Chapter 01

Managerial Accounting Concepts and Principles

True / False Questions

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

   True False

2. Control is the process of setting goals and determining ways to achieve them.

   True False

3. Managerial accounting provides financial and nonfinancial information to an organization's managers and other internal decision makers.

   True False

4. One of the usual differences between financial and managerial accounting is the timeliness of the information reported.

   True False

5. 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.

   True False

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

   True False

7. Both financial and managerial accounting rely on accepted principles that are enforced through an extensive set of rules and guidelines.

   True False

8. Both financial and managerial accounting report monetary information; managerial accounting also reports considerable nonmonetary information.

   True False

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

   True False

10. The focus of managerial accounting information is on the organization as a whole.

    True False

11. The concept of total quality management focuses on continuous improvement.

    True False

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

    True False

13. 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.

    True False

14. 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.

    True False

15. 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.

    True False

16. 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.

    True False

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

    True False

18. 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.

    True False

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

    True False

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

    True False

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

    True False

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.

    True False

23. Direct materials are not usually easily traced to a product.

    True False

24. Costs may be classified by many different cost classifications.

    True False

25. Straight line depreciation, rent and manager salaries are examples of variable costs.

    True False

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

    True False

27. A variable cost changes in proportion to changes in the volume in activity.

    True False

28. Direct costs are incurred for the benefit of more than one cost object.

True False

29. Product costs can refer to expenditures necessary to finish products and to the administrative support during the time period.

True False

30. Product costs are capitalized as inventory on the balance sheet and period costs are expenses on the income statement.

True False

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

True False

32. Period costs are incurred by purchasing merchandise or manufacturing finished goods.

True False

33. Product costs can be classified as one of three types: direct materials, direct labor, or overhead.

True False

34. Product costs are expenditures necessary and integral to finished products.

True False

35. Selling and administrative expenses are normally period costs.

True False

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

True False

37. Manufacturers usually have three inventories: raw materials, work in process, and finished goods.

True False

38. 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.

True False

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

True False

40. Raw materials inventory should not include indirect materials.

True False

41. The Work in Process Inventory account is found only in the ledgers of merchandising companies.

True False

42. Raw materials purchased plus beginning raw materials inventory equals the ending balance of raw materials inventory.

True False

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

True False

44. Newly completed units are combined with beginning finished goods inventory to make up total ending work in process inventory.

True False

45. The series of activities that add value to a company's products or services is called a value chain.

True False

46. The raw materials inventory turnover is raw materials purchased divided by the average raw materials inventory.

True False

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

True False

48. Indirect materials are accounted for as factory overhead because they are not clearly identified with specific product units.

True False

49. Indirect labor refers to the cost of the workers whose efforts are directly related to specific units of product.

True False

50. Although direct labor and raw materials costs are treated as manufacturing costs and therefore make up part of the finished goods inventory cost, factory overhead is charged to expense as it is incurred because it is a period cost.

True False

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

True False

52. Prime costs consist of direct labor and factory overhead.

True False

53. The schedule of cost of goods manufactured is also known as a manufacturing statement.

True False

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

True False

Multiple Choice Questions

55. Managerial accounting information:

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

56. Managerial accounting is different from financial accounting in that:

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

57. Flexibility of practice when applied to managerial accounting means that

A. The information must be presented in electronic format so that it is easily changed.
B. Managers must be willing to accept the information as the accountants present it to them, rather than in the format they ask for.
C. The managerial accountants need to be on call twenty-four hours a day.
D. Managerial accounting system differ across companies depending on the nature of the business and the arrangement of its internal operations.
E. Managers must be flexible with information provided in varying forms and using inconsistent measures.

58. Which of the following items does not represent a difference between financial and managerial accounting?

A. Users of the information.
B. Flexibility of reporting.
C. Timeliness of information.
D. Focus of the information.
E. Managerial accounting does not use the financial information from the financial accounting system.

59. Which of the following items is *not* a management concept that was created to improve companies' performances?

A. Just-in-time manufacturing.
B. GAAP constraints and guidelines.
C. Total quality management.
D. Continuous improvement.
E. Customer orientation.

60. The Malcolm Baldrige National Quality Award that encourages an emphasis on quality was established by

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

61. Continuous improvement:

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

62. 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:

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

63. 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:

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

64. 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:

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

65. A management concept that seeks to uncover and eliminate waste in all aspects of business activities is called:

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

66. The model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company is:

A. Just in time manufacturing model.
B. Managerial accounting model.
C. Corporate social responsibility model.
D. Continuous improvement model.
E. Lean business model.

67. Jenny, an employee of Toucan Company, used company assets for her own personal gain. This is an example of

A. embezzlement.
B. fraud.
C. internal control.
D. ethics.
E. employment perks.

68. 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

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

69. A direct cost is a cost that is:

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

70. Classifying costs by behavior with changes in volume of activity involves:

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

71. A classification of costs that determines whether a cost is expensed to the income statement or capitalized to inventory is:

A. Fixed versus variable.
B. Direct versus indirect.
C. Financial versus managerial.
D. Service versus manufacturing.
E. Product versus period.

72. A fixed cost:

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

73. Last year, Wesson Company sold 10,000 units of its only product. If sales increase by 12% in the current year, how will unit variable cost and unit fixed cost be affected?

	Unit Variable Cost	**Unit Fixed Cost**
A)	Remains constant	Remains constant
B)	Increases	Decreases
C)	Decreases	Remains constant
D)	Remains constant	Decreases
E)	Remains constant	Increases

A. Choice A
B. Choice B
C. Choice C
D. Choice D
E. Choice E

74. Last year, Gordon Company sold 20,000 units of its only product. If sales increase by 20% in the current year, how will unit variable cost and total fixed cost be affected?

	Unit Variable Cost	Total Fixed Cost
A)	Remains constant	Remains constant
B)	Increases	Decreases
C)	Decreases	Remains constant
D)	Remains constant	Decreases
E)	Remains constant	Increases

A. Choice A
B. Choice B
C. Choice C
D. Choice D
E. Choice E

75. Last year, Flash Company sold 15,000 units of its only product. If sales decreased by 17% in the current year, how will total variable cost and total fixed cost be affected?

	Total Variable Cost	Total Fixed Cost
A)	Remains constant	Remains constant
B)	Increases	Decreases
C)	Decreases	Remains constant
D)	Remains constant	Decreases
E)	Remains constant	Increases

A. Choice A
B. Choice B
C. Choice C
D. Choice D
E. Choice E

76. Period costs for a manufacturing company would flow directly to:

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

77. For product costs associated with a particular product to be reported on the income statement:

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

78. Costs that are capitalized as inventory when they are incurred are called:

A. Period costs.
B. Product costs.
C. General costs.
D. Administrative costs.
E. Fixed costs.

79. Costs that flow directly to the income statement as expenses are called:

A. Period costs.
B. Product costs.
C. General costs.
D. Balance sheet costs.
E. Capitalized costs.

80. Marshall Corporation incurred costs for materials and labor needed to manufacture its products. These costs are an example of:

A. Period costs.
B. Product costs.
C. General costs.
D. Balance sheet costs.
E. Capitalized costs.

81. Product costs:

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

82. Products that have been completed and are ready to be sold by the manufacturer are called:

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

83. Goods a company acquires to use in making products are called:

A. Cost of goods sold.
B. Raw materials inventory.
C. Finished goods inventory.
D. Work in Process inventory.
E. Conversion costs.

84. Products that are in the process of being manufactured but are not yet complete are called:

A. Raw materials inventory.
B. Conversion costs.
C. Cost of goods sold.
D. Work in Process inventory.
E. Finished goods inventory.

85. Another title for work in process inventory is:

A. Indirect materials inventory.
B. Goods in process inventory.
C. Conversion costs.
D. Direct materials inventory.
E. Raw materials inventory.

86. Which of the following represents the correct formula for calculating raw materials inventory turnover for a manufacturer?

A. Raw materials purchased/Average raw materials inventory.
B. Average raw materials inventory/Raw materials used.
C. Raw materials used/Average raw materials inventory.
D.
Ending raw materials/Raw materials used *365.

E. Raw materials used/Beginning raw materials inventory *365.

87. Which of the following statements is correct concerning the Days' sales in raw materials inventory?

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

88. The cost of workers who assist in or supervise the manufacturing process, not linked to specific units of product is called:

A. Unspecified labor.
B. Direct labor.
C. Indirect labor.
D. Basic labor.
E. Joint labor.

89. Factory overhead costs may include all of the following except:

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

90. 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:

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

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

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

92. Materials that are used in manufacturing but are not clearly identified with specific product units are called:

A. Secondary materials.
B. General materials.
C. Direct materials.
D. Indirect materials.
E. Materials inventory.

93. The salary paid to the assembly line supervisor would normally be classified as:

A. Direct labor.
B. Indirect labor.
C. A period cost.
D. A general cost.
E. An assembly cost.

94. Which of the following items appears only in a manufacturing company's financial statements?

A. Cost of goods sold.
B. Cost of goods manufactured.
C. Goods available for sale.
D. Gross profit.
E. Net income.

95. Which of the following costs is not included in factory overhead?

A. Payroll taxes on the wages of factory supervisors.
B. Indirect labor.
C. Depreciation of manufacturing equipment.
D. Manufacturing supplies used.
E. Direct materials.

96. Which of the following should not be included in direct materials costs?

A. Invoice costs of direct materials.
B. Delivery charges on shipments to customers.
C. Materials storage costs.
D. Materials handling costs.
E. Incoming freight charges.

97. Raw materials that are tangible components of the finished product and can be separately and readily traced through the manufacturing process are called:

A. Raw materials sold.
B. Chargeable materials.
C. Work in process.
D. Indirect materials.
E. Direct materials.

98. The three major cost components of manufacturing a product are:

A. Marketing, selling, and administrative costs.
B. Indirect labor, indirect materials, and fixed expenses.
C. Direct materials, direct labor, and factory overhead.
D. Product costs, period costs, and variable costs.
E. General, selling, and administrative costs.

99. Which of the following costs would not be classified as factory overhead?

A. Property taxes on maintenance machinery.
B. Insurance on factory building.
C. Wages of the factory janitor.
D. Rubber for the soles of shoes produced.
E. Small tools used in production.

100. A manufacturer's total cost of making and finishing products in the period is called:

A. Ending finished goods inventory.
B. Total manufacturing costs.
C. Ending work in process inventory.
D. Cost of goods manufactured.
E. Cost of goods sold.

101. A manufacturing firm's cost of goods manufactured is equivalent to a merchandising firm's:

A. Cost of goods sold.
B. Cost of goods purchased.
C. Cost of goods available.
D. Beginning merchandise inventory.
E. Ending merchandise inventory.

102. Which one of the following items is normally not a manufacturing cost?

A. Direct materials.
B. Factory overhead.
C. General and administrative expenses.
D. Direct labor.
E. Conversion cost.

103. Which of the following is not part of the materials activity in the flow of manufacturing activities?

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

104. Which of the following is not part of the production activity in the flow of manufacturing activities?

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

105. Which of the following is not part of the sales activity in the flow of manufacturing activities?

A. Beginning Finished Goods Inventory
B. Cost of goods manufactured
C. Total Finished Goods available for sale
D. Ending Work in Process Inventory
E. Total finished goods available for sale

106. 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:

A. $21,200.
B. $29,300.
C. $32,500.
D. $47,100.
E. $27,600.

107. 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:

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

108. Romeo Corporation has accumulated the following accounting data for the year:

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. $21,400.
B. $11,000.
C. $15,000.
D. $17,400.
E. $10,200.

109. Mustang Corporation has accumulated the following accounting data for the month of April:

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 the year is:

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

110. 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:

A. $4,000,000.
B. $14,000,000.
C. $2,000,000.
D. $1,000,000.
E. $3,000,000.

111. 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:

A. $10,000,000.
B. $8,000,000.
C. $12,000,000.
D. $5,000,000.
E. $15,000,000.

112. 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:

A. $10,000,000.
B. $8,000,000.
C. $12,000,000.
D. $5,000,000.
E. $15,000,000.

113. A schedule of cost of goods manufactured is also known as a:

A. Raw materials processed schedule.
B. Factory supplies used schedule.
C. Manufacturing statement.
D. Total finished goods statement.
E. Cost of goods sold schedule.

114. The following information relates to the manufacturing operations of the JNR Printing Company for the year:

	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. $107,000.
B. $115,000.
C. $118,000.
D. $121,000.
E. $126,000.

115. The following information relates to the manufacturing operations of the Abbra Publishing Company for the year:

	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. $955,000.
B. $892,000.
C. $1,565,000.
D. $408,000.
E. $1,081,000.

116 Comet Company accumulated the following account information for the year:
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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 would be:

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

117 Asteroid Industries accumulated the following cost information for the year:
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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 would be:

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

118. The following information is available for the year ended December 31:

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

119. The following information is available for the year ended December 31:

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. $87,500.
B. $85,700.
C. $86,900.
D. $85,400.
E. $86,600.

120. A financial report that summarizes the amounts and types of costs that were incurred in the manufacturing process during the period is a:

A. Materials statement.
B. Managerial statement.
C. Schedule of cost of goods manufactured.
D. Merchandise schedule.
E. General-purpose statement.

121. 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?

A. $180,000.
B. $155,000.
C. $160,000.
D. $175,000.
E. $165,000.

122. Using the information below for Singing Dolls, Inc., determine the total manufacturing costs incurred during the year:

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. $13,000.
B. $44,500.
C. $57,500.
D. $94,500.
E. $89,000.

123. Using the information below for Singing Dolls, Inc., determine cost of goods manufactured for the year:

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. $13,000.
B. $44,500.
C. $57,500.
D. $94,500.
E. $52,000.

124. Using the information below for Laurels Company; determine the manufacturing costs added during the current year:

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. $16,100.
C. $17,100.
D. $18,100.
E. $13,600.

125. Using the information below for Laurels Company; determine the cost of goods manufactured during the current year:

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. $16,100.
C. $17,100.
D. $18,100.
E. $13,600.

126. Using the information below for Sundar Company; determine the total manufacturing costs added during the current year:

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

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

127. Using the information below for Sundar Company; determine the cost of goods manufactured during the current year:

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

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

128. Total manufacturing costs incurred during the year do not include:

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

129. Which of the following accounts would appear on a schedule of cost of goods manufactured?

A. Raw materials, factory insurance expired, indirect labor.
B. Raw materials, work in process, finished goods.
C. Direct labor, delivery equipment, and depreciation on factory equipment.
D. Direct materials, indirect labor, sales salaries.
E. Direct labor, factory repairs and maintenance, wages payable.

130. Which of the following represents the correct formula for calculating cost of goods manufactured?

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.

131. Current information for the Healey Company follows:

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

132 Current information for the Healey Company follows:
.

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

133 Current information for the Healey Company follows:
.

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

134 Current information for the Stellar Corporation follows:
.

Beginning work in process inventory	17,900
Ending work in process inventory	19,300
Direct materials	147,000
Direct labor	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. $313,000.
D. $275,800.
E. $293,700.

135 Use the following data to determine the cost of goods manufactured.
.

Beginning finished goods inventory	$10,800
Direct labor	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. $102,000.
B. $110,100.
C. $96,600.
D. $113,700.
E. $100,200.

136 Use the following data to compute total factory overhead costs for the month.

.

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. $45,200.
D. $84,800.
E. $58,300.

137 Use the following data to compute total manufacturing costs for the month.
.

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. $45,200.
D. $84,800.
E. $58,300.

138 Use the following information to compute the cost of goods manufactured:

.

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. $36,650.

B. $30,950.

C. $30,650.

D. $30,350.

E. $31,650.

139. The following information pertains to the Packer Corporation. Calculate the cost of goods sold for the period:

Beginning Raw Materials	$30,000
Ending Raw Materials	$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. $290,000.
C. $242,000.
D. $258,000.
E. $246,000.

140. The following information pertains to the Frameworks Corporation for May. Calculate the cost of goods sold for the period:

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

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

141 Using the information below, calculate the cost of goods manufactured for the period.

.

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. $553,000.
B. $536,000.
C. $549,000.
D. $527,000.
E. $525,000.

142 Using the information below, calculate gross profit for the period.

.

Beginning Raw Materials Inventory	$25,000
Ending Direct 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. $1,022,000.
D. $187,000.
E. $727,000.

143 Using the information below, calculate cost of goods sold for the period.

.

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. $530,000.
D. $535,000.
E. $448,000.

144 Using the information below, calculate gross profit for the period.

.

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. $530,000.
D. $535,000.
E. $448,000.

145 Using the information below, calculate net income for the period.

.

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. $530,000.
D. $535,000.
E. $448,000.

146. An internal control system consists of the policies and procedures managers use to do all of the following *except*:

A. Urge adherence to company policies.
B. Promote efficient operations.
C. Ensure reliable accounting.
D. Determine pricing for products.
E. Protect assets.

147. The schedule of cost of goods manufactured is divided into four parts consisting of all of the following *except*:

A. Direct materials.
B. Computation of cost of goods sold.
C. Overhead.
D. Computation of cost of goods manufactured.
E. Direct labor.

148. All of the following statements regarding manufacturing costs are true *except*:

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

149. Using the information below, compute the raw materials inventory turnover:

Raw Materials Used	$85,500
Beginning Raw Materials Inventory	$8,000
Ending Raw Materials Inventory	$9,000

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

150 Using the information below, compute the Days' sales in raw materials inventory:
.

Raw Materials Used	$85,500
Beginning Raw Materials Inventory	$8,000
Ending Raw Materials Inventory	$9,000

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

151 Using the information below, compute the raw materials inventory turnover:
.

Raw Materials Used	$121,600
Beginning Raw Materials Inventory	$18,000
Ending Raw Materials Inventory	$20,200

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

152. Using the information below, compute the Days' sales in raw materials inventory:

Raw Materials Used	$121,600
Beginning Raw Materials Inventory	$18,000
Ending Raw Materials Inventory	$20,200

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

153. Just-in-time manufacturing techniques can be useful in ______________ days' sales in raw materials inventory.

A. keeping constant
B. changing upward
C. adding to
D. lowering
E. increasing

154. Which of the following statements is true regarding product and period costs?

A. Office salaries expense and factory maintenance are both product costs.
B. Office rent is a product cost and supervisors' salaries expense is a period cost.
C. Factory rent is a product cost and advertising expense is a period cost.
D. Delivery expense is a product cost and indirect materials is a period cost.
E. Sales commissions and indirect labor are both period costs.

155. A company's prime costs total $4,500,000 and its conversion costs total $5,500,000. If direct materials are $2,000,000, calculate the overhead costs:

A. $2,500,000.
B. $3,500,000.
C. $2,000,000.
D. $1,000,000.
E. $3,000,000.

156. 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:

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

157. 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:

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

158 Calculate the cost of goods manufactured using the following information:

.

Direct materials	$298,500
Direct labor	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. $680,500.
B. $701,900.
C. $687,100.
D. $674,600.
E. $772,600.

159 Calculate the cost of goods sold using the following information:
.

Direct materials	$298,500
Direct labor	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. $680,500.
B. $701,900.
C. $687,100.
D. $674,600.
E. $772,600.

Matching Questions

160 Match the following terms with the appropriate definitions.
.

1. The efforts of employees who physically convert materials to finished products.	Period costs	____
2. Costs that do not change in total with changes in the volume of activity.	Variable costs	____
3. Tangible components of a finished product separately and readily traced through the manufacturing process.	Direct labor	____
4. Costs that flow directly to the current income statement as expenses.	Factory overhead	____
5. Manufacturing expenditures that cannot be separately or readily traced to finished goods.	Product costs	____
6. Expenditures necessary and integral to finished products.	Conversion costs	____
7. Expenditures directly associated with the manufacture of finished products; include direct materials and direct labor.	Direct materials	____
8. Costs that are incurred for the benefit of more than one cost object.	Prime costs	____
9. Expenditures incurred in the process of converting raw materials to finished products; include direct labor and factory overhead.	Fixed costs	____
10. Costs that change in proportion to changes in volume of activity.	Indirect costs	____

161 Match the following terms with the appropriate definition.
.

1. Products in the process of being manufactured but not yet complete.	Continuous improvement	____
2. Reveals how many times a company uses its raw materials inventory in production during a period.	Raw materials inventory	____
3. Goods a company acquires to use in making products.	Raw materials inventory turnover	____
4. A model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company.	Just-in-time manufacturing	____
5. Expenditures directly associated with the manufacture of finished goods; includes direct materials and direct labor.	Balanced scorecard	____
6. The idea that employees understand the changing needs and wants of their customers and align their management and operating practices accordingly.	Prime costs	____
7. An activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers.	Customer orientation	____
8. A system that acquires inventory and produces only when needed.	Work in Process inventory	____
9. Aids in continuous improvement by augmenting financial measures with information on the drivers or indicators of future financial performance along the four dimensions of (1) financial, (2) customer, (3) internal business processes; (4) learning and growth.	Lean business model	____
10. 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.	Managerial accounting	____

Short Answer Questions

162. 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.

163. Identify and describe the three categories of manufacturing costs.

164. What is managerial accounting and how is it used to aid decision makers?

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

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

167. Define fraud and give at least two examples of employee fraud.

168. List the four goals of an internal control system.

169. 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.

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

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

172. What is the main difference between the income statement of a manufacturer and that of a merchandiser?

173. What does the days' sales in raw materials inventory ratio reveal?

174. What are prime costs? What are conversion costs?

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

Essay Questions

176. 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 in terms of the volume of units of finished products produced. Also indicate with an X for each item if it is a product cost or a period cost.

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

177. 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.

	Product or period cost?		**Direct or indirect cost?**	
Cost item	**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				

178. Marv's Furniture and Fixtures 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				

179. Brotherton Company is a manufacturer of Blu-ray discs. Place each of the following costs in the appropriate column.

			Product cost		
Cost item		Period 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				

180. 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.

	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			

181 Walter Products and Sandburg Industries report the following information at December 31:
.

	WALTER	**SANDBURG**
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 Asset Section of the Balance Sheet for the manufacturer.

182. Thornton Foods bakes and sells 2,000 dozen muffins each week to food service operations. 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.

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

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

185. Calculate Cost of Goods Sold for the following two companies:

	LEWIS, INC.	MERCER CO.
Beginning Inventory:		
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

186. The Tacky Company 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 Tacky Company's factory overhead for October?

187 The 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.

188. 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 inventory	$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

189. 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	

190. 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
Raw materials used in production	$46,800
Direct labor	81,000
Total factory overhead	106,000

191. 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

192. Duncan Crafts manufactures specialty key chains for tourist attractions. On January 1, the firm had 300 souvenir attraction disks used in the production of the chains that cost $3 each; and 600 completed key chains that cost $6 each. During the year Duncan Crafts purchased 1,500 souvenir disks costing $3 each and produced 1,100 key chains. Compute the total cost of raw materials inventory at December 31.

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

Raw materials purchased	131,700
Raw 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

194. 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 Manufactured	**Cost of Goods 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	________	________

195. 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

196. 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

197. 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 used	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

198. Martinez Company makes leather cowboy hats. Each hat requires ½ yard of leather to produce. On December 31, 2014, 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 2015, the company purchased 850 more yards of leather at $12 per yard and manufactured 1,600 hats. Determine the unit and dollar amounts of Raw Materials Inventory in leather at December 31, 2015.

Fill in the Blank Questions

199. ____________________ is an activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers.

   ____

200. ____________________ is the process of setting goals and making plans to achieve them.

   ____

201. ____________________ is the process of monitoring planning decisions and evaluating an organization's activities and employees.

____

202. The purpose of managerial accounting information is to help ________________ users make decisions while the purpose of financial accounting is to help _____________ users make decisions.

____

203. A _________________ system means that a company acquires or produces inventory only when needed.

____

204. The model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company is the _____________________.

____

205. _____________________ rejects the notions of "good enough" or "acceptable" and challenges employees and managers to continuously experiment with new and improved business practices.

____

206. The ______________ aids continuous improvement by augmenting financial measures with information on the drivers or indicators of future financial performance along four dimensions: (1) financial, (2) customer, (3) internal business processes, and (4) learning and growth.

____

207. _______________ is the deliberate misuse of the employer's assets for the employee's personal gain.

____

208. Policies and procedures used by management to monitor and control business activities are known as ____________________________.

____

209. _______________ are beliefs that distinguish right from wrong.

____

210. The process of identifying costs as direct or indirect is referred to as classifying costs by ________________.

____

211. A __________________ cost changes in total in proportion to changes in the volume of activity.

____

212. A __________________ cost does not change in total in proportion to changes in the volume of activity within the relevant range.

____

213. Expenditures necessary and integral to the manufacture of finished products are _________________ costs.

____

214. Expenditures that flow directly to the current income statement and are not reported as assets are ____________________ costs.

____

215. ______________________ inventory consists of goods a company acquires to use in making products.

____

216. _____________________ inventory consists of products in the process of being manufactured but not yet complete.

____

217. _____________________ inventory consists of completed products ready for sale by a manufacturer.

____

218. A manufacturer's inventory that is not completely finished is called _________________.

____

219. 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 ___________________________.

____

220. ____________________________ reveals how much raw materials inventory is available in terms of the number of days' sales.

____

221. ____________________________ reveals how many times a company uses its raw materials inventory in production during a period.

____

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

____

223. Expenditures directly associated with the manufacture of finished goods that include direct materials and direct labor are ______________________ costs.

____

224. Crane, Inc. reported the following data regarding costs and inventories for the current year: beginning goods-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 goods-in-process inventory, $1,500. Cost of goods sold for Crane, Inc. equals _____________________.

____

225. 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 _____________________.

____

226. 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.

____

Chapter 01 Managerial Accounting Concepts and Principles Answer Key

True / False Questions

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

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

2. Control is the process of setting goals and determining ways to achieve them.

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

3. Managerial accounting provides financial and nonfinancial information to an organization's managers and other internal decision makers.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

4. One of the usual differences between financial and managerial accounting is the timeliness of the information reported.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

5. 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.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

7. Both financial and managerial accounting rely on accepted principles that are enforced through an extensive set of rules and guidelines.

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

8. Both financial and managerial accounting report monetary information; managerial accounting also reports considerable nonmonetary information.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

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

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

10. The focus of managerial accounting information is on the organization as a whole.

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

11. The concept of total quality management focuses on continuous improvement.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

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

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

13. 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.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

14. 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.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

15. 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.

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Understand

Difficulty: 2 Medium
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

16. 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.

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

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

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

18. 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.

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

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

TRUE

AACSB: Communication
AICPA: BB Industry

AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

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

TRUE

AACSB: Ethics
AICPA: BB Legal
AICPA: FN Risk Analysis
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

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.

FALSE

AACSB: Ethics
AICPA: BB Critical Thinking
AICPA: FN Risk Analysis
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

23. Direct materials are not usually easily traced to a product.

FALSE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

24. Costs may be classified by many different cost classifications.

TRUE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

25. Straight line depreciation, rent and manager salaries are examples of variable costs.

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

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

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

27. A variable cost changes in proportion to changes in the volume in activity.

TRUE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

28. Direct costs are incurred for the benefit of more than one cost object.

FALSE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

29. Product costs can refer to expenditures necessary to finish products and to the administrative support during the time period.

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

30. Product costs are capitalized as inventory on the balance sheet and period costs are expenses on the income statement.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

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

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

32. Period costs are incurred by purchasing merchandise or manufacturing finished goods.

FALSE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

33. Product costs can be classified as one of three types: direct materials, direct labor, or overhead.

TRUE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

34. Product costs are expenditures necessary and integral to finished products.

TRUE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

35. Selling and administrative expenses are normally period costs.

TRUE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

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

TRUE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

37. Manufacturers usually have three inventories: raw materials, work in process, and finished goods.

TRUE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

38. 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.

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Understand

Difficulty: 2 Medium
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

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

TRUE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

40. Raw materials inventory should not include indirect materials.

FALSE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

41. The Work in Process Inventory account is found only in the ledgers of merchandising companies.

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

42. Raw materials purchased plus beginning raw materials inventory equals the ending balance of raw materials inventory.

FALSE

AACSB: Analytical Thinking

AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C5 Explain manufacturing activities and the flow of manufacturing costs.
Topic: Flow of Manufacturing Activities

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

TRUE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C5 Explain manufacturing activities and the flow of manufacturing costs.
Topic: Flow of Manufacturing Activities

44. Newly completed units are combined with beginning finished goods inventory to make up total ending work in process inventory.

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C5 Explain manufacturing activities and the flow of manufacturing costs.
Topic: Flow of Manufacturing Activities

45. The series of activities that add value to a company's products or services is called a value chain.

TRUE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

46. The raw materials inventory turnover is raw materials purchased divided by the average raw materials inventory.

FALSE

AACSB: Communication
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

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

TRUE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

48. Indirect materials are accounted for as factory overhead because they are not clearly identified with specific product units.

TRUE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

49. Indirect labor refers to the cost of the workers whose efforts are directly related to specific units of product.

FALSE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

50. Although direct labor and raw materials costs are treated as manufacturing costs and therefore make up part of the finished goods inventory cost, factory overhead is charged to expense as it is incurred because it is a period cost.

FALSE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Comparing Product and Period Costs
Topic: Income Statement

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

FALSE

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

52. Prime costs consist of direct labor and factory overhead.

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

53. The schedule of cost of goods manufactured is also known as a manufacturing statement.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

Multiple Choice Questions

55. Managerial accounting information:

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

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

56. Managerial accounting is different from financial accounting in that:

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

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

57. Flexibility of practice when applied to managerial accounting means that

A. The information must be presented in electronic format so that it is easily changed.
B. Managers must be willing to accept the information as the accountants present it to them, rather than in the format they ask for.
C. The managerial accountants need to be on call twenty-four hours a day.
D. Managerial accounting system differ across companies depending on the nature of the business and the arrangement of its internal operations.
E. Managers must be flexible with information provided in varying forms and using inconsistent measures.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

58. Which of the following items does not represent a difference between financial and managerial accounting?

A. Users of the information.
B. Flexibility of reporting.
C. Timeliness of information.
D. Focus of the information.
E. Managerial accounting does not use the financial information from the financial accounting system.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

59. Which of the following items is *not* a management concept that was created to improve companies' performances?

A. Just-in-time manufacturing.
B. GAAP constraints and guidelines.
C. Total quality management.
D. Continuous improvement.
E. Customer orientation.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

60. The Malcolm Baldrige National Quality Award that encourages an emphasis on quality was established by

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

AACSB: Communication

AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

61. Continuous improvement:

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

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

62. 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:

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

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

63. 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:

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

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

64. 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:

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

AACSB: Communication
AICPA: BB Resource Management
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

65. A management concept that seeks to uncover and eliminate waste in all aspects of business activities is called:

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

AACSB: Communication
AICPA: BB Resource Management

AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

66. The model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company is:

A. Just in time manufacturing model.
B. Managerial accounting model.
C. Corporate social responsibility model.
D. Continuous improvement model.
E. Lean business model.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Decision Making
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

67. Jenny, an employee of Toucan Company, used company assets for her own personal gain. This is an example of

A. embezzlement.
B. fraud.
C. internal control.
D. ethics.
E. employment perks.

AACSB: Ethics
AICPA: BB Legal
AICPA: FN Risk Analysis
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

68. 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

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

AACSB: Ethics
AICPA: BB Legal
AICPA: FN Risk Analysis
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

69. A direct cost is a cost that is:

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

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

70. Classifying costs by behavior with changes in volume of activity involves:

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

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

71. A classification of costs that determines whether a cost is expensed to the income statement or capitalized to inventory is:

A. Fixed versus variable.
B. Direct versus indirect.
C. Financial versus managerial.
D. Service versus manufacturing.
E. Product versus period.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

72. A fixed cost:

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

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

73. Last year, Wesson Company sold 10,000 units of its only product. If sales increase by 12% in the current year, how will unit variable cost and unit fixed cost be affected?

	Unit Variable Cost	**Unit Fixed Cost**
A)	Remains constant	Remains constant
B)	Increases	Decreases
C)	Decreases	Remains constant
D)	Remains constant	Decreases
E)	Remains constant	Increases

A. Choice A
B. Choice B
C. Choice C
D. Choice D
E. Choice E

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

74. Last year, Gordon Company sold 20,000 units of its only product. If sales increase by 20% in the current year, how will unit variable cost and total fixed cost be affected?

	Unit Variable Cost	Total Fixed Cost
A)	Remains constant	Remains constant
B)	Increases	Decreases
C)	Decreases	Remains constant
D)	Remains constant	Decreases
E)	Remains constant	Increases

A. Choice A
B. Choice B
C. Choice C
D. Choice D
E. Choice E

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

75. Last year, Flash Company sold 15,000 units of its only product. If sales decreased by 17% in the current year, how will total variable cost and total fixed cost be affected?

	Total Variable Cost	**Total Fixed Cost**
A)	Remains constant	Remains constant
B)	Increases	Decreases
C)	Decreases	Remains constant
D)	Remains constant	Decreases
E)	Remains constant	Increases

A. Choice A
B. Choice B
C. Choice C
D. Choice D
E. Choice E

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Analyze
Difficulty: 2 Medium
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

76. Period costs for a manufacturing company would flow directly to:

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

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

77. For product costs associated with a particular product to be reported on the income statement:

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

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

78. Costs that are capitalized as inventory when they are incurred are called:

A. Period costs.
B. Product costs.
C. General costs.
D. Administrative costs.
E. Fixed costs.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

79. Costs that flow directly to the income statement as expenses are called:

A. Period costs.
B. Product costs.
C. General costs.
D. Balance sheet costs.
E. Capitalized costs.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

80. Marshall Corporation incurred costs for materials and labor needed to manufacture its products. These costs are an example of:

A. Period costs.
B. Product costs.
C. General costs.
D. Balance sheet costs.
E. Capitalized costs.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

81. Product costs:

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

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

82. Products that have been completed and are ready to be sold by the manufacturer are called:

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

AACSB: Analytical Thinking

AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

83. Goods a company acquires to use in making products are called:

A. Cost of goods sold.
B. Raw materials inventory.
C. Finished goods inventory.
D. Work in Process inventory.
E. Conversion costs.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

84. Products that are in the process of being manufactured but are not yet complete are called:

A. Raw materials inventory.
B. Conversion costs.
C. Cost of goods sold.
D. Work in Process inventory.
E. Finished goods inventory.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

85. Another title for work in process inventory is:

A. Indirect materials inventory.
B. Goods in process inventory.
C. Conversion costs.
D. Direct materials inventory.
E. Raw materials inventory.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

86. Which of the following represents the correct formula for calculating raw materials inventory turnover for a manufacturer?

A. Raw materials purchased/Average raw materials inventory.
B. Average raw materials inventory/Raw materials used.
C. Raw materials used/Average raw materials inventory.
D.
Ending raw materials/Raw materials used *365.

E. Raw materials used/Beginning raw materials inventory *365.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

87. Which of the following statements is correct concerning the Days' sales in raw materials inventory?

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

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

88. The cost of workers who assist in or supervise the manufacturing process, not linked to specific units of product is called:

A. Unspecified labor.
B. Direct labor.
C. Indirect labor.
D. Basic labor.
E. Joint labor.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

89. Factory overhead costs may include all of the following except:

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

AACSB: Analytical Thinking
AICPA: BB Resource Management

AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

90. 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:

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

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

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

92. Materials that are used in manufacturing but are not clearly identified with specific product units are called:

A. Secondary materials.
B. General materials.
C. Direct materials.
D. Indirect materials.
E. Materials inventory.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

93. The salary paid to the assembly line supervisor would normally be classified as:

A. Direct labor.
B. Indirect labor.
C. A period cost.
D. A general cost.
E. An assembly cost.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

94. Which of the following items appears only in a manufacturing company's financial statements?

A. Cost of goods sold.
B. Cost of goods manufactured.
C. Goods available for sale.
D. Gross profit.
E. Net income.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Reporting

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

95. Which of the following costs is not included in factory overhead?

A. Payroll taxes on the wages of factory supervisors.
B. Indirect labor.
C. Depreciation of manufacturing equipment.
D. Manufacturing supplies used.
E. Direct materials.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

96. Which of the following should not be included in direct materials costs?

A. Invoice costs of direct materials.
B. Delivery charges on shipments to customers.
C. Materials storage costs.
D. Materials handling costs.
E. Incoming freight charges.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

97. Raw materials that are tangible components of the finished product and can be separately and readily traced through the manufacturing process are called:

A. Raw materials sold.
B. Chargeable materials.
C. Work in process.
D. Indirect materials.
E. Direct materials.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

98. The three major cost components of manufacturing a product are:

A. Marketing, selling, and administrative costs.
B. Indirect labor, indirect materials, and fixed expenses.
C. Direct materials, direct labor, and factory overhead.
D. Product costs, period costs, and variable costs.
E. General, selling, and administrative costs.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

99. Which of the following costs would not be classified as factory overhead?

A. Property taxes on maintenance machinery.
B. Insurance on factory building.
C. Wages of the factory janitor.
D. Rubber for the soles of shoes produced.
E. Small tools used in production.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

100. A manufacturer's total cost of making and finishing products in the period is called:

A. Ending finished goods inventory.
B. Total manufacturing costs.
C. Ending work in process inventory.
D. Cost of goods manufactured.
E. Cost of goods sold.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C5 Explain manufacturing activities and the flow of manufacturing costs.
Topic: Flow of Manufacturing Activities

101. A manufacturing firm's cost of goods manufactured is equivalent to a merchandising firm's:

A. Cost of goods sold.
B. Cost of goods purchased.
C. Cost of goods available.
D. Beginning merchandise inventory.
E. Ending merchandise inventory.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

102. Which one of the following items is normally not a manufacturing cost?

A. Direct materials.
B. Factory overhead.
C. General and administrative expenses.
D. Direct labor.
E. Conversion cost.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

103. Which of the following is not part of the materials activity in the flow of manufacturing activities?

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

Beginning Raw Materials Inventory + Raw Materials Purchases = Raw Materials Available for Use.
Raw Materials Available for Use - Ending Raw Materials Inventory = Raw Materials Used

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-C5 Explain manufacturing activities and the flow of manufacturing costs.
Topic: Flow of Manufacturing Activities

104. Which of the following is not part of the production activity in the flow of manufacturing activities?

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

Beginning Work In Process Inventory + Direct Materials + Direct Labor + Factory Overhead - Ending Work In Process Inventory = Cost of Goods Manufactured

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-C5 Explain manufacturing activities and the flow of manufacturing costs.
Topic: Flow of Manufacturing Activities

105. Which of the following is not part of the sales activity in the flow of manufacturing activities?

A. Beginning Finished Goods Inventory
B. Cost of goods manufactured
C. Total Finished Goods available for sale
D. Ending Work in Process Inventory
E. Total finished goods available for sale

Beginning Finished Goods Inventory + Cost of Goods Manufactured = Finished Goods Available for Sale. Finished Goods Available for Sale - Ending Finished Goods Inventory = Cost of Goods Sold.

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-C5 Explain manufacturing activities and the flow of manufacturing costs.
Topic: Flow of Manufacturing Activities

106. 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:

A. $21,200.
B. $29,300.
C. $32,500.
D. $47,100.
E. $27,600.

Beginning Finished Goods + Cost of Goods Manufactured - Ending Finished Goods = Cost of Goods Sold; $14,600 + $32,500 - $17,800 = $29,300

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

107. 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:

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

Beginning Finished Goods + Cost of Goods Manufactured - Ending Finished Goods = Cost of Goods Sold; $28,300 + $58,500 - $27,600 = $59,200

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

108. Romeo Corporation has accumulated the following accounting data for the year:

Finished goods inventory, January 1	
Finished goods inventory, December 31	
Total cost of goods sold	

The cost of goods manufactured for the year is:

A. $21,400.
B. $11,000.
C. $15,000.
D. $17,400.
E. $10,200.

Beginning Finished Goods + Cost of Goods Manufactured - Ending Finished Goods = Cost of Goods Sold; $14,200 - $3,200 + $4,000 = $15,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

109. Mustang Corporation has accumulated the following accounting data for the month of April:

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 the year is:

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

Beginning Finished Goods + Cost of Goods Manufactured - Ending Finished Goods = Cost of Goods Sold; $30,200 + $114,500 - $24,600 = $120,100

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

110. 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:

A. $4,000,000.
B. $14,000,000.
C. $2,000,000.
D. $1,000,000.
E. $3,000,000.

Prime Costs = Direct Materials + Direct Labor; $3,000,000 = $1,000,000 + Direct Labor; Direct Labor = $2,000,000
OR
Conversion Costs = Direct Labor + Factory Overhead; $7,000,000 = Direct Labor + $5,000,000; Direct Labor = $2,000,000

AACSB: Analytical Thinking
AICPA: BB Industry

AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

111. 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:

A. $10,000,000.
B. $8,000,000.
C. $12,000,000.
D. $5,000,000.
E. $15,000,000.

Prime Costs = Direct Materials + Direct Labor; $3,000,000 + $7,000,000 = $10,000,000.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs
Topic: Manufacturers' Costs

112. 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:

A. $10,000,000.
B. $8,000,000.
C. $12,000,000.
D. $5,000,000.
E. $15,000,000.

Conversion Costs = Direct Labor + Factory Overhead; $7,000,000 + $5,000,000 = $12,000,000.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

Topic: Manufacturers' Costs

113. A schedule of cost of goods manufactured is also known as a:

A. Raw materials processed schedule.
B. Factory supplies used schedule.
C. Manufacturing statement.
D. Total finished goods statement.
E. Cost of goods sold schedule.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

114. The following information relates to the manufacturing operations of the JNR Printing Company for the year:

	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. $107,000.
B. $115,000.
C. $118,000.
D. $121,000.
E. $126,000.

Beginning Raw Materials + Purchases - Ending Raw Materials = Raw Materials Used
$57,000 + Purchases - $60,000 = $118,000; Purchases - $3,000 = $118,000; Purchases = $121,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement

Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

115. The following information relates to the manufacturing operations of the Abbra Publishing Company for the year:

	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. $955,000.
B. $892,000.
C. $1,565,000.
D. $408,000.
E. $1,081,000.

Beginning Raw Materials + Purchases - Ending Raw Materials = Raw Materials Used
$547,000 + Purchases - $610,000 = $1,018,000;
Purchases = $1,018,000 + $610,000 - $547,000 = $1,081,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

116. Comet Company accumulated the following account information for the year:

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 would be:

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

Factory Overhead = Indirect Materials + Indirect Labor + Maintenance
Factory Overhead = $2,000 + $5,000 + $2,800 = $9,800.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

117. Asteroid Industries accumulated the following cost information for the year:

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 would be:

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

Factory Overhead = Indirect Materials + Indirect Labor + Factory Depreciation
Factory Overhead = $4,000 + $8,500 + $12,800 = $25,300.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

118. The following information is available for the year ended December 31:

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

Beginning Raw Materials + Purchases - Ending Raw Materials = Raw Materials Used
$21,500 + $74,000 - $23,000 = $72,500

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

119. The following information is available for the year ended December 31:

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. $87,500.
B. $85,700.
C. $86,900.
D. $85,400.
E. $86,600.

Beginning Raw Materials + Purchases - Ending Raw Materials = Raw Materials Used
$11,000 + $86,000 - $10,400 = $86,600

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

120. A financial report that summarizes the amounts and types of costs that were incurred in the manufacturing process during the period is a:

A. Materials statement.
B. Managerial statement.
C. Schedule of cost of goods manufactured.
D. Merchandise schedule.
E. General-purpose statement.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

121. 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?

A. $180,000.
B. $155,000.
C. $160,000.
D. $175,000.
E. $165,000.

Manufacturing Costs + Beginning Work in Process - Ending Work in Process = Cost of Goods Manufactured
Manufacturing Costs + $5,000 - $15,000 = $170,000; Manufacturing Costs - $10,000 = $170,000; Manufacturing Costs = $180,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

122. Using the information below for Singing Dolls, Inc., determine the total manufacturing costs incurred during the year:

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. $13,000.
B. $44,500.
C. $57,500.
D. $94,500.
E. $89,000.

Costs Added = Direct Materials Used + Direct Labor + Factory Overhead
Costs Added = $12,500 + $26,500 + $5,500 = $44,500

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

123. Using the information below for Singing Dolls, Inc., determine cost of goods manufactured for the year:

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. $13,000.
B. $44,500.
C. $57,500.
D. $94,500.
E. $52,000.

Cost of Goods Manufactured = Costs Added + Beginning Work in Process - Ending Goods in Process
Cost of Goods Manufactured = ($12,500 + $26,500 + $5,500) + $50,000 - $37,000 = $57,500

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

124. Using the information below for Laurels Company; determine the manufacturing costs added during the current year:

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. $16,100.
C. $17,100.
D. $18,100.
E. $13,600.

Raw Materials Used + Direct Labor + Factory Overhead = Manufacturing Costs Added
$5,000 + $7,000 + $5,100 = $17,100

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

125. Using the information below for Laurels Company; determine the cost of goods manufactured during the current year:

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. $16,100.
C. $17,100.
D. $18,100.
E. $13,600.

Cost of Goods Manufactured = Costs Added + Beginning Work in Process - Ending Goods in Process
Cost of Goods Manufactured = ($5,000 + $7,000 + $5,100) + $3,000 - $4,000 = $16,100

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

126. Using the information below for Sundar Company; determine the total manufacturing costs added during the current year:

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

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

Direct Materials + Direct Labor + Factory Overhead = Manufacturing Costs Added
$19,000 + $24,500 + $55,100 = $98,600

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

127. Using the information below for Sundar Company; determine the cost of goods manufactured during the current year:

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

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

Cost of Goods Manufactured = Costs Added + Beginning Work in Process - Ending Work in Process
Cost of Goods Manufactured = ($19,000 + $24,500 + $55,100) + $10,700 - $11,300 = $98,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

128. Total manufacturing costs incurred during the year do not include:

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial

statements.
Topic: Schedule of Cost of Goods Manufactured

129. Which of the following accounts would appear on a schedule of cost of goods manufactured?

A. Raw materials, factory insurance expired, indirect labor.
B. Raw materials, work in process, finished goods.
C. Direct labor, delivery equipment, and depreciation on factory equipment.
D. Direct materials, indirect labor, sales salaries.
E. Direct labor, factory repairs and maintenance, wages payable.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

130. Which of the following represents the correct formula for calculating cost of goods manufactured?

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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

131. Current information for the Healey Company follows:

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

Beginning Raw Materials + Raw Materials Purchased - Ending Raw Materials = $15,200 + $60,000 - $16,600 = $58,600

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

132. Current information for the Healey Company follows:

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

Total Manufacturing Costs = Raw Materials Used + Direct Labor + Factory Overhead
Raw materials used = Beginning Raw Materials Inventory + Raw Materials Purchases - Ending Raw Materials Inventory = 15,200 + 60,000 - 16,600 = 58,600
58,600 + 42,800 + 30,000 = 131,400

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

133. Current information for the Healey Company follows:

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

Total Manufacturing Costs = Raw Materials Used + Direct Labor + Factory Overhead
Raw materials used = Beginning Raw Materials Inventory + Raw Materials Purchases - Ending Raw Materials Inventory = 15,200 + 60,000 - 16,600 = 58,600
58,600 + 42,800 + 30,000 = 131,400
Cost of goods manufactured = Beginning Work in Process + Total Manufacturing Costs - Ending Work in Process = 22,400 + 131,400 - 28,000 = $125,800

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

134. Current information for the Stellar Corporation follows:

Beginning work in process inventory	17,900
Ending work in process inventory	19,300
Direct materials	147,000
Direct labor	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. $313,000.
D. $275,800.
E. $293,700.

Cost of goods manufactured = Beginning Work in Process + Direct Materials + Direct labor + Factory Overhead - Ending Work in Process = $17,900 + $147,000 + $85,000 + $63,100 - $19,300 = $293,700

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

135. Use the following data to determine the cost of goods manufactured.

Beginning finished goods inventory	$10,800
Direct labor	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. $102,000.
B. $110,100.
C. $96,600.
D. $113,700.
E. $100,200.

Cost of Goods Manufactured = Direct Materials + Direct Labor + Factory Overhead + Beginning Work in Process - Ending Work in Process
Cost of Goods Manufactured = $40,500 + $30,600 + (Indirect Labor + Indirect Materials + Depreciation Factory Equipment) + $7,200 - $9,000
Cost of Goods Manufactured = $40,500 + $30,600 + $6,300 + $13,500 + $7,500 + $7,200 - $9,000 = $96,600

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

136. Use the following data to compute total factory overhead costs for the month.

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. $45,200.
D. $84,800.
E. $58,300.

Indirect materials $15,200 + Factory manager salaries $7,200 + Factory supplies $9,000 + Indirect labor $6,300 + Depreciation on factory equipment $7,500 = $45,200

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

137. Use the following data to compute total manufacturing costs for the month.

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. $45,200.
D. $84,800.
E. $58,300.

Direct labor $39,600 + Indirect materials $15,200 + Factory manager salaries $7,200 + Factory supplies $9,000 + Indirect labor $6,300 + Direct materials $40,500 + Depreciation on factory equipment $7,500 = $125,300

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

138. Use the following information to compute the cost of goods manufactured:

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. $36,650.
B. $30,950.
C. $30,650.
D. $30,350.
E. $31,650.

Cost of Goods Manufactured = Direct Materials + Direct Labor + Factory Overhead + Beginning in Goods Process - Ending Work in Process
Cost of Goods Manufactured = (Beginning Raw Materials + Raw Materials Purchased - Ending Raw Materials) + Direct Labor + (Depreciation on Factory Equipment + Factory Repairs and Maintenance) + Beginning Work in Process - Ending Work in Process
Cost of Goods Manufactured = ($5,500 + $7,400 - $4,000) + $12,250 + ($6,500 + $3,300) + $5,700 - $6,300 = $30,350

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

139. The following information pertains to the Packer Corporation. Calculate the cost of goods sold for the period:

Beginning Raw Materials	$30,000
Ending Raw Materials	$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. $290,000.
C. $242,000.
D. $258,000.
E. $246,000.

Cost of Goods Sold = Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory
Cost of Goods Sold = $72,000 + $246,000 - $68,000 = $250,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

140. The following information pertains to the Frameworks Corporation for May. Calculate the cost of goods sold for the period:

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

A. $164,300.
B. $126,800.
C. $125,300.
D. $146,300.
<u>E.</u> $128,300.

Cost of Goods Sold = Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory
Cost of Goods Sold = $19,500 + $126,800 - $18,000 = $128,300

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

141. Using the information below, calculate the cost of goods manufactured for the period.

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. $553,000.
B. $536,000.
C. $549,000.
D. $527,000.
E. $525,000.

Beginning Finished Goods + Cost of Goods Manufactured - Ending Finished Goods = Cost of Goods Sold
$80,000 + Cost of Goods Manufactured - $67,000 = $540,000
Cost of Goods Manufactured + $13,000 = $540,000; Cost of Goods Manufactured = $527,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

142. Using the information below, calculate gross profit for the period.

Beginning Raw Materials Inventory	$25,000
Ending Direct 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. $1,022,000.
D. $187,000.
E. $727,000.

Gross Profit = Sales - Cost of Goods Sold; Gross Profit = $1,254,000 - $540,000 = $714,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

143. Using the information below, calculate cost of goods sold for the period.

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. $530,000.
D. $535,000.
E. $448,000.

Beginning Finished Goods Inventory + Cost of goods manufactured - Ending Finished Goods Inventory = Cost of goods sold. $36,000 + 540,000 - 41,000 = $535,000.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

144. Using the information below, calculate gross profit for the period.

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. $530,000.
D. $535,000.
E. $448,000.

Beginning Finished Goods Inventory + Cost of goods manufactured - Ending Finished Goods Inventory = Cost of goods sold
Cost of goods sold = $36,000 + $540,000 - $41,000 = $535,000
Gross Profit = Sales - Cost of Goods Sold; Gross Profit = $1,304,000 - $535,000 = $769,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

145. Using the information below, calculate net income for the period.

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. $530,000.
D. $535,000.
E. $448,000.

Beginning Finished Goods Inventory + Cost of goods manufactured - Ending Finished Goods Inventory = Cost of goods sold
Cost of goods sold = $36,000 + $540,000 - $41,000 = $535,000
Net Income = Sales - Cost of Goods Sold - Operating Expenses
$1,304,000 - $535,000 - 239,000 = $530,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

146. An internal control system consists of the policies and procedures managers use to do all of the following *except*:

A. Urge adherence to company policies.
B. Promote efficient operations.
C. Ensure reliable accounting.
D. Determine pricing for products.
E. Protect assets.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Risk Analysis
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

147. The schedule of cost of goods manufactured is divided into four parts consisting of all of the following *except*:

A. Direct materials.
B. Computation of cost of goods sold.
C. Overhead.
D. Computation of cost of goods manufactured.
E. Direct labor.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Reporting
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

148. All of the following statements regarding manufacturing costs are true *except*:

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

149. Using the information below, compute the raw materials inventory turnover:

Raw Materials Used	$85,500
Beginning Raw Materials Inventory	$8,000
Ending Raw Materials Inventory	$9,000

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

Raw materials inventory turnover = Raw materials used/Average raw materials inventory
Raw materials inventory turnover = $85,500/[($8,000 + $9,000/2]
Raw materials inventory turnover = $85,500/$8,500 = 10.06

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

150. Using the information below, compute the Days' sales in raw materials inventory:

Raw Materials Used	$85,500
Beginning Raw Materials Inventory	$8,000
Ending Raw Materials Inventory	$9,000

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

Days' sales in raw materials inventory = Ending raw materials/Raw materials used * 365
Days' sales in raw materials inventory = $9,000/$85,500 * 365 = 38.4

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

151. Using the information below, compute the raw materials inventory turnover:

Raw Materials Used	$121,600
Beginning Raw Materials Inventory	$18,000
Ending Raw Materials Inventory	$20,200

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

Raw materials inventory turnover = Raw materials used/Average raw materials inventory
Raw materials inventory turnover = $121,600/[($18,000 + $20,200/2]
Raw materials inventory turnover = $121,600/$19,100 = 6.37

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

152. Using the information below, compute the Days' sales in raw materials inventory:

Raw Materials Used	$121,600
Beginning Raw Materials Inventory	$18,000
Ending Raw Materials Inventory	$20,200

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

Days' sales in raw materials inventory = Ending raw materials/Raw materials used * 365
Days' sales in raw materials inventory = $20,200/$121,600 * 365 = 60.6

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

153. Just-in-time manufacturing techniques can be useful in _____________ days' sales in raw materials inventory.

A. keeping constant
B. changing upward
C. adding to
D. lowering
E. increasing

AACSB: Analytical Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

154. Which of the following statements is true regarding product and period costs?

A. Office salaries expense and factory maintenance are both product costs.
B. Office rent is a product cost and supervisors' salaries expense is a period cost.
C. Factory rent is a product cost and advertising expense is a period cost.
D. Delivery expense is a product cost and indirect materials is a period cost.
E. Sales commissions and indirect labor are both period costs.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

155. A company's prime costs total $4,500,000 and its conversion costs total $5,500,000. If direct materials are $2,000,000, calculate the overhead costs:

A. $2,500,000.
B. $3,500,000.
C. $2,000,000.
D. $1,000,000.
E. $3,000,000.

Overhead Costs = Conversion Costs - (Prime Costs - Direct Materials Costs)
Overhead Costs = $5,500,000 - ($4,500,000 - $2,000,000) = $3,000,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

156. 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:

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

Ending Work in Process Inventory = Cost of Goods Manufactured - Direct Materials Costs - Direct Labor Costs - Overhead Costs - Beginning Work in Process Inventory
Ending Work in Process Inventory = $890,000 - $330,000 - $210,000 - $315,000 - $60,000 = $25,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

157. 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:

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

Cost of Goods Manufactured = Beginning Work In Process Inventory + Direct Materials Costs + Direct Labor Costs + Overhead Costs - Ending Work in Process Inventory
Cost of Goods Manufactured = $60,000 + $350,000 + $216,000 + $319,000 - $55,000 = $890,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

158. Calculate the cost of goods manufactured using the following information:

Direct materials	$298,500
Direct labor	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. $680,500.
B. $701,900.
C. $687,100.
D. $674,600.
E. $772,600.

Cost of Goods Manufactured = Raw Materials Used + Direct Labor + Factory Overhead + Beginning Work in Process - Ending Work in Process
Cost of Goods Manufactured = $298,500 + $132,000 + $264,000 + $118,500 - $125,900 = $687,100

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

159. Calculate the cost of goods sold using the following information:

Direct materials	$298,500
Direct labor	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. $680,500.
B. $701,900.
C. $687,100.
D. $674,600.
E. $772,600.

Cost of Goods Sold = Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory
Cost of Goods Sold = $232,100 + (Direct Materials + Direct Labor + Factory Overhead Costs + Beginning Work in Process Inventory - Ending Work in Process Inventory) + $232,100 - $238,700
Cost of Goods Sold = $298,500 + $132,000 + $264,000 + $118,500 - $125,900 + $232,100 - $238,700 = $680,500

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

Matching Questions

160. Match the following terms with the appropriate definitions.

1. The efforts of employees who physically convert materials to finished products.	Period costs **4**
2. Costs that do not change in total with changes in the volume of activity.	Variable costs **10**
3. Tangible components of a finished product separately and readily traced through the manufacturing process.	Direct labor **1**
4. Costs that flow directly to the current income statement as expenses.	Factory overhead **5**
5. Manufacturing expenditures that cannot be separately or readily traced to finished goods.	Product costs **6**
6. Expenditures necessary and integral to finished products.	Conversion costs **9**
7. Expenditures directly associated with the manufacture of finished products; include direct materials and direct labor.	Direct materials **3**
8. Costs that are incurred for the benefit of more than one cost object.	Prime costs **7**
9. Expenditures incurred in the process of converting raw materials to finished products; include direct labor and factory overhead.	Fixed costs **2**
10. Costs that change in proportion to changes in volume of activity.	Indirect costs **8**

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Comparing Product and Period Costs
Topic: Cost Classification
Topic: Income Statement

161. Match the following terms with the appropriate definition.

Definition	Term	Answer
1. Products in the process of being manufactured but not yet complete.	Continuous improvement	**10**
2. Reveals how many times a company uses its raw materials inventory in production during a period.	Raw materials inventory	**3**
3. Goods a company acquires to use in making products.	Raw materials inventory turnover	**2**
4. A model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company.	Just-in-time manufacturing	**8**
5. Expenditures directly associated with the manufacture of finished goods; includes direct materials and direct labor.	Balanced scorecard	**9**
6. The idea that employees understand the changing needs and wants of their customers and align their management and operating practices accordingly.	Prime costs	**5**
7. An activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers.	Customer orientation	**6**
8. A system that acquires inventory and produces only when needed.	Work in Process inventory	**1**
9. Aids in continuous improvement by augmenting financial measures with information on the drivers or indicators of future financial performance along the four dimensions of (1) financial, (2) customer, (3) internal business processes; (4) learning and growth.	Lean business model	**4**
10. 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.	Managerial accounting	**7**

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Learning Objective: 01-C6 Describe trends in managerial accounting.
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.

Topic: Balance Sheet
Topic: Income Statement
Topic: Purpose of Managerial Accounting
Topic: Raw Materials Inventory Turnover and Days' Sales
Topic: Trends in Managerial Accounting

Short Answer Questions

162. 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.

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

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

163. Identify and describe the three categories of manufacturing costs.

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.

AACSB: Communication
AICPA: BB Industry

AICPA: FN Measurement
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

164. What is managerial accounting and how is it used to aid decision makers?

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

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

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.

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

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

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

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.

AACSB: Communication

AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

167. Define fraud and give at least two examples of employee fraud.

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.

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

AACSB: Ethics
AICPA: BB Legal
AICPA: FN Risk Analysis
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

168. List the four goals of an internal control system.

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.

AACSB: Ethics
AICPA: BB Legal
AICPA: FN Risk Analysis
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

169. 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.

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.

AACSB: Ethics
AICPA: BB Critical Thinking
AICPA: FN Risk Analysis
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

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

Period costs are the expenditures that are charged to expense in the income statement because they are more identified with a time period 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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

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

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

172. What is the main difference between the income statement of a manufacturer and that of a merchandiser?

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."

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

173. What does the days' sales in raw materials inventory ratio reveal?

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

AACSB: Communication
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

174. What are prime costs? What are conversion costs?

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

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

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

Essay Questions

176. 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 in terms of the volume of units of finished products produced. Also indicate with an X for each item if it is a product cost or a period cost.

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

	Variable or fixed cost?		**Product or period cost?**	
Cost item	**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	

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs
Topic: Cost Classification

177. 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.

	Product or period cost?		**Direct or indirect cost?**	
Cost item	**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				

	Product or period cost?		**Direct or indirect cost?**	
Cost item	**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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs
Topic: Cost Classification

178. Marv's Furniture and Fixtures 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				

	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		
Sales commissions	x			x

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.

Topic: Comparing Product and Period Costs
Topic: Cost Classification

179. Brotherton Company is a manufacturer of Blu-ray discs. Place each of the following costs in the appropriate column.

			Product cost		
Cost item		Period 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				

			Product cost		
Cost item		Period cost	Direct materials	Direct labor	Factory overhead
a.	Factory maintenance salary, $40,000				$40,000
b.	Salary of factory				$70,000

	supervisor, $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		

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

180. 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.

	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			

	Period Cost	Product Cost	
		Prime Cost	**Conversion Cost**
Factory property taxes			X
Payroll taxes for assembly labor			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		

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

181. Walter Products and Sandburg Industries report the following information at December 31:

	WALTER	SANDBURG
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 Asset Section of the Balance Sheet for the manufacturer.

(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	2,000
	$163,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

182. Thornton Foods bakes and sells 2,000 dozen muffins each week to food service operations. 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.

(a) Prime Cost	
Bakers' Salaries	$24,000
Flour & Ingredients	15,000
Prime Cost	$39,000

(b) Conversion Cost	
Bakers' Salaries	$24,000
Management Salaries	16,000
Production equipment	32,000
Conversion Cost	$72,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

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

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

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

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement

Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

185. Calculate Cost of Goods Sold for the following two companies:

	LEWIS, INC.	**MERCER CO.**
Beginning Inventory:		
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

LEWIS, INC.:	
Beginning merchandise inventory	$250,000
Plus cost of goods purchased	460,000
Less ending merchandise inventory	(128,000)
Cost of goods sold	$582,000
MERCER CO.:	
Beginning finished goods inventory	$550,000
Plus cost of goods manufactured	688,000
Less ending finished goods inventory	(350,000)
Cost of goods sold	$888,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.

186. The Tacky Company 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 Tacky Company's factory overhead for October?

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Comparing Product and Period Costs
Topic: Schedule of Cost of Goods Manufactured

187. The 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.

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Comparing Product and Period Costs
Topic: Schedule of Cost of Goods Manufactured

188. 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 inventory	$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

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

Less: Ending finished goods inventory		(46,000)
Cost of Goods Sold		**$244,500**

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Income Statement
Topic: Schedule of Cost of Goods Manufactured

189. 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	

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

190. 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
Raw materials used in production	$46,800
Direct labor	81,000
Total factory overhead	106,000

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

191. 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

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	18,400	
Total factory overhead costs		61,000
Total manufacturing costs		$113,000
Add work in process inventory, May 31		12,600
Total work in process		$125,600

Deduct work in process inventory, June 30		16,500
Cost of goods manufactured		$109,100

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

192. Duncan Crafts manufactures specialty key chains for tourist attractions. On January 1, the firm had 300 souvenir attraction disks used in the production of the chains that cost $3 each; and 600 completed key chains that cost $6 each. During the year Duncan Crafts purchased 1,500 souvenir disks costing $3 each and produced 1,100 key chains. Compute the total cost of raw materials inventory at December 31.

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	700 @ $3 =	$2,100

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

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

Raw materials purchased	131,700
Raw 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

Work in process inventory, beginning	32,500
Raw 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	$30,600

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

194. 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 Manufactured	Cost of Goods 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	________	________

	Cost of Goods Manufactured	Cost of Goods 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	+

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Income Statement
Topic: Schedule of Cost of Goods Manufactured

195. 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

Stanton, Inc. **Schedule of Cost of Goods Manufactured** **For Year Ended December 31**		
Direct materials:		
Raw materials, January 1	$5,000	
Raw material purchases	125,000	

Raw materials available	$130,000	
Raw materials, December 31	(4,000)	
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	11,500	
Total factory overhead costs		107,500
Total manufacturing costs		$301,500
Work in Process inventory, January 1		3,500
Total work in process		$305,000
Work in Process inventory, December 31		(2,700)
Cost of goods manufactured		$302,300

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

196. 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

Cost of Goods Manufactured		
Direct materials:		
Raw Materials, Beginning	$53,200	
Raw Materials Purchases	210,000	
Raw materials Available	$263,200	
Less Raw materials, Ending	(58,100)	
Direct materials used		$205,100
Direct Labor		149,800
Total Factory Overhead		105,000
Total manufacturing costs		$459,900
Plus Beginning Work in Process Inventory		78,400
Total manufacturing costs		$538,300
Less Ending Work in Process Inventory		(98,000)

Cost of Goods Manufactured		$440,300

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

197. 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 used	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

Jersey Metalworks Schedule of Cost of Goods Manufactured For Year Ended December 31		
Direct materials:		
Raw materials, January 1	$32,000	
Raw materials purchases	325,000	
Raw materials available	$357,000	
Less raw materials, December 31	28,000	
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	50,000	
Total factory overhead costs		210,400
Total manufacturing costs		$807,400
Work in Process inventory, January 1		33,780
Total cost of work in Process		$841,180
Less work in Process inventory, December 31		37,460
Cost of goods manufactured		$803,720

Jersey Metalworks
Income Statement

For Year Ended December 31		
Sales		$1,452,000
Less sales discounts		29,000
Net sales		$1,423,000
Cost of goods sold		
Finished goods inventory, January 1	$56,970	
Cost of goods manufactured	803,720	
Goods available for sale	860,690	
Less finished goods inventory, December 31	62,000	
Cost of goods sold		798,690
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	24,000	
Total selling expenses		180,050
General and administrative expenses		
Administrative salaries expense	135,000	
Depreciation expense—Office equipment	24,800	
Rent expense—Office space	24,000	
Total general and administrative expenses		183,800
Total operating expenses		363,850
Income before taxes		260,460
Income taxes expense		91,500
Net income		$168,960

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial

statements.
Topic: Schedule of Cost of Goods Manufactured

198. Martinez Company makes leather cowboy hats. Each hat requires ½ yard of leather to produce. On December 31, 2014, 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 2015, the company purchased 850 more yards of leather at $12 per yard and manufactured 1,600 hats. Determine the unit and dollar amounts of Raw Materials Inventory in leather at December 31, 2015.

	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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

Fill in the Blank Questions

199. ____________________ is an activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers.

Managerial accounting

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

200. ___________________ is the process of setting goals and making plans to achieve them.

Planning

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

201. ____________________ is the process of monitoring planning decisions and evaluating an organization's activities and employees.

Control

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

202. The purpose of managerial accounting information is to help ________________ users make decisions while the purpose of financial accounting is to help _____________ users make decisions.

internal; external

Answers must appear in this order

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

203. A _________________ system means that a company acquires or produces inventory only when needed.

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

AACSB: Communication

AICPA: BB Resource Management
AICPA: FN Risk Analysis
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

204. The model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company is the ____________________.

lean business model

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

205. ____________________ rejects the notions of "good enough" or "acceptable" and challenges employees and managers to continuously experiment with new and improved business practices.

Continuous improvement

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

206. The _____________ aids continuous improvement by augmenting financial measures with information on the drivers or indicators of future financial performance along four dimensions: (1) financial, (2) customer, (3) internal business processes, and (4) learning and growth.

balanced scorecard

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C6 Describe trends in managerial accounting.
Topic: Trends in Managerial Accounting

207. _______________ is the deliberate misuse of the employer's assets for the employee's personal gain.

Fraud

AACSB: Ethics
AICPA: BB Legal
AICPA: FN Risk Analysis
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Fraud and Ethics in Managerial Accounting

208. Policies and procedures used by management to monitor and control business activities are known as ____________________________.

internal control

AACSB: Ethics
AICPA: BB Legal
AICPA: FN Risk Analysis
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

209. _______________ are beliefs that distinguish right from wrong.

Ethics

AACSB: Ethics
AICPA: BB Legal
AICPA: FN Risk Analysis
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting.
Topic: Purpose of Managerial Accounting

210. The process of identifying costs as direct or indirect is referred to as classifying costs by _______________.

traceability

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

211. A _________________ cost changes in total in proportion to changes in the volume of activity.

variable

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

212. A _________________ cost does not change in total in proportion to changes in the volume of activity within the relevant range.

fixed

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs.
Topic: Cost Classification

213. Expenditures necessary and integral to the manufacture of finished products are ________________ costs.

product

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

214. Expenditures that flow directly to the current income statement and are not reported as assets are ___________________ costs.

period

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

215. ____________________ inventory consists of goods a company acquires to use in making products.

Raw materials

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

216. ____________________ inventory consists of products in the process of being manufactured but not yet complete.

Work in process or goods in process

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

217. ____________________ inventory consists of completed products ready for sale by a manufacturer.

Finished goods

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

218. A manufacturer's inventory that is not completely finished is called ________________.

work in process

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ.
Topic: Balance Sheet

219. 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 ________________________.

cost of goods manufactured

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser.
Topic: Income Statement

220. _________________________ reveals how much raw materials inventory is available in terms of the number of days' sales.

Days' sales in Raw Materials Inventory

AACSB: Communication
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

221. _________________________ reveals how many times a company uses its raw materials inventory in production during a period.

Raw Materials Inventory Turnover

AACSB: Communication
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory.
Topic: Raw Materials Inventory Turnover and Days' Sales

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

conversion costs

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.

Topic: Comparing Product and Period Costs

223. Expenditures directly associated with the manufacture of finished goods that include direct materials and direct labor are ____________________ costs.

prime

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements.
Topic: Comparing Product and Period Costs

224. Crane, Inc. reported the following data regarding costs and inventories for the current year: beginning goods-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 goods-in-process inventory, $1,500. Cost of goods sold for Crane, Inc. equals ____________________.

$12,500

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

225. 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 ____________________.

$22,500

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured

226. 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.

cost of goods manufactured

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements.
Topic: Schedule of Cost of Goods Manufactured