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Student: ____

1. The cost of factory machinery purchased last year is
   A. an opportunity cost.
   B. a differential cost.
   C. a direct materials cost.
   D. a sunk cost.

2. Direct materials cost is a: I. Period Cost or II. Product Cost
   A. Only I
   B. Neither I nor II
   C. Only II
   D. Both I and II

3. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
   Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   In making his decision, Noel would consider the differential cost to be
   A. £50.
   B. £200.
   C. £150.
   D. £500

4. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
   Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   In this decision, Noel would consider the sunk cost to be
   A. £50.
   B. £650.
   C. £700.
   D. £500.

5. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
   Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   In this decision the company is better off by:
   A. £150.
   B. £350.
   C. £300.
   D. £0.

6. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
   Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   If Noel produced 100 units his fixed cost per unit would be:
   A. £10,000.
   B. £100.
   C. £1,000.
   D. £0.

7. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
   Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   In this decision, Noel would consider the relevant material cost to be:
   A. £300.
   B. £650.
   C. £600.
   D. £0.

8. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
   Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   If Noel produced only one unit his total cost would be:
   A. £10,010.
   B. £10,000.
   C. £10,100.
   D. £10.

9. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
   Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   If Noel produced 10,000 units his fixed cost per unit would be:
   A. £1.
   B. £100.
   C. £1,000.
   D. £0.

10. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
   Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   If Noel produced 100 units his total cost would be:
   A. £10,010.
   B. £11,000.
   C. £11,100.
   D. £1,000.

11. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
   Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   In this decision, Noel would consider the sunk cost to be:
   A. £500.
   B. £650.
   C. £600.
   D. £300.

12. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
   Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   If Noel produced only one unit his fixed cost per unit would be:
   A. £10,000.
   B. £100.
   C. £1,000.
   D. £0.

13. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204.
Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

    If Noel produced 1,000 units his total cost would be:
    A. £20,000.
    B. £21,000.
    C. £12,100.
    D. £11,000.

14. Conversion cost was:
    Morton Company's manufacturing costs last year were as follows:

Direct materials.............................	£300,000
Direct labour................................	400,000
Manufacturing overhead:	
Variable....................................	80,000
Fixed...	50,000

    A. £400,000.
    B. £480,000.
    C. £530,000.
    D. £830,000.

15. Prime cost was:
    Data for Morton Co:

Direct materials.............................	£300,000
Direct labour................................	400,000
Manufacturing overhead:	
Variable....................................	80,000
Fixed...	50,000

    A. £300,000.
    B. £380,000.
    C. £700,000.
    D. £830,000.

16. A direct cost is a cost that can be easily traced to the particular cost object under consideration.
    True   False

17. At a sales volume of 40,000 units, Lonnie Company's total fixed costs are £40,000 and total variable costs are £60,000.
The relevant range is 30,000 to 50,000 units.

    If Lonnie were to sell 50,000 units, the total expected cost per unit would be:
    A. £2.20.
    B. £2.30.
    C. £2.50.
    D. £2.00.

18. At a sales volume of 40,000 units, Lonnie Company's total fixed costs are £40,000 and total variable costs are £60,000.
The relevant range is 30,000 to 50,000 units.

    If Lonnie were to sell 42,000 units, the total expected cost would be:
    A. £105,000.
    B. £100,000.
    C. £103,000.
    D. £102,000.

19. Which of the following costs would be included both as part of prime cost and as part of conversion cost
    A. Direct materials.
    B. Direct labour.
    C. Manufacturing overhead.
    D. None of these.

20. A department accepts a new order from a customer. It has already incurred £100 for design costs. It has also incurred costs of £200 for visits by sales staff. If the order is accepted a quality inspector will be transferred from another department. The inspector earns £20,000 per year. If the order is accepted there will be additional training costs of £700.

    In this decision the differential costs for visits by staff are:
    A. £0.
    B. £100.
    C. £200.
    D. £300.

21. A department accepts a new order from a customer. It has already incurred £100 for design costs. It has also incurred costs of £200 for visits by sales staff. If the order is accepted a quality inspector will be transferred from another department. The inspector earns £20,000 per year. If the order is accepted there will be additional training costs of £700.

    In this decision the differential design costs are:
    A. £0.
    B. £100.
    C. £200.
    D. £300.

22. A department accepts a new order from a customer. It has already incurred £100 for design costs. It has also incurred costs of £200 for visits by sales staff. If the order is accepted a quality inspector will be transferred from another department. The inspector earns £20,000 per year. If the order is accepted there will be additional training costs of £700.

    In this decision the differential costs for the inspector are:
    A. £0.
    B. £100.
    C. £20,000.
    D. £300.

23. A department accepts a new order from a customer. It has already incurred £100 for design costs. It has also incurred costs of £200 for visits by sales staff. If the order is accepted a quality inspector will be transferred from another department. The inspector earns £20,000 per year. If the order is accepted there will be additional training costs of £700.

    In this decision the sunk costs are:
    A. £20,000.
    B. £100.
    C. £200.
    D. £300.

24. A department accepts a new order from a customer. It has already incurred £100 for design costs. It has also incurred costs of £200 for visits by sales staff. If the order is accepted a quality inspector will be transferred from another department. The inspector earns £20,000 per year. If the order is accepted there will be additional training costs of £700.

    In this decision the differential costs total:
    A. £0.
    B. £300.
    C. £20,700.
    D. £700.

25. The cost of goods manufactured (finished) for the year (in thousands of pounds) was:
The following data (in thousands of pounds) have been taken from the accounting records of Karmint Corporation for the just completed year:

Sales	£830
Raw materials inventory, beginning	£50
Raw materials inventory, ending	£40
Purchases of raw materials	£150
Direct labour	£140
Manufacturing overhead	£160
Administrative expenses	£120
Selling expenses	£150
Work in process inventory, beginning	£30
Work in process inventory, ending	£50
Finished goods inventory, beginning	£80
Finished goods inventory, ending	£100

A. £480.
B. £490.
C. £440.
D. £510.

26. The net operating profit for the year (in thousands of pounds) was:
The following data (in thousands of pounds) have been taken from the accounting records of Karmint Corporation for the just completed year:

Sales	£830
Raw materials inventory, beginning	£50
Raw materials inventory, ending	£40
Purchases of raw materials	£150
Direct labour	£140
Manufacturing overhead	£160
Administrative expenses	£120
Selling expenses	£150
Work in process inventory, beginning	£30
Work in process inventory, ending	£50
Finished goods inventory, beginning	£80
Finished goods inventory, ending	£100

A. £140.
B. £170.
C. £110.
D. £410.

27. The cost of goods sold for the year (in thousands of pounds) was
The following data (in thousands of pounds) have been taken from the accounting records of Karmint Corporation for the just completed year:

Sales	£830
Raw materials inventory, beginning	£50
Raw materials inventory, ending	£40
Purchases of raw materials	£150
Direct labour	£140
Manufacturing overhead	£160
Administrative expenses	£120
Selling expenses	£150
Work in process inventory, beginning	£30
Work in process inventory, ending	£50
Finished goods inventory, beginning	£80
Finished goods inventory, ending	£100

A. £540.
B. £420.
C. £460.
D. £520.

28. The cost of the raw materials used in production during the year (in thousands of pounds) was:
The following data (in thousands of pounds) have been taken from the accounting records of Karmint Corporation for the just completed year:

Sales	£830
Raw materials inventory, beginning	£50
Raw materials inventory, ending	£40
Purchases of raw materials	£150
Direct labour	£140
Manufacturing overhead	£160
Administrative expenses	£120
Selling expenses	£150
Work in process inventory, beginning	£30
Work in process inventory, ending	£50
Finished goods inventory, beginning	£80
Finished goods inventory, ending	£100

A. £190.
B. £160.
C. £140.
D. £200.

29. Which of the following combinations of costs make up conversion cost
A. Direct materials cost and manufacturing overhead cost.
B. Direct labour cost and manufacturing overhead cost.
C. Marketing cost and administrative cost.
D. Direct materials costs and direct labour cost.

30. In general only the differences between alternatives are relevant to decisions
True False

31. A sunk cost is
A. a cost that may be saved by not adopting an alternative.
B. a cost that may be shifted to the future with little or no effect on current operations.
C. a cost that cannot be avoided because it has already been incurred.
D. a cost which does not entail any pound outlay but which is relevant to the decision-making process.

32. What was the cost of goods manufactured for the month?
Last month a manufacturing company had the following operating results:

Beginning finished goods inventory	£84,000
Ending finished goods inventory	£71,000
Sales	£505,000
Gross margin	£63,000

A. £429,000
B. £492,000
C. £442,000
D. £455,000

33. The three cost elements ordinarily included in the stock cost of a manufactured product are direct materials, direct labour, and marketing costs
True False

34. In a manufacturing company, direct labour costs combined with direct materials costs are known as
A. period costs.
B. conversion costs.
C. prime costs.
D. opportunity cost.

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

36. During the month of May, Cassidy Manufacturers incurred £30,000, £40,000 and £20,000 of direct material, direct labour and manufacturing overhead costs respectively. If the cost of goods manufactured was £95,000 and the ending work in process inventory was £15,000, the beginning inventory of work in process must have been
A. £ 10,000.
B. £ 20,000.
C. £110,000.
D. £ 5,000.

37. Abburi Company's manufacturing overhead is 60% of its total conversion costs. If direct labour is £52,000 and if direct materials are £28,000, the manufacturing overhead is
A. £34,667.
B. £78,000.
C. £42,000.
D. £120,000.

38. Higgins Company's manufacturing overhead is 40% of its total conversion costs. If direct labour is £18,000 and if direct materials are £24,000, the manufacturing overhead is
A. £27,000.
B. £28,000.
C. £16,000.
D. £12,000.

39. When volume or level of activity decreases, variable costs will
    A. increase per unit.
    B. increase in total.
    C. decrease in total.
    D. decrease per unit.

40. In April direct labour was 70% percent of conversion cost. If the manufacturing overhead cost for the month was £42,000 and the direct materials cost was £28,000, the direct labour cost was
    A. £98,000.
    B. £65,333.
    C. £18,000.
    D. £12,000.

41. Which of the following statements is correct in describing manufacturing overhead costs
    A. Manufacturing overhead when combined with direct material cost forms conversion cost.
    B. Manufacturing overhead consists of all manufacturing cost except for prime cost.
    C. Manufacturing overhead is a period cost.
    D. Manufacturing overhead when combined with direct labour cost forms prime cost.

42. The potential benefit that is given up when one alternative is selected over another is called a sunk cost
    True False

43. Conversion costs during the month totaled:
    The following costs were incurred in May:

Direct materials...........................	£41,000
Direct labour.............................	£13,000
Manufacturing overhead.............	£46,000
Selling expenses..........................	£18,000
Administrative expenses.............	£15,000

    A. £54,000.
    B. £133,000.
    C. £59,000.
    D. £87,000.

44. The cost of goods that have been completed but are not yet sold are part of work in process inventory
    True False

45. Conversion costs during the month totaled:
The following costs were incurred in June:

Direct materials.....................	£37,000
Direct labour..........................	£28,000
Manufacturing overhead.........	£36,000
Selling expenses....................	£12,000
Administrative expenses.........	£20,000

A. £133,000.
B. £73,000.
C. £65,000.
D. £64,000.

46. All of the following costs would be found in a company's accounting records except:
A. sunk cost.
B. opportunity cost.
C. indirect costs.
D. direct costs.

47. Gable Inc. is a merchandising company. Last month the company's merchandise purchases totaled £86,000. The company's beginning merchandise inventory was £15,000 and its ending merchandise inventory was £11,000. What was the company's cost of goods sold for the month
A. £86,000
B. £112,000
C. £82,000
D. £90,000

48. Within the relevant range
A. variable cost per unit decreases as production decreases.
B. fixed cost per unit increases as production decreases.
C. fixed cost per unit decreases as production decreases.
D. variable cost per unit increases as production decreases.

49. Commissions paid to salespersons are a variable selling expense
True False

50. During April, the cost of goods manufactured was £74,000. The beginning finished goods inventory was £17,000 and the ending finished goods inventory was £14,000. What was the cost of goods sold for the month
A. £74,000
B. £71,000
C. £77,000
D. £105,000

51. Variable costs are costs that vary, in total, in direct proportion to changes in the volume or level of activity
True False

52. The cost of goods manufactured is included in the cost of goods available for sale in a manufacturing company
True False

53. Depreciation on manufacturing equipment is a period cost
True False

54. The cost of goods manufactured is computed by deducting the beginning inventory of work in process from the total manufacturing costs incurred during a given period.
True False

55. In June direct labour was 60% percent of conversion cost. If the manufacturing overhead cost for the month was £36,000 and the direct materials cost was £22,000, the direct labour cost was
A. £33,000.
B. £14,667.
C. £24,000.
D. £54,000.

56. All of the following can be differential costs except
A. variable costs.
B. sunk costs.
C. opportunity costs.
D. fixed costs.

57. Direct labour combined with direct materials is known as prime cost
True False

58. Which of the following would most likely be included as part of manufacturing overhead in the production of a wooden table
A. The amount paid to the individual who stains the table.
B. The commission paid to the salesperson who sold the table.
C. Rent of the factory.
D. The cost of the wood used in the table.

59. Like product costs, period costs are not necessarily treated as expenses in the period in which they are incurred
True False

60. Wages paid to the factory supply shop foreman are considered an example of: I. Direct Labour or II. Period Cost
A. Both I and II
B. Only I
C. Only II
D. Neither I nor II

61. Salaries and wages incurred in the factory would be product costs
True False

62. Conversion costs during the month totalled:
The following costs were incurred in April:

Direct materials......................	£18,000
Direct labour..........................	£21,000
Manufacturing overhead.........	£33,000
Selling expenses.....................	£14,000
Administrative expenses.........	£19,000

A. £39,000.
B. £54,000.
C. £105,000.
D. £51,000.

63. Differential costs do not include fixed costs.
True False

64. The variable portion of the cost of electricity for a manufacturing plant is a: I. Conversion Cost or II. Period Cost
A. Only I
B. Both I and II
C. Only II
D. Neither I nor II

65. During June, the cost of goods manufactured was £71,000. The beginning finished goods inventory was £18,000 and the ending finished goods inventory was £11,000. What was the cost of goods sold for the month
A. £64,000
B. £100,000
C. £71,000
D. £78,000

66. Gabriel Inc. is a merchandising company. Last month the company's merchandise purchases totaled £70,000. The company's beginning merchandise inventory was £15,000 and its ending merchandise inventory was £22,000. What was the company's cost of goods sold for the month
A. £63,000
B. £77,000
C. £107,000
D. £70,000

67. Access the report by Fitzgerald, Johnston, Brignall, Silvestro and Voss (1991) mentioned on page 32 of Chapter 2. Discuss the differences that you see between costing for service industries and manufacturing. Give examples

68. Explain why in practice it is important to distinguish between period and product costs?

69. Define the following
Direct cost, indirect cost, variable cost, fixed cost,

70. Define the following.
Prime cost, conversion cost & manufacturing overhead

71. Define the following.
Product cost & period cost

2 Key

1. The cost of factory machinery purchased last year is
   A. an opportunity cost.
   B. a differential cost.
   C. a direct materials cost.
   D. a sunk cost.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #1

2. Direct materials cost is a: I. Period Cost or II. Product Cost
   A. Only I
   B. Neither I nor II
   C. Only II
   D. Both I and II

2 Distinguish between product costs and period costs and give examples of each
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #2

3. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   In making his decision, Noel would consider the differential cost to be
   A. £50.
   B. £200.
   C. £150.
   D. £500

3 Prepare a schedule of cost of goods manufactured
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #3

4. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
   Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

   In this decision, Noel would consider the sunk cost to be
   A. £50.
   B. £650.
   C. £700.
   D. £500.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #4

5. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

In this decision the company is better off by:
A. £150.
B. £350.
C. £300.
D. £0.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #5

6. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

If Noel produced 100 units his fixed cost per unit would be:
A. £10,000.
B. £100.
C. £1,000.
D. £0.

6 Identify and give examples of variable costs and fixed costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #6

7. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

In this decision, Noel would consider the relevant material cost to be:
A. £300.
B. £650.
C. £600.
D. £0.

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #7

8. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

If Noel produced only one unit his total cost would be:
A. £10,010.
B. £10,000.
C. £10,100.
D. £10.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #8

9. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

If Noel produced 10,000 units his fixed cost per unit would be:
A. £1.
B. £100.
C. £1,000.
D. £0.

6 Identify and give examples of variable costs and fixed costs
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #9

10. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

If Noel produced 100 units his total cost would be:
A. £10,010.
B. £11,000.
C. £11,100.
D. £1,000.

6 Identify and give examples of variable costs and fixed costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #10

11. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

In this decision, Noel would consider the sunk cost to be:
A. £500.
B. £650.
C. £600.
D. £300.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #11

12. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

If Noel produced only one unit his fixed cost per unit would be:
A. £10,000.
B. £100.
C. £1,000.
D. £0.

6 Identify and give examples of variable costs and fixed costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #12

13. Noel Stewart bought a machine two years ago for £500. He must now replace the old machine by buying a new model 206 for £700 or a used model 204 for £650. Noel has decided to buy model 204. Noel Stewart has estimated that the total fixed costs for his department are £10,000. He also estimated that his variable cost per unit is £10.
Noel Stewart bought some materials 2 years ago for £300. These materials have simply been left in stock as they were not needed. A new customer offers to buy a product that uses these materials. The conversion cost is £500 and the customer has offered to pay £650 for the product. Noel decides to accept the order.

If Noel produced 1,000 units his total cost would be:
A. £20,000.
B. £21,000.
C. £12,100.
D. £11,000.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #13

14. Conversion cost was:
Morton Company's manufacturing costs last year were as follows:

Direct materials.............................	£300,000
Direct labour.................................	400,000
Manufacturing overhead:	
Variable....................................	80,000
Fixed...	50,000

A. £400,000.
B. £480,000.
C. £530,000.
D. £830,000.

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #14

15. Prime cost was:
Data for Morton Co:

Direct materials.............................	£300,000
Direct labour.................................	400,000
Manufacturing overhead:	
Variable....................................	80,000
Fixed...	50,000

A. £300,000.
B. £380,000.
C. £700,000.
D. £830,000.

1 Identify each of the three basic cost elements involved in the manufacture of a product
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #15

16. A direct cost is a cost that can be easily traced to the particular cost object under consideration.
TRUE

7 Define and give examples of direct and indirect costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #16

17. At a sales volume of 40,000 units, Lonnie Company's total fixed costs are £40,000 and total variable costs are £60,000.
The relevant range is 30,000 to 50,000 units.

If Lonnie were to sell 50,000 units, the total expected cost per unit would be:
A. £2.20.
B. £2.30.
C. £2.50.
D. £2.00.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #17

18. At a sales volume of 40,000 units, Lonnie Company's total fixed costs are £40,000 and total variable costs are £60,000.
The relevant range is 30,000 to 50,000 units.

If Lonnie were to sell 42,000 units, the total expected cost would be:
A. £105,000.
B. £100,000.
C. £103,000.
D. £102,000.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #18

19. Which of the following costs would be included both as part of prime cost and as part of conversion cost
A. Direct materials.
B. Direct labour.
C. Manufacturing overhead.
D. None of these.

1 Identify each of the three basic cost elements involved in the manufacture of a product
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #19

20. A department accepts a new order from a customer. It has already incurred £100 for design costs. It has also incurred costs of £200 for visits by sales staff. If the order is accepted a quality inspector will be transferred from another department. The inspector earns £20,000 per year. If the order is accepted there will be additional training costs of £700.

In this decision the differential costs for visits by staff are:
A. £0.
B. £100.
C. £200.
D. £300.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #20

21. A department accepts a new order from a customer. It has already incurred £100 for design costs. It has also incurred costs of £200 for visits by sales staff. If the order is accepted a quality inspector will be transferred from another department. The inspector earns £20,000 per year. If the order is accepted there will be additional training costs of £700.

In this decision the differential design costs are:
A. £0.
B. £100.
C. £200.
D. £300.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #21

22. A department accepts a new order from a customer. It has already incurred £100 for design costs. It has also incurred costs of £200 for visits by sales staff. If the order is accepted a quality inspector will be transferred from another department. The inspector earns £20,000 per year. If the order is accepted there will be additional training costs of £700.

In this decision the differential costs for the inspector are:
A. £0.
B. £100.
C. £20,000.
D. £300.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #22

23. A department accepts a new order from a customer. It has already incurred £100 for design costs. It has also incurred costs of £200 for visits by sales staff. If the order is accepted a quality inspector will be transferred from another department. The inspector earns £20,000 per year. If the order is accepted there will be additional training costs of £700.

In this decision the sunk costs are:
A. £20,000.
B. £100.
C. £200.
D. £300.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #23

24. A department accepts a new order from a customer. It has already incurred £100 for design costs. It has also incurred costs of £200 for visits by sales staff. If the order is accepted a quality inspector will be transferred from another department. The inspector earns £20,000 per year. If the order is accepted there will be additional training costs of £700.

In this decision the differential costs total:
A. £0.
B. £300.
C. £20,700.
D. £700.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #24

25. The cost of goods manufactured (finished) for the year (in thousands of pounds) was:
The following data (in thousands of pounds) have been taken from the accounting records of Karmint Corporation for the just completed year:

Sales	£830
Raw materials inventory, beginning	£50
Raw materials inventory, ending	£40
Purchases of raw materials	£150
Direct labour	£140
Manufacturing overhead	£160
Administrative expenses	£120
Selling expenses	£150
Work in process inventory, beginning	£30
Work in process inventory, ending	£50
Finished goods inventory, beginning	£80
Finished goods inventory, ending	£100

A. £480.
B. £490.
C. £440.
D. £510.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Advanced
Seal - Chapter 002
Seal - Chapter 02 #25

26. The net operating profit for the year (in thousands of pounds) was:
The following data (in thousands of pounds) have been taken from the accounting records of Karmint Corporation for the just completed year:

Sales	£830
Raw materials inventory, beginning	£50
Raw materials inventory, ending	£40
Purchases of raw materials	£150
Direct labour	£140
Manufacturing overhead	£160
Administrative expenses	£120
Selling expenses	£150
Work in process inventory, beginning	£30
Work in process inventory, ending	£50
Finished goods inventory, beginning	£80
Finished goods inventory, ending	£100

A. £140.
B. £170.
C. £110.
D. £410.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #26

27. The cost of goods sold for the year (in thousands of pounds) was
The following data (in thousands of pounds) have been taken from the accounting records of Karmint Corporation for the just completed year:

Sales	£830
Raw materials inventory, beginning	£50
Raw materials inventory, ending	£40
Purchases of raw materials	£150
Direct labour	£140
Manufacturing overhead	£160
Administrative expenses	£120
Selling expenses	£150
Work in process inventory, beginning	£30
Work in process inventory, ending	£50
Finished goods inventory, beginning	£80
Finished goods inventory, ending	£100

A. £540.
B. £420.
C. £460.
D. £520.

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #27

28. The cost of the raw materials used in production during the year (in thousands of pounds) was:
The following data (in thousands of pounds) have been taken from the accounting records of Karmint Corporation for the just completed year:

Sales	£830
Raw materials inventory, beginning	£50
Raw materials inventory, ending	£40
Purchases of raw materials	£150
Direct labour	£140
Manufacturing overhead	£160
Administrative expenses	£120
Selling expenses	£150
Work in process inventory, beginning	£30
Work in process inventory, ending	£50
Finished goods inventory, beginning	£80
Finished goods inventory, ending	£100

A. £190.
B. £160.
C. £140.
D. £200.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #28

29. Which of the following combinations of costs make up conversion cost
A. Direct materials cost and manufacturing overhead cost.
B. Direct labour cost and manufacturing overhead cost.
C. Marketing cost and administrative cost.
D. Direct materials costs and direct labour cost.

1 Identify each of the three basic cost elements involved in the manufacture of a product
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #29

30. In general only the differences between alternatives are relevant to decisions
TRUE

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #30

31. A sunk cost is
A. a cost that may be saved by not adopting an alternative.
B. a cost that may be shifted to the future with little or no effect on current operations.
C. a cost that cannot be avoided because it has already been incurred.
D. a cost which does not entail any pound outlay but which is relevant to the decision-making process.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #31

32. What was the cost of goods manufactured for the month?
Last month a manufacturing company had the following operating results:

Beginning finished goods inventory	£84,000
Ending finished goods inventory	£71,000
Sales	£505,000
Gross margin	£63,000

A. £429,000
B. £492,000
C. £442,000
D. £455,000

3 Prepare a schedule of cost of goods manufactured
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #32

33. The three cost elements ordinarily included in the stock cost of a manufactured product are direct materials, direct labour, and marketing costs
FALSE

1 Identify each of the three basic cost elements involved in the manufacture of a product
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #33

34. In a manufacturing company, direct labour costs combined with direct materials costs are known as
A. period costs.
B. conversion costs.
C. prime costs.
D. opportunity cost.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #34

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

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #35

36. During the month of May, Cassidy Manufacturers incurred £30,000, £40,000 and £20,000 of direct material, direct labour and manufacturing overhead costs respectively. If the cost of goods manufactured was £95,000 and the ending work in process inventory was £15,000, the beginning inventory of work in process must have been

A. £ 10,000.
B. £ 20,000.
C. £110,000.
D. £ 5,000.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #36

37. Abburi Company's manufacturing overhead is 60% of its total conversion costs. If direct labour is £52,000 and if direct materials are £28,000, the manufacturing overhead is

A. £34,667.
B. £78,000.
C. £42,000.
D. £120,000.

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #37

38. Higgins Company's manufacturing overhead is 40% of its total conversion costs. If direct labour is £18,000 and if direct materials are £24,000, the manufacturing overhead is

A. £27,000.
B. £28,000.
C. £16,000.
D. £12,000.

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #38

39. When volume or level of activity decreases, variable costs will

A. increase per unit.
B. increase in total.
C. decrease in total.
D. decrease per unit.

6 Identify and give examples of variable costs and fixed costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #39

40. In April direct labour was 70% percent of conversion cost. If the manufacturing overhead cost for the month was £42,000 and the direct materials cost was £28,000, the direct labour cost was

A. £98,000.
B. £65,333.
C. £18,000.
D. £12,000.

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #40

41. Which of the following statements is correct in describing manufacturing overhead costs

A. Manufacturing overhead when combined with direct material cost forms conversion cost.
B. Manufacturing overhead consists of all manufacturing cost except for prime cost.
C. Manufacturing overhead is a period cost.
D. Manufacturing overhead when combined with direct labour cost forms prime cost.

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #41

42. The potential benefit that is given up when one alternative is selected over another is called a sunk cost

FALSE

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Seal - Chapter 002
Seal - Chapter 02 #42

43. Conversion costs during the month totaled:
The following costs were incurred in May:

Direct materials..........................	£41,000
Direct labour.............................	£13,000
Manufacturing overhead.............	£46,000
Selling expenses.........................	£18,000
Administrative expenses.............	£15,000

A. £54,000.
B. £133,000.
C. £59,000.
D. £87,000.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #43

44. The cost of goods that have been completed but are not yet sold are part of work in process inventory

FALSE

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #44

45. Conversion costs during the month totaled:
The following costs were incurred in June:

Direct materials......................	£37,000
Direct labour..........................	£28,000
Manufacturing overhead.........	£36,000
Selling expenses.....................	£12,000
Administrative expenses.........	£20,000

A. £133,000.
B. £73,000.
C. £65,000.
D. £64,000.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #45

46. All of the following costs would be found in a company's accounting records except:
A. sunk cost.
B. opportunity cost.
C. indirect costs.
D. direct costs.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #46

47. Gable Inc. is a merchandising company. Last month the company's merchandise purchases totaled £86,000. The company's beginning merchandise inventory was £15,000 and its ending merchandise inventory was £11,000. What was the company's cost of goods sold for the month
A. £86,000
B. £112,000
C. £82,000
D. £90,000

3 Prepare a schedule of cost of goods manufactured
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #47

48. Within the relevant range
A. variable cost per unit decreases as production decreases.
B. fixed cost per unit increases as production decreases.
C. fixed cost per unit decreases as production decreases.
D. variable cost per unit increases as production decreases.

6 Identify and give examples of variable costs and fixed costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #48

49. Commissions paid to salespersons are a variable selling expense
TRUE

6 Identify and give examples of variable costs and fixed costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #49

50. During April, the cost of goods manufactured was £74,000. The beginning finished goods inventory was £17,000 and the ending finished goods inventory was £14,000. What was the cost of goods sold for the month

A. £74,000
B. £71,000
C. £77,000
D. £105,000

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #50

51. Variable costs are costs that vary, in total, in direct proportion to changes in the volume or level of activity

TRUE

6 Identify and give examples of variable costs and fixed costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #51

52. The cost of goods manufactured is included in the cost of goods available for sale in a manufacturing company

TRUE

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #52

53. Depreciation on manufacturing equipment is a period cost

FALSE

2 Distinguish between product costs and period costs and give examples of each
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #53

54. The cost of goods manufactured is computed by deducting the beginning inventory of work in process from the total manufacturing costs incurred during a given period.

FALSE

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #54

55. In June direct labour was 60% percent of conversion cost. If the manufacturing overhead cost for the month was £36,000 and the direct materials cost was £22,000, the direct labour cost was

A. £33,000.
B. £14,667.
C. £24,000.
D. £54,000.

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #55

56. All of the following can be differential costs except

A. variable costs.
B. sunk costs.
C. opportunity costs.
D. fixed costs.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #56

57. Direct labour combined with direct materials is known as prime cost
TRUE

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #57

58. Which of the following would most likely be included as part of manufacturing overhead in the production of a wooden table

A. The amount paid to the individual who stains the table.
B. The commission paid to the salesperson who sold the table.
C. Rent of the factory.
D. The cost of the wood used in the table.

6 Identify and give examples of variable costs and fixed costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #58

59. Like product costs, period costs are not necessarily treated as expenses in the period in which they are incurred
FALSE

2 Distinguish between product costs and period costs and give examples of each
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #59

60. Wages paid to the factory supply shop foreman are considered an example of: I. Direct Labour or II. Period Cost

A. Both I and II
B. Only I
C. Only II
D. Neither I nor II

2 Distinguish between product costs and period costs and give examples of each
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #60

61. Salaries and wages incurred in the factory would be product costs
TRUE

2 Distinguish between product costs and period costs and give examples of each
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #61

62. Conversion costs during the month totalled:
The following costs were incurred in April:

Direct materials.....................	£18,000
Direct labour.........................	£21,000
Manufacturing overhead.........	£33,000
Selling expenses....................	£14,000
Administrative expenses.........	£19,000

A. £39,000.
B. £54,000.
C. £105,000.
D. £51,000.

3 Prepare a schedule of cost of goods manufactured
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #62

63. Differential costs do not include fixed costs.
FALSE

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #63

64. The variable portion of the cost of electricity for a manufacturing plant is a: I. Conversion Cost or II. Period Cost
A. Only I
B. Both I and II
C. Only II
D. Neither I nor II

2 Distinguish between product costs and period costs and give examples of each
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #64

65. During June, the cost of goods manufactured was £71,000. The beginning finished goods inventory was £18,000 and the ending finished goods inventory was £11,000. What was the cost of goods sold for the month
A. £64,000
B. £100,000
C. £71,000
D. £78,000

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #65

66. Gabriel Inc. is a merchandising company. Last month the company's merchandise purchases totaled £70,000. The company's beginning merchandise inventory was £15,000 and its ending merchandise inventory was £22,000. What was the company's cost of goods sold for the month

A. £63,000
B. £77,000
C. £107,000
D. £70,000

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Basic
Seal - Chapter 002
Seal - Chapter 02 #66

67. Access the report by Fitzgerald, Johnston, Brignall, Silvestro and Voss (1991) mentioned on page 32 of Chapter 2. Discuss the differences that you see between costing for service industries and manufacturing. Give examples

See page 32 of Ch2 and report on web.

5 Begin to appreciate the differences between costing for manufacturing and for services
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #67

68. Explain why in practice it is important to distinguish between period and product costs?

See page 24 of Ch2.

2 Distinguish between product costs and period costs and give examples of each
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #68

69. Define the following
Direct cost, indirect cost, variable cost, fixed cost,

See page 22-4 of Ch2.

8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #69

70. Define the following.
Prime cost, conversion cost & manufacturing overhead

See page 23 of Ch2.

4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #70

71. Define the following.
Product cost & period cost

See page 24 of Ch2.

2 Distinguish between product costs and period costs and give examples of each
Difficulty: Intermediate
Seal - Chapter 002
Seal - Chapter 02 #71

2 Summary

Category	*# of Questions*
1 Identify each of the three basic cost elements involved in the manufacture of a product	4
2 Distinguish between product costs and period costs and give examples of each	8
3 Prepare a schedule of cost of goods manufactured	14
4 Explain the flow of direct materials cost, direct labour cost, and manufacturing overhead cost	15
5 Begin to appreciate the differences between costing for manufacturing and for services	1
6 Identify and give examples of variable costs and fixed costs	9
7 Define and give examples of direct and indirect costs	1
8 Define cost classifications used in making decisions: differential costs, opportunity costs and sunk costs	19
Difficulty: Advanced	1
Difficulty: Basic	45
Difficulty: Intermediate	24
Seal - Chapter 002	71
Seal - Chapter 02	71