,000$

Diff: 2 Type: ES

81) Information for Stanton, Inc., as of December 31 follows. Prepare a schedule of cost of goods manufactured for the year ended December 31.

Administrative salaries	\$ 35,000
Depreciation of factory equipment	25,000
Depreciation of delivery vehicles	6,000
Direct labor	68,000
Factory supplies used	9,000
Finished goods inventory, January 1	57,000
Finished goods inventory, December 31	?
Factory insurance	15,500
Interest expense	12,000
Factory utilities	14,000
Factory maintenance	7,500
Raw materials inventory, January 1	5,000
Raw materials inventory, December 31	4,000
Raw material purchases	125,000
Rent on factory building	25,000
Repairs of factory equipment	11,500
Sales commissions	37,500
Work in Process inventory, January 1	3,500
Work in Process inventory, December 31	2,700

Answer:

Stanton, Inc. Schedule of Cost of Goods Manufactured For Year Ended December 31		
Direct materials:		
Raw materials, January 1	\$5,000	

Answer:

Raw material purchases	<u>125,000</u>	
Raw materials available	\$130,000	
Raw materials, December 31	<u>(4,000)</u>	
Direct materials used		\$126,000
Direct labor		68,000
Factory overhead costs:		
Depreciation of factory equipment	\$ 25,000	
Factory supplies used	9,000	
Factory insurance	15,500	
Factory utilities	14,000	
Factory maintenance	7,500	
Rent on factory building	25,000	
Repairs of factory equipment	<u>11,500</u>	
Total factory overhead costs		<u>107,500</u>
Total manufacturing costs		\$301,500
Work in Process inventory, January 1		<u>3,500</u>
Total work in process		\$305,000
Work in Process inventory, December 31		<u>(2,700)</u>
Cost of goods manufactured		<u><u>\$302,300</u></u>

Diff: 3 Type: ES

82) What are prime costs? What are conversion costs?

Answer: Prime costs are expenditures directly associated with the manufacture of finished goods and include direct materials and direct labor. Conversion costs are expenditures incurred in the converting raw materials into finished goods, and include direct labor and factory overhead.

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

83) The salary paid to the assembly line supervisor would normally be classified as: 83) _____
A) An assembly cost.
B) Direct labor.
C) A general cost.
D) Indirect labor.
E) A period cost.

Answer: D

Diff: 1 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

84) The concept of total quality management focuses on quality improvement. 84) _____

Answer: True False

Diff: 1 Type: TF

85) Beginning finished goods inventory plus cost of goods manufactured minus ending finished goods inventory equals cost of goods sold. 85) _____

Answer: True False

Diff: 2 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

86) What are the three types of inventories that are carried by manufacturers? Describe each type of inventory.

Answer: Manufacturers carry three types of inventories: raw materials inventory, work in process inventory, and finished goods inventory. Raw materials inventory consists of goods a company acquires to use in making products. It can include both direct materials—those items that are used directly in a product and are clearly identified with a single unit or batch of product—and indirect materials—those items that cannot be clearly identified with specific units or batches of products. Work in Process, also called goods in process, are products in the process of being manufactured, but are not yet complete. Finished goods are completed products ready for sale.

Diff: 2 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

87) The balanced scorecard aids in continuous improvement by augmenting financial measures with information on the drivers or indicators of future financial performance. 87) _____

Answer: True False

Diff: 1 Type: TF

88) Planning is the process of setting goals and making plans to achieve them. 88) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

89) A direct cost is a cost that is: 89) _____

- A) Traceable to the company as a whole.
- B) Traceable to a single cost object.
- C) Traceable to multiple cost objects.
- D) Does not change with the volume of activity.
- E) Identifiable as controllable.

Answer: B

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

90) One of the usual differences between financial and managerial accounting is the timeliness of the information reported. 90) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 91) Marshall Corporation incurred costs for materials and labor needed to manufacture its products. These costs are examples of: 91) _____
- A) Period costs.
 - B) Balance sheet costs.
 - C) Product costs.
 - D) Capitalized costs.
 - E) General costs.

Answer: C

Diff: 2 Type: MC

- 92) Which of the following items does not represent a difference between financial and managerial accounting? 92) _____
- A) Timeliness of information.
 - B) Flexibility of reporting.
 - C) Focus of the information.
 - D) Users of the information.
 - E) Managerial accounting does not use the financial information from the financial accounting system.

Answer: E

Diff: 1 Type: MC

- 93) Which of the following is the correct formula for calculating cost of goods manufactured? 93) _____
- A) Direct materials used + direct labor – factory overhead + beginning work in process – ending work in process.
 - B) Direct materials used + direct labor + factory overhead – beginning work in process + ending work in process.
 - C) Direct materials used + direct labor + factory overhead – beginning work in process – ending work in process.
 - D) Direct materials used + direct labor + factory overhead + beginning work in process + ending work in process.
 - E) Direct materials used + direct labor + factory overhead + beginning work in process – ending work in process.

Answer: E

Diff: 2 Type: MC

- 94) Jenny, an employee of Toucan Company, used company assets for her own personal gain. This is an example of: 94) _____
- A) employee advance.
 - B) ethics.
 - C) employment perks.
 - D) fraud.
 - E) internal control.

Answer: D

Diff: 1 Type: MC

- 95) Gordon Company sold 2,000 more units than budgeted of its only product. How will total fixed cost be affected? 95) _____
- A) Increase by same percentage as sales increase.
 - B) Increase \$2,000.
 - C) Decrease by same percentage as sales increase.
 - D) Remain constant.
 - E) Decrease \$2,000.

Answer: D

Diff: 3 Type: MC

- 96) Using the information below, calculate cost of goods sold for the period: 96) _____

Sales revenues for the period	\$ 1,304,000
Operating expenses for the period	239,000
Finished Goods Inventory, January 1	36,000
Finished Goods Inventory, December 31	41,000
Cost of goods manufactured for the period	540,000

- A) \$535,000.
- B) \$769,000.
- C) \$448,000.
- D) \$530,000.
- E) \$774,000.

Answer: A

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 97) The Work in Process Inventory account is found only in the ledgers of merchandising companies. 97) _____

Answer: True False

Diff: 2 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

98) Xia Co. manufactures a single product. All raw materials used are traceable to specific units of product. Current information for company follows:

98) _____

Beginning raw materials inventory	\$ 8,000
Ending raw materials inventory	11,000
Raw material purchases	85,000
Beginning work in process inventory	20,000
Ending work in process inventory	30,000
Direct labor	110,000
Total factory overhead	85,000
Beginning finished goods inventory	60,000
Ending finished goods inventory	40,000

The company's cost of direct materials used, cost of goods manufactured and cost of goods sold is:

- A)
- | | | |
|----------|-----------|-----------|
| \$82,000 | \$267,000 | \$287,000 |
|----------|-----------|-----------|
- B)
- | | | |
|----------|-----------|-----------|
| \$82,000 | \$287,000 | \$247,000 |
|----------|-----------|-----------|
- C)
- | Cost of Materials
Used | Cost of Goods
Manufactured | Cost of Goods
Sold |
|-----------------------------------|---------------------------------------|-------------------------------|
| \$85,000 | \$267,000 | \$247,000 |
- D)
- | | | |
|----------|-----------|-----------|
| \$88,000 | \$287,000 | \$267,000 |
|----------|-----------|-----------|
- E)
- | | | |
|----------|-----------|-----------|
| \$88,000 | \$267,000 | \$287,000 |
|----------|-----------|-----------|

Answer: A

Diff: 3 Type: MC

99) Calculate the cost of goods sold using the following information:

99) _____

Direct materials used	\$ 298,500
Direct labor used	132,000
Factory overhead costs	264,000
General and administrative expenses	85,500
Selling expenses	48,800
Work in Process inventory, January 1	118,500
Work in Process inventory, December 31	125,900
Finished goods inventory, January 1	232,100
Finished goods inventory, December 31	238,700

- A) \$687,100.
- B) \$701,900.
- C) \$772,600.
- D) \$680,500.
- E) \$674,600.

Answer: D

Diff: 3 Type: MC

100) Which of the following is not part of the sales activity in the flow of manufacturing activities?

100) _____

- A) Cost of Goods Manufactured.
- B) Ending Work in Process Inventory.
- C) Cost of Goods Sold.
- D) Beginning Finished Goods Inventory.
- E) Total Finished Goods available for sale.

Answer: B

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

101) The management concept of customer orientation motivates a company to spend large amounts on advertising to convince customers to buy the company's standard products.

101) _____

Answer: True False

Diff: 2 Type: TF

102) The main difference between the cost of goods sold of a manufacturer and a merchandiser is that the merchandiser includes cost of goods manufactured rather than cost of goods purchased.

102) _____

Answer: True False

Diff: 2 Type: TF

103) Both financial and managerial accounting rely on accepted principles that are enforced through an extensive set of rules and guidelines. 103) _____
Answer: True False
Diff: 1 Type: TF

104) Total variable costs change in proportion to changes in the volume of activity. 104) _____
Answer: True False
Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

105) The following information is available for the year ended December 31: 105) _____

Beginning raw materials inventory	\$ 11,000
Raw materials purchases	86,000
Ending raw materials inventory	10,400
Manufacturing supplies expense	900

The amount of raw materials used in production for the year is:

- A) \$85,400. B) \$86,900. C) \$85,700. D) \$87,500. E) \$86,600.

Answer: E
Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

106) The main difference between the cost of goods sold of a manufacturer and a merchandiser is that the manufacturer includes cost of goods manufactured rather than cost of goods purchased. 106) _____
Answer: True False
Diff: 2 Type: TF

107) Just-in-time manufacturing (JIT) focuses on quality improvement and applies this standard to all aspects of business activities. 107) _____
Answer: True False
Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

108) There are many differences between financial and managerial accounting. Identify and explain at least three of these differences.

Answer: The differences include: (1) Users and decision makers—Financial accounting focuses on external decision makers and managerial accounting focuses on internal decision makers. (2) Purpose of information—External users of financial accounting information must often decide whether to invest in, or lend to a company or whether to continue to own or carry the company's debt. Internal users of managerial accounting must plan a company's future, so the information must help them make planning and control decisions. (3) Flexibility of practice—Financial accounting relies on accepted principles that are enforced through an extensive set of rules and guidelines (GAAP); managerial accounting systems are flexible to meet the differing needs of managers in different situations. (4) Timeliness of information—Generally, financial information is not immediately available to external users because it must be audited; internal users can usually obtain managerial accounting information quickly because it does not need to be audited and estimates and projections are acceptable. (5) Time dimension—External financial reports deal primarily with the results of both past activities and current conditions and avoids predictions whenever possible; managerial accounting regularly includes prediction of conditions and events. (6) Focus of information—Financial accounting generally focuses on the entire organization; managerial accounting focuses on an organization's projects, processes, and subdivisions. (7) Nature of information—Both financial and managerial accounting report monetary information; managerial accounting also reports nonmonetary information.

Students would need to choose any three of the seven differences described above.

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

109) A manufacturing company has a beginning finished goods inventory of \$14,600, raw material purchases of \$18,000, cost of goods manufactured of \$32,500, and an ending finished goods inventory of \$17,800. The cost of goods sold for this company is: 109) _____
A) \$27,600. B) \$47,100. C) \$32,500. D) \$21,200. E) \$29,300.

Answer: E

Diff: 3 Type: MC

110) Using the information below, compute the days' sales in raw materials inventory: 110) _____

Raw materials used	\$ 85,500
Beginning raw materials inventory	8,000
Ending raw materials inventory	9,000

- A) 9.94. B) 38.4. C) 11.02. D) 10.06. E) 36.3.

Answer: B
 Diff: 2 Type: MC

111) Richards Company manufactures a single product. All raw materials used are traceable to specific units of product. Current information for the company follows: 111) _____

Beginning raw materials inventory	\$ 10,000
Ending raw materials inventory	12,000
Raw material purchases	90,000
Beginning work in process inventory	40,000
Ending work in process inventory	25,000
Direct labor	130,000
Total factory overhead	60,000
Beginning finished goods inventory	55,000
Ending finished goods inventory	45,000

The company's cost of direct materials used, cost of goods manufactured and cost of goods sold is:

- A)
- | | | |
|----------|-----------|-----------|
| \$92,000 | \$293,000 | \$303,000 |
|----------|-----------|-----------|
- B)
- | Cost of Materials
Used | Cost of Goods
Manufactured | Cost of Goods
Sold |
|---------------------------|-------------------------------|-----------------------|
| \$90,000 | \$293,000 | \$283,000 |
- C)
- | | | |
|----------|-----------|-----------|
| \$88,000 | \$263,000 | \$283,000 |
|----------|-----------|-----------|
- D)
- | | | |
|----------|-----------|-----------|
| \$88,000 | \$293,000 | \$303,000 |
|----------|-----------|-----------|

E)

\$92,000

\$263,000

\$293,000

Answer: D

Diff: 3 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 112) An employee devises a payroll scheme that costs the employer \$150. The employer discovers the fraud but decides not to confront the employee since the amount of the fraud is small. Discuss why this course of action is not advisable.

Answer: While this particular incident resulted in a minor loss to this company, by ignoring the fraud, the company may be encouraging future incidents of fraud. The company should not overlook the fact that a number of small losses can add up to a significant loss to annual revenues.

Diff: 2 Type: ES

- 113) Place each of the following costs of a Blu-ray disc manufacturer in the appropriate column.

Cost item		Period cost	Product cost		
			Direct materials	Direct labor	Factory overhead
a.	Factory maintenance salary, \$40,000				
b.	Salary of factory supervisor, \$70,000				
c.	Salary of production worker, \$42,000				
d.	Salary of the company's president, \$100,000				
e.	Television advertising, \$25,000				
f.	Property tax on factory, \$15,000				
g.	Sales commissions, \$65,000				
h.	Depreciation on factory equipment, \$17,000				
i.	Plastic used in the manufacture of the discs, \$14,000				

Answer:

Cost item		Period cost	Product cost		
			Direct materials	Direct labor	Factory overhead
a.	Factory maintenance salary, \$40,000				\$40,000
b.	Salary of factory supervisor, \$70,000				\$70,000
c.	Salary of production worker, \$42,000			\$42,000	
d.	Salary of the company's president, \$100,000	\$100,000			
e.	Television advertising, \$25,000	\$25,000			
f.	Property tax on factory, \$15,000				\$15,000
g.	Sales commissions, \$65,000	\$65,000			
h.	Depreciation on factory equipment, \$17,000				\$17,000
i.	Plastic used in the manufacture of the discs, \$14,000		\$14,000		

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

114) Asteroid Industries accumulated the following cost information for the year: 114) _____

Direct materials	\$ 16,000
Indirect materials	4,000
Indirect labor	8,500
Factory depreciation	12,800
Direct labor	37,000

Using the above information, total factory overhead costs equal:

- A) \$53,000. B) \$25,300. C) \$78,300. D) \$12,800. E) \$16,800.

Answer: B

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

115) Direct materials are not easily traced to a product. 115) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

116) A fixed cost: 116) _____

- A) Does not change with changes in the volume of activity within the relevant range.
- B) Requires the future outlay of cash and is relevant for future decision making.
- C) Is irrelevant for managers' decision making.
- D) Changes with changes in the volume of activity within the relevant range.
- E) Is directly traceable to a cost object.

Answer: A

Diff: 1 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

117) Just-in-time manufacturing (JIT) is a system that acquires inventory and produces only when needed. 117) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

118) _____ reveals how many times a company uses its raw materials inventory in production during a period.

Answer: Raw materials inventory turnover

Diff: 1 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

119) Just-in-time manufacturing is a system that acquires inventory and produces product only when needed for an order. 119) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 120) Tasty Foods bakes and sells 2,000 dozen muffins each week. Among the costs are bakers' salaries, \$24,000; production management salaries, \$16,000; production equipment operating costs, \$32,000; and flour and ingredient costs, \$15,000. Using this information, compute: (a) prime costs and (b) conversion costs.

Answer:

(a) Prime Cost		(b) Conversion Cost	
Bakers' Salaries	\$24,000	Bakers' Salaries	\$24,000
Flour & Ingredients	<u>15,000</u>	Management Salaries	16,000
Production Equipment	<u>32,000</u>		
Prime Cost	<u>\$39,000</u>	Conversion Cost	<u>\$72,000</u>

Diff: 3 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 121) Use the cost information below for Laurels Company to determine the cost of goods manufactured during the current year: 121) _____

Direct materials used	\$ 5,000
Direct labor	7,000
Total factory overhead	5,100
Beginning work in process	3,000
Ending work in process	4,000

- A) \$12,000. B) \$17,100. C) \$16,100. D) \$18,100. E) \$13,600.

Answer: C

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 122) Managerial accounting information can be forwarded to the managers of a company quickly since external auditors do not have to review it, and estimates and projections are acceptable. 122) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

123) What is the main difference between the income statement of a manufacturer and that of a merchandiser?

Answer: In the calculation of cost of goods sold, the merchandiser adds cost of goods purchased to beginning merchandise inventory, then subtracts the ending merchandise inventory to get cost of goods sold. Since a manufacturer has three types of inventories—raw materials, work in process, and finished goods—the manufacturer replaces "merchandise inventory" with "finished goods" inventory. In addition, the manufacturer does not purchase its items for resale, but instead manufactures them, so replaces "cost of goods purchased" in the above calculation with "cost of goods manufactured."

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

124) If the cost of the beginning work in process inventory is \$60,000, costs of goods manufactured is \$890,000, direct materials cost is \$330,000, direct labor cost is \$210,000, and overhead cost is \$315,000, calculate the ending work in process inventory. 124) _____

- A) \$25,000.
- B) \$45,000.
- C) \$355,000.
- D) \$35,000.
- E) \$350,000.

Answer: A

Diff: 3 Type: MC

125) Factory overhead costs may include all of the following except: 125) _____

- A) Indirect material costs.
- B) Indirect labor costs.
- C) Selling costs.
- D) Factory rent.
- E) Assembly supplies.

Answer: C

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

126) Managerial accounting is an activity that helps managers determine costs of products and services, plan future activities, and compare actual to planned results. 126) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

127) Use the cost information below for Sundar Company to determine the total manufacturing costs added during the current year: 127) _____

Direct materials used	\$ 19,000
Direct labor used	24,500
Factory overhead	55,100
Beginning work in process inventory	10,700
Ending work in process inventory	11,300

- A) \$43,500. B) \$98,000. C) \$98,600. D) \$42,900. E) \$79,000.

Answer: C

Diff: 2 Type: MC

128) Managerial accounting is different from financial accounting in that: 128) _____

- A) Managerial accounting is mainly used to set stock prices.
- B) Managerial accounting is used extensively by investors, whereas financial accounting is used only by creditors.
- C) Managerial accounting never includes nonmonetary information.
- D) Managerial accounting is more focused on the organization as a whole and financial accounting is more focused on subdivisions of the organization.
- E) Managerial accounting includes many projections and estimates whereas financial accounting has a minimum of predictions.

Answer: E

Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

129) Langston Company manufactures coats. Costs for February were as follows:

Direct materials	\$19,650
Direct labor	15,210
Factory insurance	950
Sales commissions	4,700
Corporate executive salaries	5,500
Factory supervisor salary	3,500
Indirect materials	1,920

Required: Calculate the total manufacturing cost for February.

Answer:

Direct materials	\$19,650
Direct labor	15,210
Factory insurance	950
Factory supervisor salary	3,500
Indirect materials	<u>1,920</u>
Total	<u>\$41,230</u>

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

130) Use the cost information below for Sundar Company to determine the cost of goods manufactured during the current year: 130) _____

Direct materials used	\$ 19,000
Direct labor used	24,500
Factory overhead	55,100
Beginning work in process inventory	10,700
Ending work in process inventory	11,300

- A) \$98,000. B) \$98,600. C) \$79,000. D) \$43,500. E) \$42,900.

Answer: A

Diff: 2 Type: MC

- 131) An internal control system consists of the policies and procedures managers use to do all of the following *except*: 131) _____
- A) Ensure reliable accounting.
 - B) Urge adherence to company policies.
 - C) Protect assets.
 - D) Promote efficient operations.
 - E) Determine pricing for products.

Answer: E
Diff: 2 Type: MC

- 132) Using the information below, compute the days' sales in raw materials inventory: 132) _____

Raw materials used	\$ 121,600
Beginning raw materials inventory	18,000
Ending raw materials inventory	20,200

- A) 60.6. B) 54.0. C) 6.76. D) 6.37. E) 6.02.

Answer: A
Diff: 2 Type: MC

- 133) Continuous improvement: 133) _____
- A) Encourages employees to maintain established business practices.
 - B) Is not applicable to most businesses.
 - C) Strives to preserve acceptable levels of performance.
 - D) Is possible only in service businesses.
 - E) Rejects the notion of "good enough."

Answer: E
Diff: 2 Type: MC

- 134) Materials a company acquires to use in making products are called: 134) _____
- A) Cost of goods sold.
 - B) Conversion costs.
 - C) Raw materials inventory.
 - D) Finished goods inventory.
 - E) Work in process inventory.

Answer: C
Diff: 1 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

135) Use the following information to prepare the schedule of cost of goods manufactured for Graffstone Company for the month ended June 30.

Work in Process inventory, May 31	\$12,600
Work in Process inventory, June 30	16,500
Direct materials used during June	21,000
Direct labor used during June	31,000
Factory overhead:	
Indirect material	6,400
Indirect labor	9,200
Factory rent	12,000
Factory depreciation	15,000
Factory utilities	18,400

Answer:

Graffstone Company Schedule of Cost of Goods Manufactured For Month Ended June 30		
Direct materials		\$ 21,000
Direct labor		31,000
Factory overhead:		
Indirect material	\$ 6,400	
Indirect labor	9,200	
Factory rent	12,000	
Factory depreciation	15,000	
Factory utilities	<u>18,400</u>	
Total factory overhead costs		<u>61,000</u>
Total manufacturing costs		\$113,000
Add work in process inventory, May 31		<u>12,600</u>
Total work in process		\$125,600
Deduct work in process inventory, June 30		<u>16,500</u>
Cost of goods manufactured		<u><u>\$109,100</u></u>

Diff: 3 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 136) Raw materials that are tangible components of the finished product and can be separately and readily traced through the manufacturing process are called: 136) _____
- A) Chargeable materials.
 - B) Indirect materials.
 - C) Raw materials sold.
 - D) Direct materials.
 - E) Work in process.

Answer: D

Diff: 1 Type: MC

- 137) Just-in-time manufacturing techniques can be useful in _____ days' sales in raw materials inventory. 137) _____
- A) increasing.
 - B) keeping constant.
 - C) lowering.
 - D) adding to.
 - E) changing upward.

Answer: C

Diff: 3 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 138) Newly completed units are combined with beginning finished goods inventory to make up total ending work in process inventory. 138) _____

Answer: True False

Diff: 2 Type: TF

- 139) When the attitude of continuous improvement exists throughout an organization, every manager and employee is challenged to continuously experiment with new and improved business practices. 139) _____

Answer: True False

Diff: 1 Type: TF

- 140) The Work in Process Inventory account is found only in the ledgers of manufacturing companies. 140) _____

Answer: True False

Diff: 2 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 141) Which of the following statements is correct concerning the days' sales in raw materials inventory ratio? 141) _____
- A) Most companies generally prefer a higher number of days' sales in raw materials inventory.
 - B) It measures how long it takes raw materials to be used in production.
 - C) The ratio is not useful for a manufacturer.
 - D) Is calculated by taking the Raw materials used/Average raw materials inventory.
 - E) Reveals how many times a company turns over its raw materials inventory in a period.

Answer: B
 Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 142) The following costs are incurred by Gonzalez Manufacturing Co. Classify each cost item as either a period cost or a product cost. If the cost is a product cost, identify it as a prime and/or conversion cost. Place an x in the appropriate column for your answers.

	Period Cost	Product Cost	
		Prime Cost	Conversion Cost
Factory property taxes.			
Payroll taxes for assembly labor.			
Depreciation of factory equipment.			
Insurance on delivery vehicles			
Indirect materials used			
Wages of production workers.			
Production supervisor's salary			
Advertising			
Direct materials used.			
Sales salaries.			

Answer:

	Period Cost	Product Cost	
		Prime Cost	Conversion Cost

Answer:

Factory property taxes			X
Payroll taxes for assembly labor		X	X
Depreciation of factory equipment			X
Insurance on delivery vehicles	X		
Indirect materials used			X
Wages of production workers		X	X
Production supervisor's salary			X
Advertising	X		
Direct materials used		X	
Sales salaries	X		

Diff: 2 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

143) Raw materials inventory should not include indirect materials. 143) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

144) An attitude of constantly seeking ways to improve company operations, including customer service, product quality, product features, the production process, and employee interactions, is called: 144) _____

- A) Continuous improvement.
- B) Total quality measurement.
- C) Just-in-time.
- D) Theory of constraints.
- E) Customer orientation.

Answer: A

Diff: 1 Type: MC

145) Which of the following is the correct formula for calculating days' sales in raw materials inventory for a manufacturer? 145) _____

- A) Raw materials used/Average raw materials inventory.
- B) Raw materials used/Beginning raw materials inventory \times 365.
- C) Average raw materials inventory/Raw materials used.
- D) Ending raw materials inventory/Raw materials used \times 365.
- E) Raw materials purchased/Average raw materials inventory.

Answer: D

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

146) Under a just-in-time manufacturing system, large quantities of inventory are accumulated throughout the factory to be certain that components are available each time that they are needed. 146) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

147) For each of the characteristics below, identify whether it is a focus of financial accounting or managerial accounting. Use the letter F to identify financial accounting and M to identify managerial accounting.

- _____ 1. Users are generally investors, creditors, analysts, and regulators.
- _____ 2. Used to assist managers in making planning and control decisions.
- _____ 3. Information is structured and controlled by GAAP.
- _____ 4. Information is available quickly without the need to wait for an audit.
- _____ 5. Information is mainly historical with some predictions.
- _____ 6. Emphasis of the information is a company's projects, processes, and divisions.
- _____ 7. Information is mostly monetary, but includes nonmonetary information.

Answer: 1. F; 2. M; 3. F; 4. M; 5. F; 6. M; 7. M

Diff: 2 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

148) Product costs are expenditures necessary to manufacture finished products. 148) _____

Answer: True False

Diff: 1 Type: TF

149) Indirect costs cannot be easily and cost-beneficially traced to a single cost object. 149) _____

Answer: True False

Diff: 1 Type: TF

150) Cost concepts such as variable, fixed, mixed, direct, and indirect apply only to manufacturers and not to service companies. 150) _____

Answer: True False

Diff: 2 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 151) Use the cost information below for Ruiz Inc. to determine the total manufacturing costs incurred during the year: 151) _____

Work in Process, January 1	\$ 50,000
Work in Process, December 31	37,000
Direct materials used	\$ 12,500
Total factory overhead	5,500
Direct labor used	26,500

- A) \$94,500. B) \$89,000. C) \$13,000. D) \$57,500. E) \$44,500.

Answer: E
Diff: 2 Type: MC

- 152) Which of the following is the correct formula for calculating raw materials inventory turnover for a manufacturer? 152) _____

- A) Average raw materials inventory/Raw materials used.
B) Raw materials used/Average raw materials inventory.
C) Ending raw materials/Raw materials used \times 365.
D) Raw materials used/Beginning raw materials inventory \times 365.
E) Raw materials purchased/Average raw materials inventory.

Answer: B
Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 153) The model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company is the _____.

Answer: lean business model
Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 154) Wesson Company sold 10,000 units of its only product in the first half of the year. If sales increase by 12% in the second half of the year, which cost will increase? 154) _____

- A) Wages of administrative staff.
B) Direct materials.
C) Depreciation on equipment.
D) Property insurance.
E) Office rent.

Answer: B
Diff: 3 Type: MC

- 155) Which of the following is an indirect cost of manufacturing scooters? 155) _____
- A) Wheels.
 - B) Assembly worker employee benefits.
 - C) Supervisor salary.
 - D) Scooter assembly wages.
 - E) Brakes

Answer: C
Diff: 2 Type: MC

- 156) A management concept that seeks to uncover and eliminate waste in business activities is called: 156) _____
- A) Continuous operations.
 - B) Lean business model.
 - C) Customer orientation.
 - D) Just-in-time.
 - E) Theory of constraints.

Answer: B
Diff: 1 Type: MC

- 157) A financial report that summarizes the amounts and types of costs that were incurred in the manufacturing process during the period is a: 157) _____
- A) Materials statement.
 - B) Schedule of cost of goods manufactured.
 - C) Managerial statement.
 - D) General-purpose statement.
 - E) Merchandise schedule.

Answer: B
Diff: 1 Type: MC

- 158) Which of the following statements is true regarding product and period costs? 158) _____
- A) Delivery expense is a product cost and indirect materials is a period cost.
 - B) Office rent is a product cost and supervisors' salaries expense is a period cost.
 - C) Sales commissions and indirect labor are both period costs.
 - D) Factory rent is a product cost and advertising expense is a period cost.
 - E) Office salaries expense and factory maintenance are both product costs.

Answer: D
Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 159) The focus of managerial accounting information is on the organization as a whole. 159) _____

Answer: True False
Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

160) _____ means that managers and employees understand the changing needs and wants of customers and align management and operating practices accordingly.

Answer: customer orientation

Diff: 1 Type: ES

161) _____ inventory consists of completed products ready for sale by a manufacturer.

Answer: Finished goods

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

162) Which of the following is not part of the materials activity in the flow of manufacturing activities? 162) _____

- A) Beginning work in process.
- B) Raw materials purchases.
- C) Beginning raw materials.
- D) Raw materials available for use.
- E) Ending raw materials.

Answer: A

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

163) Total quality management (TQM) is a system that acquires inventory and produces only when needed. 163) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

164) A manufacturing company's finished goods inventory on January 1 was \$68,000; cost of goods manufactured for the year was \$147,000; and the December 31 finished goods inventory was \$77,000. What is the cost of goods sold for the year?

Answer:

Beginning finished goods inventory	\$ 68,000
Plus cost of goods manufactured	147,000
Less ending finished goods inventory	<u>-77,000</u>
Cost of goods sold	<u>\$138,000</u>

Diff: 2 Type: ES

165) _____ is the process of monitoring planning decisions and evaluating an organization's activities and employees.

Answer: Control

Diff: 1 Type: ES

166) A _____ cost does not change in total in proportion to changes in the volume of activity within the relevant range.

Answer: fixed

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

167) Classifying costs by behavior with changes in volume of activity involves: 167) _____

- A) Identifying costs in a physical manner.
- B) Identifying fixed costs and variable cost.
- C) Identifying both quantitative and qualitative cost factors.
- D) Identifying cost of goods sold and operating costs.
- E) Identifying costs as financial or managerial.

Answer: B

Diff: 2 Type: MC

168) Current information for the Healey Company follows: 168) _____

Beginning raw materials inventory	\$ 15,200
Raw material purchases	60,000
Ending raw materials inventory	16,600
Beginning work in process inventory	22,400
Ending work in process inventory	28,000
Direct labor	42,800
Total factory overhead	30,000

All raw materials used were traceable to specific units of product. Healey Company's cost of goods manufactured for the year is:

- A) \$128,600.
- B) \$131,400.
- C) \$139,000.
- D) \$125,800.
- E) \$137,000.

Answer: D

Diff: 3 Type: MC

- 169) Which of the following items appears only in a manufacturing company's financial statements? 169) _____
- A) Cost of goods sold.
 - B) Goods available for sale.
 - C) Gross profit.
 - D) Cost of goods manufactured.
 - E) Net income.

Answer: D

Diff: 1 Type: MC

- 170) Using the information below, compute the raw materials inventory turnover: 170) _____

Raw materials used	\$ 85,500
Beginning raw materials inventory	8,000
Ending raw materials inventory	9,000

- A) 9.50. B) 11.02. C) 9.94. D) 382.02. E) 10.06.

Answer: E

Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 171) A manufacturer's inventory that is not completely finished is called _____ .

Answer: work in process

Diff: 1 Type: ES

172) Match each of the following terms with the appropriate definition.

- _____ (1) Direct materials
- _____ (2) Indirect costs
- _____ (3) Product costs
- _____ (4) Prime costs
- _____ (5) Fixed costs
- _____ (6) Direct labor
- _____ (7) Period costs
- _____ (8) Conversion costs
- _____ (9) Factory overhead
- _____ (10) Variable costs

- (a) Costs that are expensed to the income statement in the period incurred..
- (b) Costs that change in proportion to changes in volume of activity.
- (c) The efforts of employees who physically convert materials to finished products.
- (d) Manufacturing costs that cannot be separately or readily traced to finished goods.
- (e) Costs necessary to create a product..
- (f) Costs incurred in the process of converting raw materials to finished products; include direct labor and factory overhead.
- (g) Tangible components of a finished product separately and readily traced through the manufacturing process.
- (h) Costs directly associated with the manufacture of finished products; include direct materials and direct labor.
- (i) Costs that do not change in total with changes in the volume of activity.
- (j) Costs that cannot be easily and cost-beneficially traced to a single cost object.

Answer: 1. G; 2. J; 3. E; 4. H; 5. I; 6. C; 7. A; 8. F; 9. D; 10. B

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 173) A company's prime costs total \$4,500,000 and its conversion costs total \$5,500,000. If direct materials costs are \$2,000,000, calculate the overhead costs: 173) _____
- A) \$3,500,000.
 - B) \$2,500,000.
 - C) \$2,000,000.
 - D) \$3,000,000.
 - E) \$1,000,000.

Answer: D

Diff: 3 Type: MC

- 174) A manufacturer's total cost of making and finishing products in the period is called: 174) _____
- A) Ending work in process inventory.
 - B) Ending finished goods inventory.
 - C) Cost of goods manufactured.
 - D) Cost of goods sold.
 - E) Total manufacturing costs.

Answer: C

Diff: 1 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 175) The schedule of cost of goods manufactured must be prepared monthly as it is a required general-purpose financial statement. 175) _____

Answer: True False

Diff: 1 Type: TF

- 176) Raw materials purchased plus beginning raw materials inventory equals the ending balance of raw materials inventory. 176) _____

Answer: True False

Diff: 2 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 177) A schedule of cost of goods manufactured is also known as a: 177) _____
- A) Factory supplies used schedule.
 - B) Raw materials processed schedule.
 - C) Cost of goods sold schedule.
 - D) Total finished goods statement.
 - E) Manufacturing statement.

Answer: E

Diff: 1 Type: MC

- 178) Costs that are capitalized as inventory when they are incurred are called: 178) _____
- A) General costs.
 - B) Period costs.
 - C) Fixed costs.
 - D) Administrative costs.
 - E) Product costs.

Answer: E

Diff: 1 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

179) Martinez Company makes leather cowboy hats. Each hat requires 1/2 yard of leather to produce. At the beginning of the year, the company had (a) 75 hats in Finished Goods Inventory and (b) 60 yards of leather at a cost of \$12 per yard in Raw Materials Inventory. During the year, the company purchased 850 more yards of leather at \$12 per yard and manufactured 1,600 hats. Determine the unit and dollar amounts of leather Raw Materials Inventory at the end of the year.

Answer:	Units	Cost
Beginning inventory	60 yards	\$720
Materials purchased	850 yards	\$10,200
Less: Materials used	800 yards	\$9,600
Ending inventory	110 yards	\$1,320

Diff: 3 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

180) Total quality management and just-in-time manufacturing focus on quality improvement as well as on time customer deliveries. 180) _____

Answer: True False

Diff: 2 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

181) The three major cost of manufacturing a product are: 181) _____
A) General, selling, and administrative costs.
B) Marketing, selling, and administrative costs.
C) Product costs, period costs, and variable costs.
D) Direct materials, direct labor, and factory overhead.
E) Indirect labor, indirect materials, and fixed expenses.

Answer: D

Diff: 1 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

182) The Institute of Management Accountants (IMA) Statement of Ethical Professional Practice requires that management accountants be competent and act with integrity. 182) _____

Answer: True False

Diff: 1 Type: TF

183) Control is the process of monitoring planning decisions and evaluating an organization's activities and employees. 183) _____

Answer: True False

Diff: 1 Type: TF

184) Beginning finished goods inventory plus cost of goods manufactured equals cost of goods available for sale. 184) _____
Answer: True False
Diff: 2 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

185) Flexibility of practice when applied to managerial accounting means that: 185) _____
A) Managerial accountants must be on call twenty-four hours a day.
B) The information must be presented in electronic format so that it is easily changed.
C) Managers must be flexible with information provided in varying forms and using inconsistent measures.
D) Managers must be willing to accept the information as the accountants present it to them, rather than in the format they ask for.
E) Managerial accounting systems differ across companies depending on the nature of the business and the arrangement of its internal operations.
Answer: E
Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

186) For a manufacturer, the cost of goods sold can be computed by adding the beginning finished goods inventory to _____ and then subtracting the ending finished goods inventory.
Answer: cost of goods manufactured
Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

187) Which of the following costs is not included in factory overhead? 187) _____
A) Depreciation of manufacturing equipment.
B) Direct materials.
C) Payroll taxes on the wages of factory supervisors.
D) Manufacturing supplies used.
E) Indirect labor.
Answer: B
Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

188) Indirect labor refers to the cost of workers who assist or supervise manufacturing, but they are not clearly identified with specific product units. 188) _____
Answer: True False
Diff: 2 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 189) Craigmont Company's direct materials costs are \$3,000,000, its direct labor costs total \$7,000,000, and its factory overhead costs total \$5,000,000. Its conversion costs total: 189) _____
- A) \$8,000,000.
 - B) \$15,000,000.
 - C) \$10,000,000.
 - D) \$12,000,000.
 - E) \$5,000,000.

Answer: D

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 190) Period costs can refer to expenditures necessary to manufacture products during the time period. 190) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 191) Define fraud and give at least two examples of employee fraud.

Answer: Fraud involves the use of one's job for personal gain through deliberate misuse of an employer's assets. Examples are theft of cash or other assets, overstating reimbursable expenses, payroll schemes, billing schemes, and financial statement fraud.

Students would need to list any two of the five examples described above.

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 192) The cost of workers who assist in, or supervise, the manufacturing process, not linked to specific units of product is called: 192) _____
- A) Joint labor.
 - B) Indirect labor.
 - C) Direct labor.
 - D) Unspecified labor.
 - E) Basic labor.

Answer: B

Diff: 1 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 193) A manufacturing company's beginning finished goods inventory was \$29,000; cost of goods manufactured for the year was \$316,000; and the ending finished goods inventory was \$31,000. What is the cost of goods sold for the year?

Answer:

Beginning finished goods inventory	\$ 29,000
Plus cost of goods manufactured	316,000
Less ending finished goods inventory	<u>-31,000</u>
Cost of goods sold	<u>\$314,000</u>

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 194) Which of the following should not be included in direct materials costs for a bike manufacturer? 194) _____
- A) Handlebars.
 - B) Tires.
 - C) Seats.
 - D) Pedals.
 - E) Machine lubrication oil.

Answer: E

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 195) The series of activities that add value to a company's products or services is called a value chain. 195) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 196) Materials that are used in manufacturing but are not clearly identified with specific product units are called: 196) _____
- A) Secondary materials.
 - B) General materials.
 - C) Materials inventory.
 - D) Indirect materials.
 - E) Direct materials.

Answer: D

Diff: 1 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

197) Prime costs consist of direct labor and factory overhead.

197) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

198) Use the following information to calculate the cost of goods sold for the period:

198) _____

Beginning Finished Goods Inventory	\$ 19,500
Ending Finished Goods Inventory	18,000
Cost of Goods Manufactured	126,800

- A) \$146,300.
- B) \$125,300.
- C) \$126,800.
- D) \$164,300.
- E) \$128,300.

Answer: E

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

199) Costs may be classified by many different cost classifications.

199) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

200) A manufacturing company has a beginning finished goods inventory of \$28,300, cost of goods manufactured of \$58,500, and an ending finished goods inventory of \$27,600. The cost of goods sold for this company is:

200) _____

- A) \$59,200.
- B) \$86,100.
- C) \$114,400.
- D) \$57,800.
- E) \$2,600.

Answer: A

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

201) Product costs can refer to expenditures necessary to manufacture products and to administrative support during the time period. 201) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

202) Products that have been completed and are ready to be sold by the manufacturer are called: 202) _____

- A) Work in process inventory.
- B) Raw materials inventory.
- C) Factory supplies.
- D) Cost of goods sold.
- E) Finished goods inventory.

Answer: E

Diff: 1 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

203) Feedback provided by the control function allows managers to revise their plans. 203) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

204) _____ are beliefs that distinguish right from wrong.

Answer: Ethics

Diff: 1 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

205) Comet Company accumulated the following account information for the year: 205) _____

Beginning raw materials inventory	\$ 6,000
Indirect materials cost	2,000
Indirect labor cost	5,000
Maintenance of factory equipment	2,800
Direct labor cost	7,000

Using the above information, total factory overhead costs equal:

- A) \$15,800.
- B) \$16,800.
- C) \$7,800.
- D) \$9,800.
- E) \$13,000.

Answer: D

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

206) Adopting a lean business model should have no effect on cost in a modern manufacturing environment. 206) _____

Answer: True False

Diff: 2 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

207) One of the main differences between the calculation of cost of goods sold for a merchandiser and that of a manufacturer is that the calculation includes cost of goods purchased for the merchandiser, but the manufacturer replaces that with _____.

Answer: cost of goods manufactured

Diff: 1 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

208) Product costs can be classified as one of three types: direct materials, direct labor, or factory overhead. 208) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

209) For product costs associated with a particular product to be reported on the income statement: 209) _____

- A) The product may be in any of the manufacturer's inventory accounts.
- B) The product must still be in Work in Process Inventory.
- C) The company must expect to sell the product during the next twelve months.
- D) The product must be transferred to Finished Goods Inventory.
- E) The product must be sold.

Answer: E

Diff: 1 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

210) A cost can be classified as either _____ or _____ based how it changes, in total, with changes in the volume of activity.

Answer: fixed; variable

answers may appear in any order

Diff: 2 Type: ES

211) For each item shown below, classify it as a product cost or a period cost, by placing an X in the appropriate column. For each item that is a product cost, also indicate whether it is a direct cost or an indirect cost with respect to a unit of finished product.

Cost item	Product or period cost?		Direct or indirect cost?	
	Product	Period	Direct	Indirect
Administrative salaries				
Direct labor				
Advertising				
Property tax on the factory				
Factory maintenance				
Direct materials				
Depreciation on factory equipment				
Interest expense				
Factory supplies				

Answer:

Cost item	Product or period cost?		Direct or indirect cost?	
	Product	Period	Direct	Indirect
Administrative salaries		X		
Direct labor	X		X	
Advertising		X		
Property tax on the factory	X			X
Factory maintenance	X			X
Direct materials	X		X	
Depreciation on factory equipment	X			X
Interest expense		X		
Factory supplies	X			X

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 212) Product costs: 212) _____
- A) Are moved to the income statement for any unsold inventory at the end of the year.
 - B) Include selling and administrative expenses.
 - C) Are expenditures identified more with a time period rather than with units of product.
 - D) Are expenditures necessary and integral to finished products.
 - E) Are expensed on the income statement when incurred.

Answer: D

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 213) Direct labor refers to employees who physically convert materials to finished product. 213) _____

Answer: True False

Diff: 2 Type: TF

- 214) Both financial and managerial accounting report monetary information; managerial accounting also reports considerable nonmonetary information. 214) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

215) Information for the Deuce Manufacturing Company follows. Compute the cost of goods manufactured for this company.

Beginning raw materials inventory	\$ 53,200
Beginning work in process, inventory	78,400
Ending raw materials inventory	58,100
Ending work in process, inventory	98,000
Direct labor	149,800
Total factory overhead	105,000
Raw material purchases	210,000

Answer:

Cost of Goods Manufactured		
Direct materials:		
Raw material inventory, beginning	\$ 53,200	
Raw materials purchases	<u>210,000</u>	
Raw materials available	\$263,200	
Less raw materials inventory, ending	<u>(58,100)</u>	
Direct materials used		\$205,100
Direct labor		149,800
Total factory Overhead		<u>105,000</u>
Total manufacturing costs		\$459,900
Add work in process inventory, beginning		<u>78,400</u>
Total manufacturing costs		\$538,300
Less work in process inventory, ending		<u>(98,000)</u>
Cost of goods manufactured		<u><u>\$ 440,300</u></u>

Diff: 3 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

216) Goals of a lean business model include all of the following *except*:

216) _____

- A) Eliminate waste.
- B) Fewer product defects.
- C) Better inventory control.
- D) Continuous improvement.
- E) Consistent production levels.

Answer: E

Diff: 1 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 217) Castillo Co. manufactures staples. Costs for October were direct labor, \$84,000; indirect labor, \$36,700; direct materials, \$55,900; factory maintenance, \$4,800; factory utilities, \$3,200; and insurance on plant and equipment, \$700. What is the company's total factory overhead cost for October?

Answer:

Indirect labor	\$36,700
Factory maintenance	4,800
Factory utilities	3,200
Insurance on plant and equipment	700
Total factory overhead	<u>\$45,400</u>

Diff: 2 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 218) The raw materials inventory turnover ratio is raw materials purchased divided by the average raw materials inventory. 218) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 219) Labor costs that are clearly associated with specific units of product because the labor is used to convert raw materials into finished products are called: 219) _____

- A) Contracted labor.
- B) All labor.
- C) Direct labor.
- D) Indirect labor.
- E) Finished labor.

Answer: C

Diff: 1 Type: MC

- 220) All of the following statements regarding manufacturing costs are true *except*: 220) _____

- A) When overhead costs don't vary with production, they are called fixed overhead.
- B) Direct material costs are traceable to products.
- C) The reporting of fixed and variable costs separately is not helpful to managers in analyzing cost behavior.
- D) Overhead can be both variable and fixed.
- E) When overhead costs vary with production, they are called variable overhead.

Answer: C

Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

221) Shemekia Co. produces seats for movie theaters. Listed below are selected cost items for the seat production. Classify each cost as either fixed or variable, and either a product or a period cost by placing an x in the appropriate boxes.

	Cost by behavior		Cost by function	
	Variable	Fixed	Product	Period
Fabric for seats				
Assembly labor				
Factory property taxes				
Accounting staff salaries				
Sales office rent				
Sales manager's salary				
Depreciation on factory equipment				
Sales commissions				

Answer:

	Cost by behavior		Cost by function	
	Variable	Fixed	Product	Period
Fabric for seats	X		X	
Assembly labor	X		X	
Factory property taxes		X	X	
Accounting staff salaries		X		X
Sales office rent		X		X
Sales manager's salary		X		X
Depreciation on factory equipment		X	X	
Sales commissions	X			X

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 222) Which of the following items is *not* a management concept that was created to improve company performance? 222) _____
- A) Customer orientation.
 - B) GAAP constraints and guidelines.
 - C) Total quality management.
 - D) Continuous improvement.
 - E) Just-in-time manufacturing.

Answer: B

Diff: 1 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

223) What is managerial accounting and how is it used to aid decision makers?

Answer: Managerial accounting is an activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers. It helps managers with three key tasks: 1) determining the costs of an organization's products and services, 2) planning future activities, and 3) comparing actual results to planned results.

Diff: 2 Type: ES

224) Compute the ending work in process inventory for a manufacturer with the following information.

Raw materials purchased	\$131,700
Direct materials used in production	65,400
Direct labor used	44,000
Total factory overhead used	101,600
Work in process inventory, beginning of year	32,500
Cost of goods manufactured	212,900

Answer:

Work in process inventory, beginning	\$32,500
Direct materials used in production	65,400
Direct labor used	44,000
Total factory overhead used	101,600
Less: Cost of goods manufactured	(212,900)
Work in process inventory, ending	<u>\$ 30,600</u>

Diff: 2 Type: ES

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

225) Total manufacturing costs incurred during the year do not include:

225) _____

- A) Factory supplies used.
- B) Direct materials used.
- C) Direct labor.
- D) Work in Process inventory, beginning balance.
- E) Depreciation of factory machinery.

Answer: D

Diff: 2 Type: MC

- 226) The model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company is: 226) _____
- A) Managerial accounting model.
 - B) Corporate social responsibility model.
 - C) Continuous improvement model.
 - D) Lean business model.
 - E) Just-in-time manufacturing model.

Answer: D

Diff: 1 Type: MC

- 227) A manufacturing firm's cost of goods manufactured is equivalent to a merchandising firm's: 227) _____
- A) Cost of goods purchased.
 - B) Beginning merchandise inventory.
 - C) Cost of goods available.
 - D) Ending merchandise inventory.
 - E) Cost of goods sold.

Answer: A

Diff: 2 Type: MC

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 228) Policies and procedures used by management to monitor and control business activities are known as _____.

Answer: internal control

Diff: 1 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 229) The schedule of cost of goods manufactured is also known as a manufacturing statement. 229) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 230) A classification of costs that determines whether a cost is expensed to the income statement or capitalized to inventory is: 230) _____
- A) Financial versus managerial.
 - B) Product versus period.
 - C) Fixed versus variable.
 - D) Service versus manufacturing.
 - E) Direct versus indirect.

Answer: B

Diff: 1 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

231) The cost of partially completed products is included in the balance of the Work in Process Inventory account. 231) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

232) Which of the following accounts would not appear on a schedule of cost of goods manufactured? 232) _____

- A) Indirect labor.
- B) Depreciation on factory equipment.
- C) Raw materials inventory.
- D) Factory insurance expired.
- E) Wages payable.

Answer: E

Diff: 2 Type: MC

233) The following information relates to the manufacturing operations of the Abbra Publishing Company for the year: 233) _____

	Beginning	Ending
Raw materials inventory	\$ 547,000	\$ 610,000

The raw materials used in manufacturing during the year totaled \$1,018,000. Raw materials purchased during the year amount to:

- A) \$408,000.
- B) \$1,081,000.
- C) \$955,000.
- D) \$892,000.
- E) \$1,565,000.

Answer: B

Diff: 2 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

234) Prime costs consist of direct materials and direct labor. 234) _____

Answer: True False

Diff: 1 Type: TF

235) A manufacturer's cost of goods manufactured is the sum of direct materials, direct labor, and factory overhead costs incurred in producing products. 235) _____

Answer: True False

Diff: 1 Type: TF

236) Indirect materials are accounted for as factory overhead because they are not clearly identified with specific product units. 236) _____
Answer: True False
Diff: 1 Type: TF

237) Beginning finished goods inventory plus cost of goods manufactured equals cost of goods sold. 237) _____
Answer: True False
Diff: 2 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

238) Costs that flow directly to the income statement as expenses are called: 238) _____
A) General costs.
B) Product costs.
C) Period costs.
D) Capitalized costs.
E) Balance sheet costs.
Answer: C
Diff: 1 Type: MC

239) Which one of the following items is not a manufacturing cost? 239) _____
A) Direct materials.
B) Factory overhead.
C) General and administrative expenses.
D) Conversion cost.
E) Direct labor.
Answer: C
Diff: 2 Type: MC

240) The following information relates to the manufacturing operations of the JNR Printing Company for the year: 240) _____

	Beginning	Ending
Raw materials inventory	\$ 57,000	\$ 60,000
Finished goods	68,000	60,000

The raw materials used in manufacturing during the year totaled \$118,000. Raw materials purchased during the year amount to:

- A) \$118,000.
- B) \$121,000.
- C) \$107,000.
- D) \$115,000.
- E) \$126,000.

Answer: B
Diff: 3 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

241) Control is the process of setting goals and determining ways to achieve them. 241) _____

Answer: True False
Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

242) Use the following data to calculate the cost of goods sold for the period: 242) _____

Beginning Raw Materials Inventory	\$ 30,000
Ending Raw Materials Inventory	70,000
Beginning Work in Process Inventory	40,000
Ending Work in Process Inventory	46,000
Beginning Finished Goods Inventory	72,000
Ending Finished Goods Inventory	68,000
Cost of Goods Manufactured for the period	246,000

- A) \$250,000.
- B) \$258,000.
- C) \$246,000.
- D) \$242,000.
- E) \$290,000.

Answer: A
Diff: 3 Type: MC

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

243) Factory overhead is charged to expense as it is incurred because it is a period cost.

243) _____

Answer: True False

Diff: 2 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

244) Calculate Cost of Goods Sold for the following two companies:

	<u>LEWIS INC.</u>	<u>MERCER CO.</u>
Merchandise	\$250,000	
Finished Goods		\$550,000
Cost of Goods Purchased	460,000	
Cost of Goods Manufactured		688,000
Ending Inventory:		
Merchandise	128,000	
Finished Goods		350,000

Answer:

LEWIS, INC.:

Beginning merchandise inventory	\$250,000
Plus cost of goods purchased	460,000
Less ending merch. inventory	<u>(128,000)</u>
Cost of goods sold	<u>\$582,000</u>
MERCER CO.:	
Beginning finished goods inventory	\$550,000
Plus cost of goods manufactured	688,000
Less ending finished goods inventory	<u>(350,000)</u>
Cost of goods sold	<u>\$888,000</u>

Diff: 3 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

245) Direct costs can be traced to more than one cost object.

245) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 246) Duncan Crafts manufactures specialty key chains for tourist attractions. On January 1, the firm had 300 souvenir attraction disks, costing \$3 each, used in the production of key chains. During the year Duncan Crafts purchased 1,500 souvenir disks costing \$3 each and produced 1,100 key chains. Compute the total cost of souvenir disk raw materials inventory at December 31.

Answer:

Raw Materials (Disks)	Units	Cost		
Beginning Balance	300	@ \$3	=	\$900
+Purchased	1,500	@ \$3	=	4,500
Available	1,800	@ \$3	=	5,400
-Used	(1,100)	@ \$3	=	(3,300)
Ending Balance	<u>700</u>	<u>@ \$3</u>	=	<u>\$2,100</u>

Diff: 2 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 247) Manufacturers usually have three inventories: raw materials, work in process, and finished goods. 247) _____

Answer: True False

Diff: 1 Type: TF

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 248) _____ rejects the notions of "good enough" or "acceptable" and challenges employees and managers to continuously experiment with new and improved business practices.

Answer: Continuous improvement

Diff: 1 Type: ES

- 249) Crane, Inc. reported the following data regarding costs and inventories for the current year: beginning work in process inventory, \$4,000; beginning finished goods inventory, \$2,000; cost of goods manufactured, \$11,500; operating expenses, \$3,000; ending finished goods inventory, \$1,000; ending work in process inventory, \$1,500. Cost of goods sold for Crane, Inc. equals _____.

Answer: \$12,500

Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory; \$2,000 + \$11,500 - \$1,000

Diff: 3 Type: ES

250) Define and contrast period costs and product costs. How are they reported in the financial statements of a manufacturing company?

Answer: Period costs are the expenditures that are charged to expense in the income statement because they are more identified with a time period rather than with finished products. Product costs are expenditures necessary and integral to finished products that are capitalized to inventory and then become cost of goods sold when the goods are sold

Diff: 2 Type: ES

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

251) Raw materials that become part of a product and are identified with specific units or batches of a product are called direct materials. 251) _____

Answer: True False

Diff: 1 Type: TF

252) Total fixed costs change in proportion to changes in the volume of activity. 252) _____

Answer: True False

Diff: 1 Type: TF

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

253) Use the following information to compute the cost of goods manufactured. Assume that all raw materials used were traceable to specific units of product: 253) _____

Beginning raw materials	\$ 5,500
Ending raw materials	4,000
Direct labor	12,250
Raw material purchases	7,400
Depreciation on factory equipment	6,500
Factory repairs and maintenance	3,300
Beginning finished goods inventory	10,200
Ending finished goods inventory	8,900
Beginning work in process inventory	5,700
Ending work in process inventory	6,300

- A) \$30,350. B) \$31,650. C) \$30,950. D) \$36,650. E) \$30,650.

Answer: A

Diff: 3 Type: MC

Answer Key

Testname: CH1_STAT

- 1) **Planning**
Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting
- 2) **variable**
Diff: 1 Page Ref:
Topic: Cost Classification
- 3) **conversion costs**
Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs
- 4) **B**
Diff: 3 Page Ref:
Topic: Cost Classifications
- 5) **TRUE**
Diff: 1 Page Ref:
Topic: Trends in Managerial Accounting
- 6) **FALSE**
Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs
- 7) **E**
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 8) **A**
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 9) **TRUE**
Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs
- 10) **FALSE**
Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs
- 11) **A**
Diff: 2 Page Ref:
Topic: Cost Classifications
- 12) **E**
Diff: 2 Page Ref:
Topic: Raw Materials Inventory Turnover and Days' Sales
- 13) **B**
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 14) **TRUE**
Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting
- 15) **E**
Diff: 2 Page Ref:
Topic: Purpose of Managerial Accounting
- 16) **C**
Diff: 2 Page Ref:
Topic: Purpose of Managerial Accounting

Answer Key

Testname: CH1_STAT

17) TRUE

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

18) E

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

19) The components of the schedule of cost of goods manufactured are direct materials, direct labor, factory overhead, and computation of the cost of goods manufactured. Direct materials used is computed by taking beginning raw materials inventory, adding raw materials purchased, and subtracting the ending raw materials inventory (assuming all of the raw materials are direct materials). Direct labor is the cost of the workers whose efforts can be traced to individual units or batches of products. Factory overhead lists all of the indirect manufacturing costs. Finally, the direct materials, direct labor, and factory overhead are added to determine total manufacturing costs. Beginning work in process is added to total manufacturing costs; ending work in process is subtracted to determine the cost of goods manufactured.

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

20) A

Diff: 2 Page Ref:

Topic: Comparing Product and Period Costs; Manufacturing Costs

21) FALSE

Diff: 1 Page Ref:

Topic: Comparing Product and Period Costs

22) FALSE

Diff: 2 Page Ref:

Topic: Purpose of Managerial Accounting

23) Days' sales in raw materials inventory

Diff: 1 Page Ref:

Topic: Raw Materials Inventory Turnover and Days' Sales

24) E

Diff: 3 Page Ref:

Topic: Comparing Product and Period Costs

25) A

Diff: 3 Page Ref:

Topic: Cost Classifications

26) D

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

27) A

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

28) FALSE

Diff: 2 Page Ref:

Topic: Cost Classifications

Answer Key

Testname: CH1_STAT

29) The three basic cost elements in accounting for manufactured goods are direct material costs, direct labor costs, and factory overhead costs. Direct materials are tangible components of a finished product, separately and readily traced through the manufacturing process to finished goods. Direct labor is the efforts of employees who physically convert materials to finished products. Factory overhead consists of all manufacturing costs that are not direct materials or direct labor.

Diff: 2 Page Ref:

Topic: Comparing Product and Period Costs

30) product

Diff: 1 Page Ref:

Topic: Comparing Product and Period Costs

31) A

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

32) TRUE

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

33) D

Diff: 3 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

34) E

Diff: 1 Page Ref:

Topic: Balance Sheet

35) E

Diff: 3 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

36) (a) Sandburg Industries is the manufacturer. It has three types of inventories: raw materials, work in process, and finished goods. It converts materials to finished goods.

(b) Current Assets–Sandburg Industries:

Cash	\$ 7,000
Accounts Receivable	68,000
Raw Materials Inventory	21,000
Work in Process Inventory	40,000
Finished Goods Inventory	25,000
Prepaid Expenses	<u>2,000</u>
	<u>\$163,000</u>

Diff: 2 Page Ref:

Topic: Balance Sheet

37) TRUE

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

Answer Key

Testname: CH1_STAT

38)

Cost item	Variable or fixed cost?		Product or period cost?	
	Variable	Fixed	Product	Period
Executive salary		X		X
Direct labor	X		X	
Direct materials	X		X	
Depreciation of factory equipment		X	X	
Indirect labor	X		X	
Delivery expense	X			X
Television advertising		X		X
Indirect materials	X		X	

Diff: 2 Page Ref:

Topic: Cost Classification; Comparing Product and Period Costs

39) period

Diff: 1 Page Ref:

Topic: Comparing Product and Period Costs

40) D

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

41) prime

Diff: 1 Page Ref:

Topic: Comparing Product and Period Costs

42) The lean business model is a model whose main principle is the elimination of waste while satisfying the customer and providing a positive return to the company. It is based on the changes in the business environment—including an increased emphasis on customers and the expanding global economy. A primary force behind its adoption is competition, both domestic and international.

Diff: 2 Page Ref:

Topic: Trends in Managerial Accounting

Answer Key

Testname: CH1_STAT

43)

	Cost of Goods	Cost of Goods
	Manufactured	Sold
Beginning finished goods inventory	0	+
Ending finished goods inventory	0	-
Direct labor	+	0
Indirect labor	+	0
Beginning work in process inventory	+	0
Ending work in process inventory	-	0
General and administrative expenses	0	0
Indirect materials	+	0
Beginning raw materials inventory	+	0
Ending raw materials inventory	-	0
Raw material purchases	+	0
Depreciation of factory building	+	0
Cost of goods manufactured	0	+

Diff: 2 Page Ref:

Topic: Income Statement; Schedule of Cost of Goods Manufactured

44) Days' sales in raw materials inventory reveals how much raw materials inventory is available in terms of the number of days' sales.

Diff: 2 Page Ref:

Topic: Raw Materials Inventory Turnover and Days' Sales

45) D

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

46) just-in-time (JIT) or just-in-time manufacturing

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

47) B

Diff: 1 Page Ref:

Topic: Comparing Product and Period Costs

Answer Key

Testname: CH1_STAT

48)

Cost of Goods Manufactured:		
Direct materials used		\$ 46,800
Direct labor		81,000
Factory overhead		<u>106,000</u>
Total Manufacturing Costs		\$233,800
Add Beginning work in process inventory		<u>21,200</u>
Total work in process		255,000
Less Ending work in process inventory		<u>(20,000)</u>
Cost of Goods Manufactured		<u>\$235,000</u>

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

49) C

Diff: 2 Page Ref:

Topic: Income Statement

50) 1. F; 2. A; 3. B; 4. E; 5. D; 6. H; 7. I; 8. G; 9. J; 10. C

Diff: 1 Page Ref:

Topic: Raw Material Inventory Turnover and Days' Sales; Purpose of Managerial Accounting; Comparing Product and Period Costs; Balance Sheet; Trends in Managerial Accounting

51) Fraud

Diff: 1 Page Ref:

Topic: Fraud and Ethics in Managerial Accounting

52)

Jersey Metalworks Schedule of Cost of Goods Manufactured For Year Ended December 31		
Direct materials:		
Raw materials, January 1	\$	32,000

Answer Key

Testname: CH1_STAT

Raw materials purchases	<u>325,000</u>	
Raw materials available	\$357,000	
Less raw materials, December 31	<u>28,000</u>	
Direct materials used		\$329,000
Direct labor		268,000
Factory overhead costs:		
Depreciation expense-Factory equipment	\$ 52,400	
Factory supplies used	12,000	
Indirect labor	35,000	
Indirect material	24,000	
Factory insurance	15,500	
Factory utilities	14,000	
Factory maintenance	7,500	
Rent expense-Factory	<u>50,000</u>	
Total factory overhead costs		<u>210,400</u>
Total manufacturing costs		\$807,400
Work in process inventory, January 1		<u>33,780</u>
Total cost of work in process		\$841,180
Less work in process inventory, December 31		<u>37,460</u>
Cost of goods manufactured		<u>\$803,720</u>

Jersey Metalworks Income Statement For Year Ended December 31		
Sales		\$1,452,000
Less sales discounts		<u>29,000</u>

Answer Key

Testname: CH1_STAT

Net sales		\$1,423,000
Cost of goods sold		
Finished goods inventory, January 1	\$ 56,970	
Cost of goods manufactured	<u>803,720</u>	
Goods available for sale	860,690	
Less finished goods inventory, December 31	<u>62,000</u>	
Cost of goods sold		<u>798,690</u>
Gross profit from sales		624,310
Operating expenses		
Selling expenses		
Sales salaries expense	97,500	
Depreciation expense-Delivery vehicles	36,200	
Advertising expense	22,350	
Rent expense-Selling space	<u>24,000</u>	
Total selling expenses		180,050
General and administrative expenses		
Administrative salaries expense	135,000	
Depreciation expense-Office equipment	24,800	
Rent expense-Office space	<u>24,000</u>	
Total general and administrative expenses		<u>183,800</u>
Total operating expenses		<u>363,850</u>
Income before taxes		260,460
Income taxes expense		<u>91,500</u>
Net income		<u>\$168,960</u>

Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

53) A

Diff: 3 Page Ref:
Topic: Income Statement

54) D

Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

55) TRUE

Diff: 1 Page Ref:
Topic: Flow of Manufacturing Activities

56) A

Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

57) A

Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs

Answer Key

Testname: CH1_STAT

- 58) TRUE
Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs
- 59) TRUE
Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting
- 60) TRUE
Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting
- 61) An internal control system is the policies and procedures management used to a) urge adherence to company policies, b) promote efficient operations, c) ensure reliable accounting, and d) protect assets.
Diff: 2 Page Ref:
Topic: Purpose of Managerial Accounting
- 62) Work in process or goods in process
Diff: 1 Page Ref:
Topic: Balance Sheet
- 63) Managerial accounting
Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting
- 64) B
Diff: 3 Page Ref:
Topic: Income Statement
- 65) E
Diff: 3 Page Ref:
Topic: Income Statement
- 66) FALSE
Diff: 2 Page Ref:
Topic: Trends in Managerial Accounting
- 67) FALSE
Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting
- 68) A
Diff: 1 Page Ref:
Topic: Trends in Managerial Accounting

Answer Key

Testname: CH1_STAT

69)

Cost of Goods Manufactured and Sold:		
Beginning raw materials inventory	\$ 36,800	
Add: raw materials purchased	<u>21,500</u>	
	\$ 58,300	
Raw materials available		
Less Ending raw materials inventory	<u>(40,000)</u>	
Direct materials used		\$ 18,300
Direct labor		81,000
Factory overhead		<u>126,000</u>
Total Manufacturing Costs		\$225,300
Add Beginning work in process inventory		<u>21,200</u>
Total work in process		246,500
Less Ending work in process inventory		<u>(20,000)</u>
Cost of Goods Manufactured		<u>\$226,500</u>
Add Beginning finished goods inventory		<u>64,000</u>
Cost of Goods Available		\$290,500
Less: Ending finished goods inventory		<u>(46,000)</u>
Cost of Goods Sold		<u>\$244,500</u>

Diff: 3 Page Ref:

Topic: Income Statement; Schedule of Cost of Goods Manufactured

70) C

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

71) B

Diff: 1 Page Ref:

Topic: Comparing Product and Period Costs

72) Raw materials

Diff: 1 Page Ref:

Topic: Balance Sheet

73) A

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

Answer Key

Testname: CH1_STAT

74)

Cost of Goods Manufactured:		
Beginning raw materials inventory	\$ 26,800	
Add: raw materials purchased	<u>93,500</u>	
	\$ 120,300	
Raw materials available		
Less Ending raw materials inventory	<u>(30,100)</u>	
Direct materials used		\$ 90,200
Direct labor		61,000
Factory overhead		<u>117,300</u>
Total Manufacturing Costs		268,500
Add Beginning work in process inventory		<u>41,200</u>
Total work in process		309,700
Less Ending work in process inventory		<u>(39,000)</u>
Cost of Goods Manufactured		<u>\$270,700</u>

Diff: 3 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

75) internal; external

answers must appear in this order

Diff: 1 Page Ref:

Topic: Purpose of Managerial Accounting

76) D

Diff: 3 Page Ref:

Topic: Income Statement

77) TRUE

Diff: 1 Page Ref:

Topic: Purpose of Managerial Accounting

78) B

Diff: 2 Page Ref:

Topic: Flow of Manufacturing Activities

79) A

Diff: 3 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

80) \$22,500

Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory;
 $\$5,000 + \$21,500 - \$4,000$

Diff: 2 Page Ref:

Topic: Income Statement

81)

Stanton, Inc. Schedule of Cost of Goods Manufactured For Year Ended December 31		
Direct materials:		
Raw materials, January 1	\$5,000	
Raw material purchases	<u>125,000</u>	
Raw materials available	\$130,000	
Raw materials, December 31	<u>(4,000)</u>	
Direct materials used		\$126,000
Direct labor		68,000
Factory overhead costs:		
Depreciation of factory equipment	\$ 25,000	
Factory supplies used	9,000	
Factory insurance	15,500	
Factory utilities	14,000	
Factory maintenance	7,500	
Rent on factory building	25,000	
Repairs of factory equipment	<u>11,500</u>	
Total factory overhead costs		<u>107,500</u>
Total manufacturing costs		\$301,500
Work in Process inventory, January 1		<u>3,500</u>
Total work in process		\$305,000
Work in Process inventory, December 31		<u>(2,700)</u>
Cost of goods manufactured		<u><u>\$302,300</u></u>

Diff: 3 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

82) Prime costs are expenditures directly associated with the manufacture of finished goods and include direct materials and direct labor. Conversion costs are expenditures incurred in the converting raw materials into finished goods, and include direct labor and factory overhead.

Diff: 2 Page Ref:

Topic: Comparing Product and Period Costs

83) D

Diff: 1 Page Ref:

Topic: Comparing Product and Period Costs

84) TRUE

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

85) TRUE

Diff: 2 Page Ref:

Topic: Flow of Manufacturing Activities

Answer Key

Testname: CH1_STAT

86) Manufacturers carry three types of inventories: raw materials inventory, work in process inventory, and finished goods inventory. Raw materials inventory consists of goods a company acquires to use in making products. It can include both direct materials—those items that are used directly in a product and are clearly identified with a single unit or batch of product—and indirect materials—those items that cannot be clearly identified with specific units or batches of products. Work in Process, also called goods in process, are products in the process of being manufactured, but are not yet complete. Finished goods are completed products ready for sale.

Diff: 2 Page Ref:
Topic: Balance Sheet

87) TRUE

Diff: 1 Page Ref:
Topic: Trends in Managerial Accounting

88) TRUE

Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting

89) B

Diff: 2 Page Ref:
Topic: Cost Classifications

90) TRUE

Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting

91) C

Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs

92) E

Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting

93) E

Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

94) D

Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting

95) D

Diff: 3 Page Ref:
Topic: Cost Classifications

96) A

Diff: 2 Page Ref:
Topic: Income Statement

97) FALSE

Diff: 2 Page Ref:
Topic: Balance Sheet

98) A

Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

99) D

Diff: 3 Page Ref:
Topic: Income Statement

Answer Key

Testname: CH1_STAT

100) B

Diff: 2 Page Ref:

Topic: Flow of Manufacturing Activities

101) FALSE

Diff: 2 Page Ref:

Topic: Trends in Managerial Accounting

102) FALSE

Diff: 2 Page Ref:

Topic: Income Statement

103) FALSE

Diff: 1 Page Ref:

Topic: Purpose of Managerial Accounting

104) TRUE

Diff: 1 Page Ref:

Topic: Cost Classifications

105) E

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

106) TRUE

Diff: 2 Page Ref:

Topic: Income Statement

107) FALSE

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

108) The differences include: (1) Users and decision makers—Financial accounting focuses on external decision makers and managerial accounting focuses on internal decision makers. (2) Purpose of information—External users of financial accounting information must often decide whether to invest in, or lend to a company or whether to continue to own or carry the company's debt. Internal users of managerial accounting must plan a company's future, so the information must help them make planning and control decisions. (3) Flexibility of practice—Financial accounting relies on accepted principles that are enforced through an extensive set of rules and guidelines (GAAP); managerial accounting systems are flexible to meet the differing needs of managers in different situations. (4) Timeliness of information—Generally, financial information is not immediately available to external users because it must be audited; internal users can usually obtain managerial accounting information quickly because it does not need to be audited and estimates and projections are acceptable. (5) Time dimension—External financial reports deal primarily with the results of both past activities and current conditions and avoids predictions whenever possible; managerial accounting regularly includes prediction of conditions and events. (6) Focus of information—Financial accounting generally focuses on the entire organization; managerial accounting focuses on an organization's projects, processes, and subdivisions. (7) Nature of information—Both financial and managerial accounting report monetary information; managerial accounting also reports nonmonetary information.

Students would need to choose any three of the seven differences described above.

Diff: 2 Page Ref:

Topic: Purpose of Managerial Accounting

Answer Key

Testname: CH1_STAT

109) E

Diff: 3 Page Ref:
Topic: Income Statement

110) B

Diff: 2 Page Ref:
Topic: Raw Materials Inventory Turnover and Days' Sales

111) D

Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

112) While this particular incident resulted in a minor loss to this company, by ignoring the fraud, the company may be encouraging future incidents of fraud. The company should not overlook the fact that a number of small losses can add up to a significant loss to annual revenues.

Diff: 2 Page Ref:
Topic: Purpose of Managerial Accounting

113)

Cost item		Period cost	Product cost		
			Direct materials	Direct labor	Factory overhead
a.	Factory maintenance salary, \$40,000				\$40,000
b.	Salary of factory supervisor, \$70,000				\$70,000
c.	Salary of production worker, \$42,000			\$42,000	
d.	Salary of the company's president, \$100,000	\$100,000			
e.	Television advertising, \$25,000	\$25,000			
f.	Property tax on factory, \$15,000				\$15,000
g.	Sales commissions, \$65,000	\$65,000			
h.	Depreciation on factory equipment, \$17,000				\$17,000
i.	Plastic used in the manufacture of the discs, \$14,000		\$14,000		

Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs

114) B

Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

Answer Key

Testname: CH1_STAT

115) FALSE

Diff: 1 Page Ref:

Topic: Comparing Product and Period Costs

116) A

Diff: 1 Page Ref:

Topic: Cost Classifications

117) TRUE

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

118) Raw materials inventory turnover

Diff: 1 Page Ref:

Topic: Raw Materials Inventory Turnover and Days' Sales

119) TRUE

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

120)

(a) Prime Cost

Bakers' Salaries	\$24,000
Flour & Ingredients	<u>15,000</u>
Production Equipment	<u>32,000</u>
Prime Cost	<u>\$39,000</u>

(b) Conversation Cost

Bakers' Salaries	\$24,000
Management Salaries	16,000
Conversion Cost	<u>\$72,000</u>

Diff: 3 Page Ref:

Topic: Comparing Product and Period Costs

121) C

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

122) TRUE

Diff: 1 Page Ref:

Topic: Purpose of Managerial Accounting

123) In the calculation of cost of goods sold, the merchandiser adds cost of goods purchased to beginning merchandise inventory, then subtracts the ending merchandise inventory to get cost of goods sold. Since a manufacturer has three types of inventories—raw materials, work in process, and finished goods—the manufacturer replaces "merchandise inventory" with "finished goods" inventory. In addition, the manufacturer does not purchase its items for resale, but instead manufactures them, so replaces "cost of goods purchased" in the above calculation with "cost of goods manufactured."

Diff: 2 Page Ref:

Topic: Income Statement

124) A

Diff: 3 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

125) C

Diff: 2 Page Ref:

Topic: Comparing Product and Period Costs

126) TRUE

Diff: 1 Page Ref:

Topic: Purpose of Managerial Accounting

Answer Key

Testname: CH1_STAT

127) C

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

128) E

Diff: 2 Page Ref:

Topic: Purpose of Managerial Accounting

129)

Direct materials	\$19,650
Direct labor	15,210
Factory insurance	950
Factory supervisor salary	3,500
Indirect materials	<u>1,920</u>
Total	<u>\$41,230</u>

Diff: 2 Page Ref:

Topic: Comparing Product and Period Costs; Schedule of Cost of Goods Manufactured

130) A

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

131) E

Diff: 2 Page Ref:

Topic: Purpose of Managerial Accounting

132) A

Diff: 2 Page Ref:

Topic: Raw Materials Inventory Turnover and Days' Sales

133) E

Diff: 2 Page Ref:

Topic: Trends in Managerial Accounting

134) C

Diff: 1 Page Ref:

Topic: Balance Sheet

Answer Key

Testname: CH1_STAT

135)

Graffstone Company Schedule of Cost of Goods Manufactured For Month Ended June 30		
Direct materials		\$ 21,000
Direct labor		31,000
Factory overhead:		
Indirect material	\$ 6,400	
Indirect labor	9,200	
Factory rent	12,000	
Factory depreciation	15,000	
Factory utilities	<u>18,400</u>	
Total factory overhead costs		<u>61,000</u>
Total manufacturing costs		\$113,000
Add work in process inventory, May 31		<u>12,600</u>
Total work in process		\$125,600
Deduct work in process inventory, June 30		<u>16,500</u>
Cost of goods manufactured		<u><u>\$109,100</u></u>

Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

136) D

Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs

137) C

Diff: 3 Page Ref:
Topic: Raw Materials Inventory Turnover and Days' Sales

138) FALSE

Diff: 2 Page Ref:
Topic: Flow of Manufacturing Activities

139) TRUE

Diff: 1 Page Ref:
Topic: Trends in Managerial Accounting

140) TRUE

Diff: 2 Page Ref:
Topic: Balance Sheet

141) B

Diff: 2 Page Ref:
Topic: Raw Materials Inventory Turnover and Days' Sales

Answer Key

Testname: CH1_STAT

142)

	Period Cost	Product Cost	
		Prime Cost	Conversion Cost
Factory property taxes			X
Payroll taxes for assembly labor		X	X
Depreciation of factory equipment			X
Insurance on delivery vehicles	X		
Indirect materials used			X
Wages of production workers		X	X
Production supervisor's salary			X
Advertising	X		
Direct materials used		X	
Sales salaries	X		

Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs

143) FALSE

Diff: 1 Page Ref:
Topic: Balance Sheet

144) A

Diff: 1 Page Ref:
Topic: Trends in Managerial Accounting

145) D

Diff: 2 Page Ref:
Topic: Raw Materials Inventory Turnover and Days' Sales

146) FALSE

Diff: 1 Page Ref:
Topic: Trends in Managerial Accounting

147) 1. F; 2. M; 3. F; 4. M; 5. F; 6. M; 7. M

Diff: 2 Page Ref:
Topic: Purpose of Managerial Accounting

148) TRUE

Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs

149) TRUE

Diff: 1 Page Ref:
Topic: Cost Classifications

150) FALSE

Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs

151) E

Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

Answer Key

Testname: CH1_STAT

152) B

Diff: 2 Page Ref:

Topic: Raw Materials Inventory Turnover and Days' Sales

153) lean business model

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

154) B

Diff: 3 Page Ref:

Topic: Cost Classifications

155) C

Diff: 2 Page Ref:

Topic: Cost Classifications

156) B

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

157) B

Diff: 1 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

158) D

Diff: 2 Page Ref:

Topic: Comparing Product and Period Costs

159) FALSE

Diff: 1 Page Ref:

Topic: Purpose of Managerial Accounting

160) customer orientation

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

161) Finished goods

Diff: 1 Page Ref:

Topic: Balance Sheet

162) A

Diff: 2 Page Ref:

Topic: Flow of Manufacturing Activities

163) FALSE

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

164)

Beginning finished goods inventory	\$ 68,000
Plus cost of goods manufactured	147,000
Less ending finished goods inventory	<u>-77,000</u>
Cost of goods sold	<u>\$138,000</u>

Diff: 2 Page Ref:

Topic: Income Statement

165) Control

Diff: 1 Page Ref:

Topic: Purpose of Managerial Accounting

Answer Key

Testname: CH1_STAT

166) fixed

Diff: 1 Page Ref:
Topic: Cost Classification

167) B

Diff: 2 Page Ref:
Topic: Cost Classifications

168) D

Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

169) D

Diff: 1 Page Ref:
Topic: Income Statement

170) E

Diff: 2 Page Ref:
Topic: Raw Materials Inventory Turnover and Days' Sales

171) work in process

Diff: 1 Page Ref:
Topic: Balance Sheet

172) 1. G; 2. J; 3. E; 4. H; 5. I; 6. C; 7. A; 8. F; 9. D; 10. B

Diff: 1 Page Ref:
Topic: Cost Classification; Comparing Product and Period Costs

173) D

Diff: 3 Page Ref:
Topic: Comparing Product and Period Costs

174) C

Diff: 1 Page Ref:
Topic: Flow of Manufacturing Activities

175) FALSE

Diff: 1 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

176) FALSE

Diff: 2 Page Ref:
Topic: Flow of Manufacturing Activities

177) E

Diff: 1 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

178) E

Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs

179)	Units	Cost
Beginning inventory	60 yards	\$720
Materials purchased	850 yards	\$10,200
Less: Materials used	800 yards	\$9,600
Ending inventory	110 yards	\$1,320

Diff: 3 Page Ref:
Topic: Balance Sheet

Answer Key

Testname: CH1_STAT

- 180) TRUE
Diff: 2 Page Ref:
Topic: Trends in Managerial Accounting
- 181) D
Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs
- 182) TRUE
Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting
- 183) TRUE
Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting
- 184) TRUE
Diff: 2 Page Ref:
Topic: Flow of Manufacturing Activities
- 185) E
Diff: 2 Page Ref:
Topic: Purpose of Managerial Accounting
- 186) cost of goods manufactured
Diff: 1 Page Ref:
Topic: Income Statement
- 187) B
Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs
- 188) FALSE
Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs
- 189) D
Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs; Manufacturing Costs
- 190) FALSE
Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs
- 191) Fraud involves the use of one's job for personal gain through deliberate misuse of an employer's assets. Examples are theft of cash or other assets, overstating reimbursable expenses, payroll schemes, billing schemes, and financial statement fraud.

Students would need to list any two of the five examples described above.

Diff: 2 Page Ref:
Topic: Purpose of Managerial Accounting

- 192) B
Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs

Answer Key

Testname: CH1_STAT

193)

Beginning finished goods inventory	\$ 29,000
Plus cost of goods manufactured	316,000
Less ending finished goods inventory	<u>-31,000</u>
Cost of goods sold	<u>\$314,000</u>

Diff: 2 Page Ref:
Topic: Income Statement

194) E

Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs

195) TRUE

Diff: 1 Page Ref:
Topic: Trends in Managerial Accounting

196) D

Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs

197) FALSE

Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs

198) E

Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

199) TRUE

Diff: 1 Page Ref:
Topic: Cost Classifications

200) A

Diff: 2 Page Ref:
Topic: Income Statement

201) FALSE

Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs

202) E

Diff: 1 Page Ref:
Topic: Balance Sheet

203) TRUE

Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting

204) Ethics

Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting

205) D

Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

206) FALSE

Diff: 2 Page Ref:
Topic: Trends in Managerial Accounting

Answer Key

Testname: CH1_STAT

207) cost of goods manufactured

Diff: 1 Page Ref:
Topic: Income Statement

208) TRUE

Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs

209) E

Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs

210) fixed; variable

answers may appear in any order

Diff: 2 Page Ref:
Topic: Cost Classification

211)

Cost item	Product or period cost?		Direct or indirect cost?	
	Product	Period	Direct	Indirect
Administrative salaries		X		
Direct labor	X		X	
Advertising		X		
Property tax on the factory	X			X
Factory maintenance	X			X
Direct materials	X		X	
Depreciation on factory equipment	X			X
Interest expense		X		
Factory supplies	X			X

Diff: 2 Page Ref:
Topic: Cost Classification; Comparing Product and Period Costs

212) D

Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs

213) TRUE

Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs

214) TRUE

Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting

Answer Key

Testname: CH1_STAT

215)

Cost of Goods Manufactured		
Direct materials:		
Raw material inventory, beginning	\$ 53,200	
Raw materials purchases	<u>210,000</u>	
Raw materials available	\$263,200	
Less raw materials inventory, ending	<u>(58,100)</u>	
Direct materials used		\$205,100
Direct labor		149,800
Total factory Overhead		<u>105,000</u>
Total manufacturing costs		\$459,900
Add work in process inventory, beginning		<u>78,400</u>
Total manufacturing costs		\$538,300
Less work in process inventory, ending		<u>(98,000)</u>
Cost of goods manufactured		<u><u>\$ 440,300</u></u>

Diff: 3 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

216) E

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

217)

Indirect labor	\$36,700
Factory maintenance	4,800
Factory utilities	3,200
Insurance on plant and equipment	<u>700</u>
Total factory overhead	<u><u>\$45,400</u></u>

Diff: 2 Page Ref:

Topic: Comparing Product and Period Costs; Schedule of Cost of Goods Manufactured

218) FALSE

Diff: 1 Page Ref:

Topic: Raw Materials Inventory Turnover and Days' Sales

219) C

Diff: 1 Page Ref:

Topic: Comparing Product and Period Costs

220) C

Diff: 2 Page Ref:

Topic: Cost Classifications

Answer Key

Testname: CH1_STAT

221)

	Cost by behavior		Cost by function	
	Variable	Fixed	Product	Period
Fabric for seats	X		X	
Assembly labor	X		X	
Factory property taxes		X	X	
Accounting staff salaries		X		X
Sales office rent		X		X
Sales manager's salary		X		X
Depreciation on factory Equipment		X	X	
Sales commissions	X			X

Diff: 2 Page Ref:

Topic: Cost Classification; Comparing Product and Period Costs

222) B

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

223) Managerial accounting is an activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers. It helps managers with three key tasks: 1) determining the costs of an organization's products and services, 2) planning future activities, and 3) comparing actual results to planned results.

Diff: 2 Page Ref:

Topic: Purpose of Managerial Accounting

224)

Work in process inventory, beginning	\$32,500
Direct materials used in production	65,400
Direct labor used	44,000
Total factory overhead used	101,600
Less: Cost of goods manufactured	(212,900)
Work in process inventory, ending	<u>\$ 30,600</u>

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

225) D

Diff: 2 Page Ref:

Topic: Schedule of Cost of Goods Manufactured

226) D

Diff: 1 Page Ref:

Topic: Trends in Managerial Accounting

227) A

Diff: 2 Page Ref:

Topic: Income Statement

Answer Key

Testname: CH1_STAT

- 228) internal control
Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting
- 229) TRUE
Diff: 1 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 230) B
Diff: 1 Page Ref:
Topic: Cost Classifications
- 231) TRUE
Diff: 1 Page Ref:
Topic: Balance Sheet
- 232) E
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 233) B
Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 234) TRUE
Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs
- 235) TRUE
Diff: 1 Page Ref:
Topic: Income Statement
- 236) TRUE
Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs
- 237) FALSE
Diff: 2 Page Ref:
Topic: Flow of Manufacturing Activities
- 238) C
Diff: 1 Page Ref:
Topic: Comparing Product and Period Costs
- 239) C
Diff: 2 Page Ref:
Topic: Income Statement
- 240) B
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 241) FALSE
Diff: 1 Page Ref:
Topic: Purpose of Managerial Accounting
- 242) A
Diff: 3 Page Ref:
Topic: Schedule of Cost of Goods Manufactured
- 243) FALSE
Diff: 2 Page Ref:
Topic: Comparing Product and Period Costs; Income Statement

Answer Key

Testname: CH1_STAT

244)

LEWIS, INC.:

Beginning merchandise inventory	\$250,000
Plus cost of goods purchased	460,000
Less ending merch. inventory	<u>(128,000)</u>
Cost of goods sold	<u>\$582,000</u>
MERCER CO.:	
Beginning finished goods inventory	\$550,000
Plus cost of goods manufactured	688,000
Less ending finished goods inventory	<u>(350,000)</u>
Cost of goods sold	<u>\$888,000</u>

Diff: 3 Page Ref:
Topic: Income Statement

245) FALSE

Diff: 1 Page Ref:
Topic: Cost Classifications

246)

Raw Materials (Disks)	Units	Cost		
Beginning Balance	300	@ \$3	=	\$900
+Purchased	1,500	@ \$3	=	4,500
Available	1,800	@ \$3	=	5,400
-Used	(1,100)	@ \$3	=	(3,300)
Ending Balance	<u>700</u>	<u>@ \$3</u>	=	<u>\$2,100</u>

Diff: 2 Page Ref:
Topic: Schedule of Cost of Goods Manufactured

247) TRUE

Diff: 1 Page Ref:
Topic: Balance Sheet

248) Continuous improvement

Diff: 1 Page Ref:
Topic: Trends in Managerial Accounting

249) \$12,500

Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory;
\$2,000 + \$11,500 - \$1,000

Diff: 3 Page Ref:
Topic: Balance Sheet; Income Statement

Answer Key

Testname: CH1_STAT

250) Period costs are the expenditures that are charged to expense in the income statement because they are more identified with a time period rather than with finished products. Product costs are expenditures necessary and integral to finished products that are capitalized to inventory and then become cost of goods sold when the goods are sold

Diff: 2 Page Ref:

Topic: Comparing Product and Period Costs

251) TRUE

Diff: 1 Page Ref:

Topic: Comparing Product and Period Costs

252) FALSE

Diff: 1 Page Ref:

Topic: Cost Classifications

253) A

Diff: 3 Page Ref:

Topic: Schedule of Cost of Goods Manufactured