# Test Bank for Introduction to Managerial Accounting CDN 7th Brewer

# Introduction to Managerial Accounting Edition 7 by Brewer

CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

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

1) All costs incurred in a merchandising firm are period costs.
   - ⊚ true
   - ⊚ false

2) Depreciation is always considered a product cost for external financial reporting purposes in a manufacturing firm.
   - ⊚ true
   - ⊚ false

3) Advertising costs are considered product costs for external financial reports since they are incurred in order to promote specific products.
   - ⊚ true
   - ⊚ false



4) Property taxes and insurance premiums paid on a factory building are examples of manufacturing overhead.
   - ⊚ true
   - ⊚ false



5) Manufacturing overhead combined with direct materials is known as conversion cost.
   - ⊚ true
   - ⊚ false

6) If the ending inventory of finished goods is overstated, net income will be overstated.
   - ⊚ true
   - ⊚ false

7) If the ending inventory of finished goods is understated, net income will be overstated.
   - ⊚ true
   - ⊚ false

8) In a manufacturing company, goods available for sale equals the sum of the cost of goods manufactured and the beginning finished goods inventory.
   - ⊚ true
   - ⊚ false

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9) Variable costs are costs whose per unit costs vary as the activity level rises and falls.
   - ⊚ true
   - ⊚ false

10) Variable costs are costs whose per unit costs don't vary as the activity level rises and falls.
   - ⊚ true
   - ⊚ false

11) On a per unit basis, a fixed cost varies inversely with the level of activity.
   - ⊚ true
   - ⊚ false

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

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



14) All the following costs should be considered direct costs of providing delivery room services: the costs of drugs administered in the operating room, the attending physician's fees, and a portion of the liability insurance carried by the hospital to cover the delivery room.
   - ⊚ true
   - ⊚ false

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

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16) A cost that differs from one month to another is known as a differential cost.
   - ⊚ true
   - ⊚ false

17) Opportunity costs are always recorded as expenses in the accounts of an organization.
   - ⊚ true
   - ⊚ false

18) Sunk costs are irrelevant in making decisions.
   - ⊚ true
   - ⊚ false

19) The inventory accounts reported on the balance sheet of a manufacturing company will differ from those of a merchandising company.
   - ⊚ true
   - ⊚ false



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

20) Labour costs relating to janitors and supervisors in a manufacturing facility are examples of:
   - A) Direct labour
   - B) Indirect labour



21) The cost of fire insurance for a manufacturing plant is generally considered to be a:
   - A) product cost.
   - B) period cost.
   - C) variable cost.
   - D) fixed cost.

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22) The cost of rent for a manufacturing equipment used in a manufacturing plant is generally considered to be a:

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

A) choice a.
B) choice b.
C) choice c.
D) choice d.

23) Each of the following would be a conversion cost except:
A) Cost of labour physically and conveniently traceable to a product
B) Cost of utilities used in a manufacturing plant.
C) Depreciation of a machine used in manufacturing.
D) Cost of material physically and conveniently traceable to a product



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

A) Depreciation of factory equipment.
B) Wages of salespersons.
C) Wages of machine operators.
D) Insurance on factory equipment.

25) Which of the following would be considered a product cost for external financial reporting purposes?
A) Cost of a warehouse used to store finished goods.
B) Cost of guided public tours through the company's facilities.
C) Cost of travel necessary to sell the manufactured product.
D) Cost of sand spread on the factory floor to absorb oil from manufacturing machines.

26) Which of the following would NOT be treated as a product cost for external financial reporting purposes?
A) Depreciation on a factory building.
B) Salaries of factory workers.
C) Indirect labour in the factory.
D) Advertising expenses.

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27) Transportation costs incurred by a manufacturing company to ship its raw materials from the supplier to its manufacturing facility would be classified as which of the following?
   A) Product cost.
   B) Manufacturing overhead.
   C) Period cost.
   D) Administrative cost.

28) Costs incurred to maintain an app to provide rewards to customers upon purchase would be classified as which of the following?
   A) Product cost.
   B) Manufacturing overhead.
   C) Period cost.
   D) Administrative cost.

29) The salary of the president of a manufacturing company would be classified as which of the following?
   A) Product cost.
   B) Period cost.
   C) Manufacturing overhead.
   D) Direct labour.



30) Micro Computer Company has set up a web page for customer inquiries regarding computer hardware produced by the company. The cost of this web page would be classified as which of the following?
   A) Product cost.
   B) Manufacturing overhead.
   C) Direct labour.
   D) Period cost.

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31) The wages of factory personnel engaged in manufacturing of the products would usually be:

| | Direct labour | Manufacturing overhead |
|---|---|---|
| a. | No | Yes |
| b. | Yes | No |
| c. | Yes | Yes |
| d. | No | No |

A) choice a.
B) choice b.
C) choice c.
D) choice d.

32) Direct materials are a part of:

| | Conversion cost | Manufacturing cost | Prime cost |
|---|---|---|---|
| a. | Yes | Yes | No |
| b. | Yes | Yes | Yes |
| c. | No | Yes | Yes |
| d. | No | No | No |



A) choice a.
B) choice b.
C) choice c.
D) choice d.



33) Manufacturing overhead consists of:
A) all manufacturing costs.
B) all manufacturing costs, except direct materials and direct labour.
C) indirect materials but not indirect labour.
D) indirect labour but not indirect materials.

34) Which of the following should NOT be included as part of manufacturing overhead at a company that makes office furniture?
A) Sheet steel in a file cabinet made by the company.
B) Manufacturing equipment depreciation.
C) Idle time for direct labour.
D) Taxes on a factory building.

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35) Which of the following should NOT be included as part of manufacturing overhead at a company that makes office furniture?
   A) Sheet steel in a file cabinet made by the company.
   B) Manufacturing equipment depreciation.
   C) Direct labour.
   D) Hardware installed on desks

36) Rossiter Company failed to record a credit sale at the end of the year, although the reduction in finished goods inventories was correctly recorded when the goods were shipped to the customer. Which one of the following statements is correct?
   A) Accounts receivable was not affected, inventory was not affected, sales were understated, and cost of goods sold was understated.
   B) Accounts receivable was understated, inventory was overstated, sales were understated, and cost of goods sold was overstated.
   C) Accounts receivable was not affected, inventory was understated, sales were understated, and cost of goods sold was understated.
   D) Accounts receivable was understated, inventory was not affected, sales were understated, and cost of goods sold was not affected.



37) If the cost of goods sold is lower than the cost of goods manufactured, then:
   A) Work in process inventory has decreased during the period.
   B) Finished goods inventory has increased during the period.
   C) Total manufacturing costs must be greater than cost of goods manufactured.
   D) Finished goods inventory has decreased during the period.



38) Last month, when 10,000 units of a product were manufactured, the cost per unit was $60. At this level of activity, variable costs are 50% of total unit costs. If 10,500 units are manufactured next month and cost behaviour patterns remain unchanged the?
   A) total variable cost will remain unchanged.
   B) fixed costs will increase in total.
   C) variable cost per unit will increase.
   D) total cost per unit will decrease.

39) Variable cost:
   A) increases on a per unit basis as the number of units produced increases.
   B) remains constant on a per unit basis as the number of units produced increases.
   C) remains the same in total as production increases.
   D) decreases on a per unit basis as the number of units produced increases.

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40) Within the relevant range, the difference between variable costs and fixed costs is:
- A) variable costs per unit fluctuate and fixed costs per unit remain constant.
- B) variable costs per unit are constant and fixed costs per unit fluctuate.
- C) both total variable costs and total fixed costs are constant.
- D) both total variable costs and total fixed costs fluctuate.

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

42) Last month, when 11,000 units of a product were manufactured, the cost per unit was $ 50. At this level of activity, variable costs are 40% of total unit costs. If 12,000 units are manufactured next month and cost behaviour patterns remain unchanged, the total cost of goods manufactured will be?
- A) $ 570,000.
- B) $600,000.
- C) $ 770,000.
- D) $630,000.



43) Which of the following statements is true?
- A) An indirect cost can be easily traced to an individual cost object.
- B) An indirect cost is one incurred to support several cost objects.
- C) A direct cost cannot be easily and economically traced to a cost object.
- D) The determination of a cost object is nor relevant to the traceability of costs.

44) An opportunity cost is:
- A) the difference in total costs which results from selecting one alternative instead of another.
- B) the potential benefit forgone by selecting one alternative instead of another.
- C) a cost which may be saved by not adopting an alternative.
- D) a cost which may be shifted to the future with little or no effect on current operations.

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45) The term differential revenue refers to:
- A) A difference in the revenue between any two alternatives.
- B) The potential benefit forgone by selecting one alternative instead of another.
- C) A cost which does not entail any dollar outlay but which is relevant to the decision-making process.
- D) A cost which continues to be incurred even though there is no activity.

46) Which of the following costs is often important in decision making, but is omitted from conventional accounting records?
- A) Fixed cost.
- B) Sunk cost.
- C) Opportunity cost.
- D) Indirect cost.

47) When a decision is made among several alternatives, the potential benefit that is lost by choosing one alternative over another is the:
- A) realized cost.
- B) opportunity cost.
- C) conversion cost.
- D) accrued cost.



48) Conversion cost consists of which of the following?
- A) Manufacturing overhead cost.
- B) Direct materials and direct labour costs.
- C) Direct labour cost.
- D) Direct labour and manufacturing overhead costs.

49) Prime cost consists of direct materials combined with:
- A) direct labour.
- B) manufacturing overhead.
- C) indirect materials.
- D) cost of goods manufactured.

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50) Which one of the following costs should NOT be considered a direct cost of serving a customer who orders a customized personal computer by phone directly from the manufacturer?
   A) The cost of the hard disk drive installed in the computer.
   B) The cost of shipping the computer to the customer.
   C) The cost of leasing a machine on a monthly basis that automatically tests hard disk drives before they are installed in computers.
   D) The cost of packaging the computer for shipment.

51) The sequence of major activities that every organization carries out to fulfill its mission is known as:
   A) the manufacturing process.
   B) product planning and development.
   C) the value chain.
   D) marketing.



52) Which of the following major activities of a business will result in product costs?
   A) Marketing.
   B) Customer support.
   C) General administrative.
   D) Manufacturing.



53) Which one of the following costs should NOT be considered an indirect cost of serving a customer at a Dairy Queen fast food outlet?
   A) The cost of the hamburger patty in the burger they ordered.
   B) The wages of the employee who takes the customer's order.
   C) The cost of heating and lighting the kitchen.
   D) The salary of the outlet's manager.

54) Sunshine Company’s costs for the month of August were as follows: direct materials, $ 30,000; direct labour, $ 35,000; sales salaries, $14,000; indirect labour, $10,000; indirect materials, $15,000; general corporate administrative cost, $12,000; taxes on manufacturing facility, $ 5,000; and rent on factory, $ 20,000. The beginning work in process inventory was $ 15,000 and the ending work in process inventory was $ 10,000. What was the cost of goods manufactured for the month?
   A) $105,000.
   B) $ 115,000.
   C) $ 120,000.
   D) $ 125,000

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

A) $105,000.
B) $112,000.
C) $132,000.
D) $138,000.

56) A manufacturing company prepays its insurance coverage for a four-year period. The premium for the four years is $ 4,000 and is paid at the beginning of the first year. 70% percent of the premium applies to manufacturing operations and 30% applies to selling and administrative activities. What amounts should be considered product and period costs respectively for the first year of coverage?

| | Product | Period |
|---|---|---|
| a. | $4,000 | $0 |
| b. | $2,800 | $1,200 |
| c. | $3,000 | $1,000 |
| d. | $700 | $300 |



A) choice a.
B) choice b.
C) choice c.
D) choice d.

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

| | |
|---|---|
| Cost of goods sold | $70 |
| Direct labour | $ 25 |
| Direct materials | $ 10 |
| Cost of goods manufactured | $ 90 |
| Work in process ending | $ 20 |
| Finished goods ending | $ 25 |
| Manufacturing overhead | $30 |

The beginning work in process inventory is:

A) $ 25.
B) $ 35.
C) $ 45.
D) $55.

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

A) $34,000.
B) $36,000.
C) $38,000.
D) $45,000.





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

| | |
|---|---|
| Direct materials | $35,000 |
| Direct labour | $30,000 |
| Manufacturing overhead | $20,000 |
| Beginning work in process inventory | $15,000 |
| Ending work in process inventory | $10,000 |

The cost of goods manufactured was:

A) $78,000.
B) $79,000.
C) $80,000.
D) $90,000.

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

A) $38,500.
B) $40,500.
C) $41,500.
D) $43,500.

61) Moonlight Company reported the following data for the year just ended:

| | |
|---|---|
| Raw materials used in production | 900,000 |
| Direct labour | 600,000 |
| Total overhead costs | $1,200,0000 |
| Ending work in process inventory | $400,000 |
| Cost of goods manufactured | $2,900,000 |

The beginning work in process inventory was:

A) $100,000.
B) $300,000.
C) $600,000.
D) $1,300,000.



62) Moonlight Company reported the following data for the year just ended:

| | |
|---|---|
| Raw materials used in production | $900,000 |
| Direct labour | $600,000 |
| Total overhead costs | $1,200,000 |
| Beginning work in process inventory | (Use the beginning WIP calculated in 2-61 |
| Cost of goods manufactured | $ 2,900,000 |

The ending work in process inventory was:

A) $100,000.
B) $300,000.
C) $400,000.
D) $1,300,000.

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

64) The Lyons Company's cost of goods manufactured was $120,000 when its sales were $360,000 and its gross margin was $220,000. If the ending inventory of finished goods was $30,000, the beginning inventory of finished goods must have been:
   A) $20,000.
   B) $50,000.
   C) $110,000.
   D) $150,000.



65) The gross margin for Cushing Company for the first quarter of last year was $400,000 when sales were $800,000. The beginning inventory of finished goods was $80,000 and the ending inventory of finished goods was $ 120,000. The cost of goods manufactured for the first quarter would have been:
   A) $350,000.
   B) $ 400,000
   C) $ 440,000.
   D) $485,000.



66) Last month a manufacturing company had the following operating results:

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

What was the cost of goods manufactured for the month?
   A) $411,000.
   B) $412,000.
   C) $413,000.
   D) $463,000.

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67) The following information was provided by Wilson Company for the year just ended:

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

The cost of goods manufactured for the year was:

A) $314,725.
B) $325,000.
C) $333,275.
D) $334,275.

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

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

The cost of goods manufactured for the year was:

A) $95,345.
B) $104,655.
C) $395,345.
D) $404,655.





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

| | |
|---|---|
| Net sales | $150,000 |
| Beginning inventory | $30,000 |
| Purchases | $110,00 |
| Gross margin | $40,000 |

The ending inventory for the company at year end was:

A) $ 20,000
B) $ 25,000
C) $ 30,000
D) $35,000

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

A) $127,650.
B) $130,150.
C) $131,300.
D) $157,650.

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

A) $61,000.
B) $63,000.
C) $65,000.
D) $91,000.



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



A) $82,000.
B) $84,000.
C) $86,000.
D) $122,000.

73) During January, the cost of goods manufactured was $ 90,000. The beginning finished goods inventory was $ 20,000 and the ending finished goods inventory was $ 30,000. What was the cost of goods sold for the month?

A) $ 80,000
B) $ 95,000
C) $ 97,000.
D) $ 100,000

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

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

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

A) The course Instructor's salary for teaching the course (he only teaches this one course).
B) The property taxes on the land and classroom building.
C) The salary of the building's custodian.
D) The Accounting Department's secretary salary.



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

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

What was beginning finished goods inventory?

A) $100,000.
B) $ 250,000
C) $300,000.
D) $400,000.

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

A) $135,000
B) $139,000
C) $140,000
D) $145,000

78) At a sales volume of 30,000 units, CD Company's total fixed costs are $ 80,000 and total variable costs are $60,000. (Do not round intermediate calculations)

If CD Company were to sell 45,000 units, the total expected cost would be?

A) $124,000.
B) $144,625.
C) $146,000.
D) $ 170,000

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

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

A) $2.48.
B) $3.16.
C) $3.20.
D) $3.88.

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80) Jim-bob Company has two business alternatives - A & B with different total annual costs as set out below:

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

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

What are the total differential costs between the two alternatives?

A) $2,000.
B) $3,000.
C) $5,000.
D) $7,000.



81) The following costs were incurred in May:

| | |
|---|---|
| **Direct materials** | $44,800 |
| **Direct labour** | $29,000 |
| **Manufacturing overhead** | $29,300 |
| **Selling expenses** | $26,800 |
| **Administrative expenses** | $37,100 |



Conversion costs during the month totaled:

A) $58,300
B) $74,100
C) $167,000
D) $73,800

82) Abburi Company's manufacturing overhead is 45% of its total conversion costs. If direct labour is $57,200 and if direct materials are $22,100, the manufacturing overhead is:

A) $46,800
B) $69,911
C) $18,082
D) $64,882

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83) During the month of May, direct labour cost totaled $13,055 and direct labour cost was 35% of prime cost. If total manufacturing costs during May were $79,700, the manufacturing overhead was:

A) $24,245
B) $37,300
C) $66,645
D) $42,400

84) In May direct labour was 30% of conversion cost. If the manufacturing overhead for the month was $116,200 and the direct materials cost was $21,000, the direct labour cost was:

A) $271,133
B) $49,800
C) $49,000
D) $9,000

85) The following costs were incurred in May:

| | |
|---|---|
| **Direct materials** | $41,000 |
| **Direct labour** | $29,900 |
| **Manufacturing overhead** | $21,900 |
| **Selling expenses** | $14,900 |
| **Administrative expenses** | $30,400 |



Prime costs during the month totaled:

A) $92,800
B) $138,100
C) $70,900
D) $51,800

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86) Perteet Corporation's relevant range of activity is 6,300 units to 12,500 units. When it produces and sells 9,400 units, its average costs per unit are as follows:

| | Average Cost per Unit |
|---|---|
| **Direct materials** | $7.20 |
| **Direct labour** | $3.65 |
| **Variable manufacturing overhead** | $1.70 |
| **Fixed manufacturing overhead** | $2.90 |
| **Fixed selling expense** | $0.65 |
| **Fixed administrative expense** | $0.35 |
| **Sales commissions** | $0.45 |
| **Variable administrative expense** | $0.50 |

If 7,000 units are produced, the total amount of manufacturing overhead cost is closest to:

A) $28,520
B) $49,890
C) $39,160
D) $22,010



87) A manufacturing company prepays its insurance coverage for a three-year period. The premium for the three years is $5,040 and is paid at the beginning of the first year. Seventy percent of the premium applies to manufacturing operations and thirty percent applies to selling and administrative activities. What amounts should be considered product and period costs respectively for the first year of coverage?



| | Product | Period |
|---|---|---|
| **A)** | $ 504 | $ 1,176 |
| **B)** | $ 1,680 | $ 0 |
| **C)** | $ 0 | $ 1,680 |
| **D)** | $ 1,176 | $ 504 |

A) Choice A
B) Choice B
C) Choice C
D) Choice D

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88) At an activity level of 9,100 machine-hours in a month, Falks Corporation's total variable production engineering cost is $765,310 and its total fixed production engineering cost is $224,070. What would be the total production engineering cost per machine-hour, both fixed and variable, at an activity level of 9,700 machine-hours in a month? Assume that this level of activity is within the relevant range. **(Round intermediate calculations to 2 decimal places.)**

A) $102.00
B) $108.72
C) $107.20
D) $102.28

89) Schonhardt Corporation's relevant range of activity is 2,900 units to 7,500 units. When it produces and sells 5,200 units, its average costs per unit are as follows:

| | Average Cost per Unit |
|---|---|
| Direct materials | $ 7.20 |
| Direct labour | $ 3.40 |
| Variable manufacturing overhead | $ 1.25 |
| Fixed manufacturing overhead | $ 3.50 |
| Fixed selling expense | $ 0.85 |
| Fixed administrative expense | $ 0.55 |
| Sales commissions | $ 0.65 |
| Variable administrative expense | $ 0.55 |



If 6,500 units are produced, the total amount of fixed manufacturing cost incurred is closest to:

A) $23,400
B) $22,620
C) $18,460
D) $18,200

# Introduction to Managerial Accounting Edition 7 by Brewer

90) Bellucci Corporation has provided the following information:

| | Cost per Unit | Cost per Period |
|---|---|---|
| **Direct materials** | $ 7.05 | |
| **Direct labour** | $ 4.20 | |
| **Variable manufacturing overhead** | $ 1.55 | |
| **Fixed manufacturing overhead** | | $ 124,000 |
| **Sales commissions** | $ 1.15 | |
| **Variable administrative expense** | $ 0.40 | |
| **Fixed selling and administrative expense** | | $ 45,500 |

The incremental manufacturing cost that the company will incur if it increases production from 10,000 to 10,001 units is closest to (assume that the increase is within the relevant range):

A) $27.15
B) $12.80
C) $31.30
D) $25.20

# Introduction to Managerial Accounting Edition 7 by Brewer

91) Fiori Corporation's relevant range of activity is 2,800 units to 6,000 units. When it produces and sells 4,400 units, its average costs per unit are as follows:

| | Average Cost per Unit |
|---|---|
| Direct materials | $ 6.65 |
| Direct labour | $ 3.00 |
| Variable manufacturing overhead | $ 1.70 |
| Fixed manufacturing overhead | $ 2.50 |
| Fixed selling expense | $ 1.00 |
| Fixed administrative expense | $ 0.90 |
| Sales commissions | $ 1.30 |
| Variable administrative expense | $ 0.80 |

The incremental manufacturing cost that the company will incur if it increases production from 5,000 to 5,001 units is closest to:

A) $17.85
B) $11.35
C) $13.85
D) $14.85



92) Haack Incorporated is a merchandising company. Last month the company's cost of goods sold was $61,900. The company's beginning merchandise inventory was $17,600 and its ending merchandise inventory was $26,200. What was the total amount of the company's merchandise purchases for the month?

A) $61,900
B) $53,300
C) $70,500
D) $105,700

# Introduction to Managerial Accounting Edition 7 by Brewer

93) The following cost data pertain to the operations of Quinonez Department Stores, Incorporated, for the month of September.

| | |
|---|---|
| **Corporate headquarters building lease** | $ 82,300 |
| **Cosmetics Department sales commissions-Northridge Store** | $ 5,930 |
| **Corporate legal office salaries** | $ 64,400 |
| **Store manager's salary-Northridge Store** | $ 10,000 |
| **Heating-Northridge Store** | $ 20,600 |
| **Cosmetics Department cost of sales-Northridge Store** | $ 37,200 |
| **Central warehouse lease cost** | $ 11,000 |
| **Store security-Northridge Store** | $ 16,500 |
| **Cosmetics Department manager's salary-Northridge Store** | $ 4,190 |

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

What is the total amount of the costs listed above that are direct costs of the Cosmetics Department?

A) $94,420
B) $47,320
C) $43,130
D) $37,200

# Introduction to Managerial Accounting Edition 7 by Brewer

94) The following cost data pertain to the operations of Quinonez Department Stores, Incorporated, for the month of September.

| | |
|---|---|
| **Corporate headquarters building lease** | $ 81,200 |
| **Cosmetics Department sales commissions-Northridge Store** | $ 5,690 |
| **Corporate legal office salaries** | $ 61,200 |
| **Store manager's salary-Northridge Store** | $ 14,500 |
| **Heating-Northridge Store** | $ 13,300 |
| **Cosmetics Department cost of sales-Northridge Store** | $ 33,700 |
| **Central warehouse lease cost** | $ 8,500 |
| **Store security-Northridge Store** | $ 14,900 |
| **Cosmetics Department manager's salary-Northridge Store** | $ 4,290 |

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

What is the total amount of the costs listed above that are NOT direct costs of the Northridge Store?

A) $150,900
B) $42,700
C) $43,680
D) $81,200

# Introduction to Managerial Accounting Edition 7 by Brewer

95) Dake Corporation's relevant range of activity is 2,900 units to 7,500 units. When it produces and sells 5,200 units, its average costs per unit are as follows:

| | Average Cost per Unit |
|---|---|
| Direct materials | $ 6.50 |
| Direct labour | $ 3.40 |
| Variable manufacturing overhead | $ 1.25 |
| Fixed manufacturing overhead | $ 3.50 |
| Fixed selling expense | $ 0.85 |
| Fixed administrative expense | $ 0.55 |
| Sales commissions | $ 0.65 |
| Variable administrative expense | $ 0.55 |

For financial reporting purposes, the total amount of product costs incurred to make 5,200 units is closest to:

A) $76,180
B) $57,980
C) $81,380
D) $18,200

# Introduction to Managerial Accounting Edition 7 by Brewer

96) Dake Corporation's relevant range of activity is 4,000 units to 7,500 units. When it produces and sells 5,750 units, its average costs per unit are as follows:

| | Average Cost per Unit |
|---|---|
| Direct materials | $ 7.10 |
| Direct labour | $ 3.30 |
| Variable manufacturing overhead | $ 1.70 |
| Fixed manufacturing overhead | $ 3.60 |
| Fixed selling expense | $ 0.80 |
| Fixed administrative expense | $ 0.50 |
| Sales commissions | $ 0.60 |
| Variable administrative expense | $ 0.50 |

If 4,750 units are produced, the total amount of direct manufacturing cost incurred is closest to:

A) $49,400
B) $57,475
C) $74,575
D) $58,425

# Introduction to Managerial Accounting Edition 7 by Brewer

97) Dake Corporation's relevant range of activity is 5,200 units to 6,000 units. When it produces and sells 5,600 units, its average costs per unit are as follows:

| | Average Cost per Unit |
|---|---|
| **Direct materials** | $ 6.55 |
| **Direct labour** | $ 3.80 |
| **Variable manufacturing overhead** | $ 2.15 |
| **Fixed manufacturing overhead** | $ 3.50 |
| **Fixed selling expense** | $ 1.05 |
| **Fixed administrative expense** | $ 0.75 |
| **Sales commissions** | $ 0.85 |
| **Variable administrative expense** | $ 0.75 |

If 4,600 units are produced, the total amount of indirect manufacturing cost incurred is closest to:

A) $9,890
B) $19,600
C) $29,490
D) $25,990

# Introduction to Managerial Accounting Edition 7 by Brewer

98) Schwiesow Corporation has provided the following information:

| | Cost per Unit | Cost per Period |
|---|---|---|
| **Direct materials** | $ 8.00 | |
| **Direct labour** | $ 4.20 | |
| **Variable manufacturing overhead** | $ 1.60 | |
| **Fixed manufacturing overhead** | | $ 17,500 |
| **Sales commissions** | $ 1.00 | |
| **Variable administrative expense** | $ 0.40 | |
| **Fixed selling and administrative expense** | | $ 6,800 |

If 6,500 units are produced, the total amount of manufacturing overhead cost is closest to:

A) $23,400
B) $27,900
C) $18,900
D) $42,200

# Introduction to Managerial Accounting Edition 7 by Brewer

99) Kesterson Corporation has provided the following information:

| | Cost per Unit | Cost per Period |
|---|---|---|
| **Direct materials** | $ 7.15 | |
| **Direct labour** | $ 4.20 | |
| **Variable manufacturing overhead** | $ 1.55 | |
| **Fixed manufacturing overhead** | | $ 18,900 |
| **Sales commissions** | $ 2.10 | |
| **Variable administrative expense** | $ 0.40 | |
| **Fixed selling and administrative expense** | | $ 4,900 |

If 7,000 units are produced, the total amount of indirect manufacturing cost incurred is closest to:

A) $10,850
B) $35,630
C) $29,750
D) $18,900

# Introduction to Managerial Accounting Edition 7 by Brewer

100) Kesterson Corporation has provided the following information:

| | Cost per Unit | Cost per Period |
|---|---|---|
| **Direct materials** | $ 6.35 | |
| **Direct labour** | $ 3.40 | |
| **Variable manufacturing overhead** | $ 1.30 | |
| **Fixed manufacturing overhead** | | $ 16,900 |
| **Sales commissions** | $ 1.40 | |
| **Variable administrative expense** | $ 0.70 | |
| **Fixed selling and administrative expense** | | $ 5,200 |

The incremental manufacturing cost that the company will incur if it increases production from 6,500 to 6,501 units is closest to:

A) $11.05
B) $13.90
C) $16.55
D) $13.95



101) Vignana Corporation manufactures and sells hand-painted clay figurines of popular sports heroes. Shown below are some of the costs incurred by Vignana for last year:

| | |
|---|---|
| **Cost of clay used in production** | $ 76,000 |
| **Wages paid to the workers who paint the figurines** | $ 99,000 |
| **Wages paid to the sales manager's secretary** | $ 31,000 |
| **Cost of junk mail advertising** | $ 48,000 |

What is the total of the direct costs above?

A) $76,000
B) $130,000
C) $175,000
D) $223,000

# Introduction to Managerial Accounting Edition 7 by Brewer

102) Vignana Corporation manufactures and sells hand-painted clay figurines of popular sports heroes. Shown below are some of the costs incurred by Vignana for last year:

| | |
|---|---|
| **Cost of clay used in production** | $ 67,000 |
| **Wages paid to the workers who paint the figurines** | $ 82,000 |
| **Wages paid to the sales manager's secretary** | $ 34,000 |
| **Cost of junk mail advertising** | $ 51,000 |

What is the total of the product costs above?

A) $0

B) $85,000

C) $149,000

D) $167,000

103) Vignana Corporation manufactures and sells hand-painted clay figurines of popular sports heroes. Shown below are some of the costs incurred by Vignana for last year:

| | |
|---|---|
| **Cost of clay used in production** | $ 74,000 |
| **Wages paid to the workers who paint the figurines** | $ 98,000 |
| **Wages paid to the sales manager's secretary** | $ 30,000 |
| **Cost of junk mail advertising** | $ 47,000 |



What is the total of the conversion costs above?

A) $74,000

B) $77,000

C) $98,000

D) $172,000

# Introduction to Managerial Accounting Edition 7 by Brewer

104) Pedregon Corporation has provided the following information:

| | Cost per Unit | Cost per Period |
|---|---|---|
| **Direct materials** | $ 7.10 | |
| **Direct labour** | $ 3.80 | |
| **Variable manufacturing overhead** | $ 1.35 | |
| **Fixed manufacturing overhead** | | $ 14,000 |
| **Sales commissions** | $ 0.55 | |
| **Variable administrative expense** | $ 0.65 | |
| **Fixed selling and administrative expense** | | $ 5,000 |



If 4,000 units are sold, the total variable cost is closest to:

A) $59,800
B) $74,000
C) $53,800
D) $49,000

# Introduction to Managerial Accounting Edition 7 by Brewer

105) Pedregon Corporation has provided the following information:

| | Cost per Unit | Cost per Period |
|---|---|---|
| **Direct materials** | $ 6.65 | |
| **Direct labour** | $ 3.70 | |
| **Variable manufacturing overhead** | $ 1.45 | |
| **Fixed manufacturing overhead** | | $ 25,900 |
| **Sales commissions** | $ 0.65 | |
| **Variable administrative expense** | $ 0.70 | |
| **Fixed selling and administrative expense** | | $ 4,800 |

If 7,000 units are produced, the total amount of manufacturing overhead cost is closest to:

A) $36,050
B) $24,850
C) $26,150
D) $47,250

# Introduction to Managerial Accounting Edition 7 by Brewer

106) Lagle Corporation has provided the following information:

| | Cost per Unit | Cost per Period |
|---|---|---|
| **Direct materials** | $ 4.70 | |
| **Direct labour** | $ 3.60 | |
| **Variable manufacturing overhead** | $ 1.40 | |
| **Fixed manufacturing overhead** | | $ 16,900 |
| **Sales commissions** | $ 1.60 | |
| **Variable administrative expense** | $ 0.50 | |
| **Fixed selling and administrative expense** | | $ 3,000 |

For financial reporting purposes, the total amount of period costs incurred to sell 6,500 units is closest to:

A) $16,650
B) $13,650
C) $3,000
D) $16,900

# Introduction to Managerial Accounting Edition 7 by Brewer

107) Lagle Corporation has provided the following information:

| | Cost per Unit | Cost per Period |
|---|---|---|
| **Direct materials** | $ 5.00 | |
| **Direct labour** | $ 3.40 | |
| **Variable manufacturing overhead** | $ 1.70 | |
| **Fixed manufacturing overhead** | | $ 6,000 |
| **Sales commissions** | $ 1.30 | |
| **Variable administrative expense** | $ 0.45 | |
| **Fixed selling and administrative expense** | | $ 6,300 |



If 4,000 units are sold, the variable cost per unit sold is closest to:

A) $14.65
B) $11.85
C) $10.10

D) $11.80

# Introduction to Managerial Accounting Edition 7 by Brewer

108) Lagle Corporation has provided the following information:

| | Cost per Unit | Cost per Period |
|---|---|---|
| Direct materials | $ 4.80 | |
| Direct labour | $ 3.80 | |
| Variable manufacturing overhead | $ 1.50 | |
| Fixed manufacturing overhead | | $ 10,800 |
| Sales commissions | $ 1.80 | |
| Variable administrative expense | $ 0.60 | |
| Fixed selling and administrative expense | | $ 6,800 |

If 4,000 units are sold, the total variable cost is closest to:

A) $40,400
B) $68,000
C) $50,000
D) $50,200





109) At a sales volume of 38,500 units, Choice Corporation's sales commissions (a cost that is variable with respect to sales volume) total $646,800.

To the nearest whole dollar, what should be the total sales commissions at a sales volume of 36,000 units? (Assume that this sales volume is within the relevant range.) **(Round intermediate calculations to 2 decimal places.)**

A) $625,800
B) $646,800
C) $604,800
D) $691,717

# Introduction to Managerial Accounting Edition 7 by Brewer

110) At a sales volume of 34,000 units, Choice Corporation's sales commissions (a cost that is variable with respect to sales volume) total $741,200.

To the nearest whole cent, what should be the average sales commission per unit at a sales volume of 44,300 units? (Assume that this sales volume is within the relevant range.)

A) $21.80
B) $17.73
C) $22.95
D) $16.73

111) Erkkila Incorporated reports that at an activity level of 6,700 machine-hours in a month, its total variable inspection cost is $424,130 and its total fixed inspection cost is $166,530.

What would be the average fixed inspection cost per unit at an activity level of 7,000 machine-hours in a month? Assume that this level of activity is within the relevant range.

A) $88.16
B) $24.86
C) $39.51
D) $23.79

# Introduction to Managerial Accounting Edition 7 by Brewer

112) An income statement for Sam's Bookstore for the first quarter of the year is presented below:

Sam's Bookstore
Income Statement
For Quarter Ended March 31

| | | |
|---|---|---|
| **Sales** | | $ 980,000 |
| **Cost of goods sold** | | 680,000 |
| **Gross margin** | | 300,000 |
| **Selling and administrative expenses** | | |
| **Selling** | $ 110,000 | |
| **Administrative** | 124,000 | 234,000 |
| **Net operating income** | | $ 66,000 |

On average, a book sells for $70. Variable selling expenses are $4 per book with the remaining selling expenses being fixed. The variable administrative expenses are 3% of sales with the remainder being fixed.



The cost formula for selling and administrative expenses with "X" equal to the number of books sold is:

A) Y = $95,400 + $4.00X
B) Y = $95,400 + $6.10X
C) Y = $148,600 + $6.10X
D) Y = $148,600 + $8.20X

# Introduction to Managerial Accounting Edition 7 by Brewer

113) Management of Plascencia Corporation is considering whether to purchase a new model 370 machine costing $512,000 or a new model 220 machine costing $408,000 to replace a machine that was purchased 12 years ago for $455,000. The old machine was used to make product I43L until it broke down last week. Unfortunately, the old machine cannot be repaired.
Management has decided to buy the new model 220 machine. It has less capacity than the new model 370 machine, but its capacity is sufficient to continue making product I43L. Management also considered, but rejected, the alternative of simply dropping product I43L. If that were done, instead of investing $408,000 in the new machine, the money could be invested in a project that would return a total of $485,000.

In making the decision to buy the model 220 machine rather than the model 370 machine, the sunk cost was:

A) $455,000
B) $408,000
C) $512,000
D) $485,000

114) Management of Plascencia Corporation is considering whether to purchase a new model 370 machine costing $524,000 or a new model 220 machine costing $438,000 to replace a machine that was purchased 7 years ago for $499,000. The old machine was used to make product I43L until it broke down last week. Unfortunately, the old machine cannot be repaired.
Management has decided to buy the new model 220 machine. It has less capacity than the new model 370 machine, but its capacity is sufficient to continue making product I43L. Management also considered, but rejected, the alternative of simply dropping product I43L. If that were done, instead of investing $438,000 in the new machine, the money could be invested in a project that would return a total of $25,000.

In making the decision to buy the model 220 machine rather than the model 370 machine, the differential cost was:

A) $86,000
B) $61,000
C) $25,000
D) $11,000

# Introduction to Managerial Accounting Edition 7 by Brewer

115) Management of Plascencia Corporation is considering whether to purchase a new model 370 machine costing $531,000 or a new model 220 machine costing $444,000 to replace a machine that was purchased 10 years ago for $477,000. The old machine was used to make product I43L until it broke down last week. Unfortunately, the old machine cannot be repaired.
Management has decided to buy the new model 220 machine. It has less capacity than the new model 370 machine, but its capacity is sufficient to continue making product I43L. Management also considered, but rejected, the alternative of simply dropping product I43L. If that were done, instead of investing $444,000 in the new machine, the money could be invested in a project that would return a total of $458,000.

In making the decision to invest in the model 220 machine, the opportunity cost was:

A) $477,000
B) $444,000
C) $531,000
D) $458,000



116) Bolka Corporation, a merchandising company, reported the following results for October:

| | |
|---|---|
| **Sales** | $ 467,000 |
| **Cost of goods sold (all variable)** | $ 173,200 |
| **Total variable selling expense** | $ 19,500 |
| **Total fixed selling expense** | $ 17,500 |
| **Total variable administrative expense** | $ 10,100 |
| **Total fixed administrative expense** | $ 34,000 |



The gross margin for October is:

A) $264,200
B) $293,800
C) $212,700
D) $415,500

# Introduction to Managerial Accounting Edition 7 by Brewer

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

117) Stony Electronics Corporation manufactures a Wifi speaker designed for mounting on the wall of the bathroom. The following list represents some of the different types of costs incurred in the manufacture of these Wifi speakers:

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



**Required**:

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

# Introduction to Managerial Accounting Edition 7 by Brewer

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

**Required**:

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

| | **Opportunity Cost** | **Sunk Cost** | **Variable Cost** | **Fixed Cost** | **Manuf. Overhead** | **Product Cost** | **Selling Cost** | **Differential Cost*** |
|---|---|---|---|---|---|---|---|---|
| General rent | | | | | | | | |
| Utilities | | | | | | | | |
| Cost of the industrial design course | | | | | | | | |
| Equipment rented | | | | | | | | |
| Material cost | | | | | | | | |
| Labour cost | | | | | | | | |
| Present salary | | | | | | | | |
| Advertising | | | | | | | | |

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

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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



**Required**:

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

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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

**Required**:

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



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

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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

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

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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



**Required**:

a. Compute the Cost of Goods Sold.
b. Compute the balance in Finished Goods Inventory at September 30.

c. Compute the balance in Work in Process Inventory at September 30.
d. Compute the balance in Raw Materials Inventory at September 30.
e. Compute the total Manufacturing Overhead.

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

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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

**Required**:

a. Prepare a Schedule of Cost of Goods Manufactured in good form.
b. Compute the Cost of Goods Sold.
c. Using data from your answers above as needed, prepare an Income Statement in good form.

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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

**Required**:

a. Prepare a Schedule of Cost of Goods Manufactured in good form.
b. Compute the Cost of Goods Sold.
c. Using data from your answers above as needed, prepare an Income Statement in good form.

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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



**Required**:

a. Prepare a Schedule of Cost of Goods Manufactured in good form.
b. Compute the Cost of Goods Sold.
c. Using data from your answers above as needed, prepare an Income Statement in good form.

# Introduction to Managerial Accounting Edition 7 by Brewer

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

| | |
|---|---|
| Indirect materials | $350 |
| Rent on factory building | 450 |
| Maintenance of equipment | 100 |
| Direct material used | 1,000 |
| Utilities on factory | 300 |
| Direct labour | 1,600 |
| Selling expense | 500 |
| Administrative expense | 300 |
| Work in process inventory, beginning | 500 |
| Work in process inventory, ending | 900 |
| Finished goods inventory, beginning | 400 |
| Finished goods inventory, ending | 200 |

**Required**:

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

# Introduction to Managerial Accounting Edition 7 by Brewer

128) Simply Sweets has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cookies.

| | |
|---|---|
| Baker's salary | 3,000 |
| Finished goods inventory, beginning | 1,000 |
| Finished goods inventory, ending | 3,000 |
| General & administrative expenses | 3,500 |
| Indirect materials | 500 |
| Production Supervisor, Salary | 4,000 |
| Purchases of raw materials | 11,000 |
| Raw materials inventory, ending | 2,000 |
| Raw materials inventory, beginning | 1,000 |
| Rent on production factory | 2,000 |
| Rent, retail store | 1,000 |
| Sales | 40,000 |
| Utilities on production factory | 500 |
| Utilities, retail store | 500 |
| Wages, retail staff | 3,000 |
| WIP inventory, beginning | 2,500 |
| WIP inventory, ending | 4,500 |



**Required**:

a. Prepare a schedule of cost of goods manufactured in good format.
b. Prepare the cost of goods sold section of the income statement.
c. Prepare an income statement in good format.

# Introduction to Managerial Accounting Edition 7 by Brewer

129) Sprinkles Inc. has provided the following relating to the most recent month (October 31, 2020) of operations, for their main product, cupcakes.

| | | |
|---|---|---|
| Baker's salary | 7,000 | |
| General & administrative expenses | 4,500 | |
| Indirect materials | 2,500 | |
| Production Supervisor, Salary | 4,000 | |
| Raw material purchases | 12,000 | |
| Rent on production factory | 3,000 | |
| Rent, retail store | 2,000 | |
| Sales | 45,000 | |
| Utilities on production factory | 1,000 | |
| Utilities, retail store | 1,500 | |
| Wages, retail staff | 4,000 | |
| **Inventory Balances:** | **Beginning** | **Ending** |
| Raw Materials | 2,000 | 5,000 |
| Work in Process | 3,000 | 6,000 |
| Finished Goods | 2,000 | 4,000 |

a. Prepare a schedule of cost of goods manufactured in good format.

b. Prepare the cost of goods sold section of the income statement.
c. Prepare an income statement in good format.

# Introduction to Managerial Accounting Edition 7 by Brewer

130) Snickerdoodle Inc. has provided the following relating to the most recent month (September 30, 2020) of operations, for their main product, cookies.

| | | |
|---|---|---|
| Baker's salary | 13,000 | |
| General & administrative expenses | 13,500 | |
| Indirect materials | 10,500 | |
| Production Supervisor, Salary | 14,000 | |
| Raw material purchases | 21,000 | |
| Rent on production factory | 12,000 | |
| Rent, retail store | 11,000 | |
| Sales | 140,000 | |
| Utilities on production factory | 10,500 | |
| Utilities, retail store | 10,500 | |
| Wages, retail staff | 13,000 | |
| **Inventory Balances:** | **Beginning** | **Ending** |
| Raw Materials | 11,000 | 12,000 |
| Work in Process | 12,500 | 14,500 |
| Finished Goods | 11,000 | 13,000 |

**Required**:



1. Prepare a schedule of cost of goods manufactured in good format.
2. Prepare the cost of goods sold section of the income statement.
3. Prepare an income statement in good format.

# Introduction to Managerial Accounting Edition 7 by Brewer

131) Snickerdoodle Inc. has provided the following relating to the most recent month (September 30, 2020) of operations, for their main product, cookies.

| | | |
|---|---|---|
| Baker's salary | 13,000 | |
| General & administrative expenses | 13,500 | |
| Indirect materials | 10,500 | |
| Production Supervisor, Salary | 14,000 | |
| Raw material purchases | 21,000 | |
| Rent on production factory | 12,000 | |
| Rent, retail store | 11,000 | |
| Sales | 140,000 | |
| Utilities on production factory | 10,500 | |
| Utilities, retail store | 10,500 | |
| Wages, retail staff | 13,000 | |
| **Inventory Balances:** | **Beginning** | **Ending** |
| Raw Materials | 11,000 | 12,000 |
| Work in Process | 12,500 | 14,500 |
| Finished Goods | 11,000 | 13,000 |

**Required**:



Calculate the following:

1. Raw materials used in production
2. Total manufacturing overhead
3. Total manufacturing costs
4. Cost of Goods Manufactured
5. Cost of Goods Sold
6. Gross Margin
7. Operating Income (Loss)
8. Prime Costs
9. Conversion Costs

# Introduction to Managerial Accounting Edition 7 by Brewer

132) Frosting Corp. has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cupcakes.

| | |
|---|---|
| Baker's salaries | 25,000 |
| Finished goods inventory, beginning | 18,000 |
| Finished goods inventory, ending | 20,000 |
| General & administrative expenses | 17,000 |
| Indirect materials | 20,000 |
| Production Supervisor, Salary | 23,000 |
| Purchases of raw materials | 35,000 |
| Raw materials inventory, ending | 15,000 |
| Raw materials inventory, beginning | 25,000 |
| Rent on production factory | 24,000 |
| Rent, retail store | 22,000 |
| Sales | 300,000 |
| Utilities on production factory | 15,000 |
| Utilities, retail store | 15,000 |
| Wages, retail staff | 15,000 |
| WIP inventory, beginning | 16,000 |
| WIP inventory, ending | 8,000 |



**Required**:

1. Prepare a schedule of cost of goods manufactured in good format.
2. Prepare the cost of goods sold section of the income statement.
3. Prepare an income statement in good format.

# Introduction to Managerial Accounting Edition 7 by Brewer

**SECTION BREAK. Answer all the part questions.**

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

| | |
|---|---|
| Direct materials used in production | $300,000 |
| Depreciation factory building | $20,000 |
| Depreciation factory equipment | $45,000 |
| Depreciation sales department automobiles | $20,000 |
| Direct wages factory employees | $250,000 |
| Sales department salaries and commissions | $160,000 |
| Factory manager’s salary | $55,000 |
| Utility costs factory | $60,000 |
| Utility costs sales office | $15,000 |

133.1) What was the total of manufacturing overhead?

A) $110,000.
B) $180,000
C) $400,000.
D) $740,000.

133.2) What was the total of manufacturing costs?



A) $400,000.
B) $510,000.
C) $560,000.
D) $730,000

133.3) What was the total of nonmanufacturing costs?

A) $150,000.
B) $160,000.
C) $195,00
D) $230,000.

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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

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

A) $90.
B) $150.
C) $160.
D) $190.





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

A) $500.
B) $540.
C) $570.
D) $590.

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

A) $500.
B) $580.
C) $660.
D) $700.

# Introduction to Managerial Accounting Edition 7 by Brewer

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

A) $150.

B) $200.

C) $250.

D) $490.

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

| | |
|---|---|
| Sales | $1,000 |
| Raw materials inventory, beginning | $ 90 |
| Raw materials inventory, ending | $ 30 |
| Purchases of raw materials | $ 120 |
| Direct labour | $ 150 |
| Manufacturing overhead | $ 250 |
| Administrative expenses | $160 |
| Selling expenses | $140 |
| Work in process inventory, beginning | $ 50 |
| Work in process inventory, ending | $ 20 |
| Finished goods inventory, beginning | $100 |
| Finished goods inventory, ending | $150 |





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

A) $40.

B) $120.

C) $160.

D) $180.

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

A) $460.

B) $500.

C) $520.

D) $610.

# Introduction to Managerial Accounting Edition 7 by Brewer

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

A) $500.
B) $560
C) $650.
D) $670.

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

A) 100
B) $ 140
C) $150.
D) $170

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

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



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

A) $170.
B) $190.
C) $240.
D) $250.

# Introduction to Managerial Accounting Edition 7 by Brewer

136.2) The cost of goods manufactured, or the year (in thousands of dollars) was:
A) $450.
B) $470.
C) $530.
D) $540.

136.3) The cost of goods sold for the year (in thousands of dollars) was:
A) $410.
B) $ 490
C) $570.
D) $610.

136.4) The net income for the year (in thousands of dollars) was:
A) $70.
B) $130.
C) $190.
D) $390.



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



| | **July 1** | **July 31** |
|---|---|---|
| Raw materials inventory | 0 | $5,000 |
| Work in process inventory | ? | 4,000 |
| Finished goods inventory | $12,000 | ? |
| Other data: | | |
| Cost of goods manufactured | | $105,000 |
| Raw materials used | | 40,000 |
| Manufacturing overhead costs | | 20,000 |
| Direct labour costs | | 39,000 |
| Gross profit | | 100,000 |
| Sales | | 210,000 |

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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

138) Bergeron Inc. reported the following data for last year:

| | |
|---|---|
| Work in process inventory, beginning | $90 |
| Work in process inventory, ending | $140 |
| Finished goods inventory, beginning | $200 |
| Finished goods inventory, ending | $180 |
| Direct labour cost | $350 |
| Direct materials cost | $ 550 |
| Manufacturing overhead cost | $ 450 |



138.1) The prime cost was:
- A) $500.
- B) $700.
- C) $800.
- D) $900.

138.2) The conversion cost was:
- A) $500.
- B) $700.
- C) $800.
- D) $900.

138.3) The cost of goods manufactured was:
- A) $1,150.
- B) $1,180.
- C) $1,220.
- D) $1,300

# Introduction to Managerial Accounting Edition 7 by Brewer

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

| | |
|---|---|
| Direct materials used in production | $120,000 |
| Direct labour costs for the year | 70,000 |
| Work in process, beginning | 25,000 |
| Finished goods, beginning | 50,000 |
| Cost of goods available for sale | 310,000 |
| Cost of goods sold | 260,000 |
| Work in process, ending | 16,000 |

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

A) $45,000.
B) $50,000.
C) $95,000.
D) $193,000.

139.2) Manufacturing overhead cost for the year was:

A) $ 44,000
B) $61,000
C) $78,000.
D) $84,000.



139.3) Cost of goods manufactured for the year was:

A) $160,000.
B) $171,000.
C) $ 260,000.
D) $ 290,0000

# Introduction to Managerial Accounting Edition 7 by Brewer

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

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

**Additional information:**

| | |
|---|---|
| Sales revenue | $210,000 |
| Direct labour costs | 40,000 |
| Manufacturing overhead costs | 70,000 |
| Selling expenses | 25,000 |
| Administrative expenses | 35,000 |

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

A) $144,000.
B) $145,000.
C) $146,000.
D) $151,000.



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

A) $25,000.
B) $26,000.
C) $51,000.
D) $61,000.

140.3) Boardman Company's total conversion cost for January was:

A) $110,000.
B) $130,000.
C) $135,000.
D) $170,000.

141) Tech Computer manufactures tablets in its plant located in Toronto and then ships the computers directly to distributors and retailers. The company's accountant has enlisted you to classify the following company's expenses:

# Introduction to Managerial Accounting Edition 7 by Brewer

141.1) Cost of a new advertising campaign on YouTube.
A) Fixed product cost.
B) Variable product cost.
C) Fixed period cost.
D) Variable period cost.

141.2) Straight line depreciation on the factory building.
A) Fixed product cost.
B) Variable product cost.
C) Fixed period cost.
D) Variable period cost.

141.3) Units of production depreciation on the factory equipment.
A) Fixed product cost.
B) Variable product cost.
C) Fixed period cost.
D) Variable period cost.



141.4) The salary of the Vice President of Sales.
A) Fixed product cost.
B) Variable product cost.

C) Fixed period cost.
D) Variable period cost.

141.5) The delivery charges incurred when shipping the tablet drives to be installed in the tablet.
A) Fixed product cost.
B) Variable product cost.
C) Fixed period cost.
D) Variable period cost.

141.6) The drive installed in each tablet.
A) Fixed product cost.
B) Variable product cost.
C) Fixed period cost.
D) Variable period cost.

# Introduction to Managerial Accounting Edition 7 by Brewer

141.7) Cost of computer motherboard, which is a part of the finished product.
- A) Fixed product cost.
- B) Variable product cost.
- C) Fixed period cost.
- D) Variable period cost.

141.8) Cost of a warehouse (i.e., rent) used to store finished goods (tablets) prior to selling them to the customer.
- A) Fixed product cost.
- B) Variable product cost.
- C) Fixed period cost.
- D) Variable period cost.

142) Charlie's Chocolate Factory manufactures chocolate bars and ships them directly to wholesalers and retailers across the country. The company has two product lines: milk chocolate bars and chocolate covered almonds. Classify the following company's expenses if the cost object is a single product line (either milk chocolate bars or chocolate covered almonds).



142.1) The cost of cocoa used in the factory.
- A) Direct product cost.
- B) Indirect product cost.
- C) Direct period cost.
- D) Indirect period cost.



142.2) Lease expenses on equipment used in the production factory.
- A) Direct product cost.
- B) Indirect product cost.
- C) Direct period cost.
- D) Indirect period cost.

142.3) Almonds used in the chocolate covered almonds.
- A) Direct product cost.
- B) Indirect product cost.
- C) Direct period cost.
- D) Indirect period cost.

# Introduction to Managerial Accounting Edition 7 by Brewer

142.4) Shipping costs to deliver ingredients ordered from the suppliers to the production factory.

A) Direct product cost.
B) Indirect product cost.
C) Direct period cost.
D) Indirect period cost.

142.5) Salaries for milk chocolate bars production line workers

A) Direct product cost.
B) Indirect product cost.
C) Direct period cost.
D) Indirect period cost.

142.6) Advertising campaign for chocolate covered almonds.

A) Direct product cost.
B) Indirect product cost.
C) Direct period cost.
D) Indirect period cost.

142.7) Sales Commissions paid to Business Development Managers.

A) Direct product cost.
B) Indirect product cost.
C) Direct period cost.
D) Indirect period cost.

# Introduction to Managerial Accounting Edition 7 by Brewer

143) Frosting Corp. has provided the following relating to the most recent month (August 31, 2020) of operations, for their main product, cupcakes

| | |
|---|---|
| Baker's salaries | 20,000 |
| Finished goods inventory, beginning | 18,000 |
| Finished goods inventory, ending | 20,000 |
| General & administrative expenses | 20,000 |
| Indirect materials | 17,500 |
| Production Supervisor, Salary | 21,000 |
| Purchases of raw materials | 28,000 |
| Raw materials inventory, ending | 19,000 |
| Raw materials inventory, beginning | 18,000 |
| Rent on production factory | 19,000 |
| Rent, retail store | 18,000 |
| Sales | 243,000 |
| Utilities on production factory | 17,500 |
| Utilities, retail store | 17,000 |
| Wages, retail staff | 20,000 |
| WIP inventory, beginning | 19,500 |
| WIP inventory, ending | 21,500 |





143.1) What was the amount of raw materials used in production?

A) $18,000
B) $27,000
C) $28,000
D) $46,000

143.2) What was the total manufacturing overhead incurred during the period?

A) $40,000
B) $57,500
C) $75,000
D) $92,000

143.3) What was the total manufacturing costs for the period?

A) $47,000
B) $95,000
C) $102,000
D) $ 122,000

# Introduction to Managerial Accounting Edition 7 by Brewer

143.4) What was the total prime costs for the period?

A) $20,000

B) $27,000

C) $47,000

D) $95,000

143.5) What was the cost of goods manufactured for the period?

A) $122,000

B) $120,000

C) $124,000

D) $138,000

143.6) What was the cost of goods sold for the period?

A) $118,000

B) $ 120,000

C) $121,000

D) $123,000

143.7) What was the operating income for the period?

A) $50,000

B) $68,000

C) $88,000

D) $125,000

# Introduction to Managerial Accounting Edition 7 by Brewer

## Answer Key

Test name: Chapter 02

1) FALSE
2) FALSE
3) FALSE
4) TRUE
5) FALSE
6) TRUE
7) FALSE
8) TRUE
9) FALSE
10) TRUE
11) TRUE
12) FALSE
13) FALSE
14) TRUE
15) TRUE
16) FALSE
17) FALSE
18) TRUE
19) TRUE
20) B

Indirect labour

21) A
22) A
23) C

Depreciation of a machine used in manufacturing.

24) B
25) D
26) D
27) A

Product cost.

28) C

Period cost.

29) B

30) D
31) B
Choice b.

32) C
33) B
34) A
35) C
Direct labour.

36) D
37) B
Finished goods inventory has increased during the period.

38) D
39) B
40) B
41) A
42) A
$240,000 + $330,000 = $570,000



43) B
44) B
45) A
A difference in the revenue between any two alternatives.

46) C
47) B
48) D
49) A
50) C
51) C
52) D
53) A
54) C
Option C
(30,000+35,000+10,000+15,000+5,000+20,000) +15,000-10,000 = 120,000

55) A

# Introduction to Managerial Accounting Edition 7 by Brewer

Option A
27,000+34,000+10,000+15,000+2,000+17,000 = 105,000

56) D
Option D
(4,000/4) = 1,000. 1,000*70% = 700 // 1,000*30% = 300

57) C
Option C
(90+20) -(25+10+30) = 45

58) A
Option A
106,000-27,000-(43,000+8,000-6,000) =34,000



59) D
Option D

(35,000+30,000+20,000) +15,000-10,000 = 90,000



60) C
Option-C
(17,000+8,500+15,000-2,000) +3,000 = 41,500

61) C
($2,900,000 + $400,000) - ($900,000 + $600,000 + 1,200,000) = $600,000

62) C
Option C

($900,000 + $600,000 + $1,200,000) + $600,000 - $2,900,000 = $400,000

63) A
Option-A
Labour – 25%, Manufacturing OH – 75%. (45,000/75%) *25% = 15,000

64) B
Option B
($360,000 - $220,000)-$120,000 + $30,000 = $50,000

# Introduction to Managerial Accounting Edition 7 by Brewer

65) C
Option C
($800,000 - $400,000) + $120,000 - $80,000 = $440,000

66) A
Option A
($464,000 – $52,000) + ($73,000 - $74,000) = $411,000

67) A
Option A
($475,000 -$150,000) +($140,475 - $150,750) = $314,725

68) C
Option C
($500,000 - $100,000) +($125,770 - $130,425) = $395,345

69) C
Option C
($30,000 + $110,00) - ($150,000 - $40,000) =$30,000



70) B



Option B
$128,900 -$27,500 + $28,750 = $130,150

71) A
Option A
$13,000 + $63,000 - $15,000 = $61,000

72) A
Option A
$84,000 -$20,000 + $18,000 = $82,000

73) A
Option A
$20,000 + $90,000 -$30,000 = $80,000

74) C
75) A
76) B

# Introduction to Managerial Accounting Edition 7 by Brewer

Option B
($600,000 – $300,000) +$100,000 -$150,000 = $250,000

77) A
Option D
$140,000-$30,000+$35,000 = $145,000

78) D
Option D
(($60,000 /30,000) *45,000)) +$80,000 = $170,000

79) B
Option B
((($60,000/32,000) *50,000) +$64,000)/50,000 = $3.16
($3.155, Rounded off to 2 decimals)

80) B
Option B
($31,000 – $32,000) +($12,000 -$18,000) +($35,000 – $30,000) +$5,000 = $3,000



81) A

Conversion cost = Direct labour + Manufacturing overhead = $29,000 + $29,300 = $58,300

82) A
Manufacturing overhead = 0.45 × Conversion cost
Direct labour = $57,200

Conversion cost = Direct labour + Manufacturing overhead
Conversion cost = $57,200 + Manufacturing overhead
Conversion cost = $57,200 + (0.45 × Conversion cost)
0.55 × Conversion cost = $57,200
Conversion cost = $57,200 ÷ 0.55 = $104,000
Manufacturing overhead = 0.45 × Conversion cost
Manufacturing overhead = 0.45 × $104,000 = $46,800

83) D

# Introduction to Managerial Accounting Edition 7 by Brewer

Direct labour cost = $13,055
Direct labour cost = 0.35 × Prime cost
Total manufacturing cost = $79,700

Direct labour cost = 0.35 × Prime cost
Prime cost = Direct labour cost ÷ 0.35
Prime cost = $13,055 ÷ 0.35 = $37,300

Total manufacturing cost = Prime cost + Manufacturing overhead cost
$79,700 = $37,300 + Manufacturing overhead cost
Manufacturing overhead cost = $42,400

84) B
Direct labour = 0.30 × Conversion cost
Manufacturing overhead = $116,200

Conversion cost = Direct labour + Manufacturing overhead
Conversion cost = Direct labour + $116,200
Conversion cost = (0.30 × Conversion cost) + $116,200
0.70 × Conversion cost = $116,200
Conversion cost = $116,200 ÷ 0.70
Conversion cost = $166,000
Direct labour = 0.30 × Conversion cost = 0.30 × $166,000 = $49,800



85) C
Prime cost = Direct materials + Direct labour
= $41,000 + $29,900 = $70,900

86) C

| | |
|---|---|
| **Total variable manufacturing overhead cost ($1.70 per unit × 7,000 units)** | $11,900 |
| **Total fixed manufacturing overhead cost ($2.90 per unit × 9,400 units*)** | 27,260 |
| **Total manufacturing overhead cost** | $39,160 |

*The average fixed manufacturing overhead cost per unit was determined by dividing the total fixed manufacturing overhead cost by 9,400 units.

87) D

Annual insurance expense = $5,040 ÷ 3 = $1,680
Portion applicable to product cost = 0.70 × $1,680 = $1,176
Portion applicable to period cost = 0.30 × $1,680 = $504

88) C
Variable cost per machine-hour = $765,310 ÷ 9,100 machine-hours = $84.10 per machine-hour
Fixed cost per machine-hour at 9,700 machine-hours = $224,070 ÷ 9,700 machine-hours = $23.10 per machine-hour

Total cost = Variable cost + Fixed cost
= $84.10 per machine-hour + $23.10 per machine-hour
= $107.20 per machine-hour

89) D

| | |
|---|---|
| **Fixed manufacturing overhead per unit** | $ 3.50 |
| **Number of units produced*** | 5,200 |
| **Total fixed manufacturing overhead cost** | $ 18,200 |

*The average fixed manufacturing overhead cost per unit was determined by dividing the total fixed manufacturing overhead cost by 5,200 units.



90) B

| | |
|---|---|
| **Direct materials** | $ 7.05 |
| **Direct labour** | 4.20 |
| **Variable manufacturing overhead** | 1.55 |
| **Incremental manufacturing cost** | $ 12.80 |

91) B

| | |
|---|---|
| **Direct materials** | $ 6.65 |
| **Direct labour** | 3.00 |
| **Variable manufacturing overhead** | 1.70 |
| **Incremental manufacturing cost** | $ 11.35 |

92) C

# Introduction to Managerial Accounting Edition 7 by Brewer

Cost of goods sold = Beginning merchandise inventory + Purchases − Ending merchandise inventory
$61,900 = $17,600 + Purchases − $26,200
Purchases = $61,900 − $17,600 + $26,200 = $70,500

93) B
Direct costs of the Cosmetics Department = Cosmetics Department sales commissions + Cosmetics Department cost of sales + Cosmetics Department manager's salary = $5,930 + $37,200 + $4,190 = $47,320

94) A
Costs that are not direct costs of the Northridge Store = Corporate headquarters building lease + Corporate legal office salaries + Central warehouse lease cost = $81,200 + $61,200 + $8,500 = $150,900



95) A

| | | |
|---|---|---|
| **Direct materials** | | $ 6.50 |
| **Direct labour** | | 3.40 |
| **Variable manufacturing overhead** | | 1.25 |
| **Variable manufacturing cost per unit** | | $ 11.15 |
| **Total variable manufacturing cost ($11.15 per unit × 5,200 units produced)** | $ 57,980 | |
| **Total fixed manufacturing overhead cost ($3.50 per unit × 5,200 units produced)** | 18,200 | |
| **Total product (manufacturing) cost** | $ 76,180 | |



96) A

| | |
|---|---|
| **Direct materials** | $ 7.10 |
| **Direct labour** | 3.30 |
| **Direct manufacturing cost per unit (a)** | $ 10.40 |
| **Number of units produced (b)** | 4,750 |
| **Total direct manufacturing cost (a) × (b)** | $ 49,400 |

97) C

# Introduction to Managerial Accounting Edition 7 by Brewer

| | |
|---|---|
| Total variable manufacturing overhead cost ($2.15 per unit × 4,600 units) | $ 9,890 |
| Total fixed manufacturing overhead cost ($3.50 per unit × 5,600 units*) | 19,600 |
| Total indirect manufacturing cost | $ 29,490 |

*The average fixed manufacturing overhead cost per unit was determined by dividing the total fixed manufacturing overhead cost by 5,600 units.

98) B

| | |
|---|---|
| Total variable manufacturing overhead cost ($1.60 per unit × 6,500 units) | $ 10,400 |
| Total fixed manufacturing overhead cost | 17,500 |
| Total manufacturing overhead cost | $ 27,900 |

99) C

| | |
|---|---|
| Total variable manufacturing overhead cost ($1.55 per unit × 7,000 units) | $ 10,850 |
| Total fixed manufacturing overhead cost | 18,900 |
| Total indirect manufacturing cost | $ 29,750 |



100) A

| | |
|---|---|
| Direct materials | $ 6.35 |
| Direct labour | 3.40 |
| Variable manufacturing overhead | 1.30 |
| Incremental manufacturing cost | $ 11.05 |

101) C
Direct costs include the cost of clay used in production and the wages paid to the workers who paint the figurines. $76,000 + $99,000 = $175,000

102) C
Product costs include the cost of clay used in production and the wages paid to the workers who paint the figurines. $67,000 + $82,000 = $149,000

103) C

# Introduction to Managerial Accounting Edition 7 by Brewer

Conversion costs include only the wages paid to the workers who paint the figurines.

104) C

| | |
|---|---|
| **Direct materials** | $ 7.10 |
| **Direct labour** | 3.80 |
| **Variable manufacturing overhead** | 1.35 |
| **Sales commissions** | 0.55 |
| **Variable administrative expense** | 0.65 |
| **Variable cost per unit sold** | $ 13.45 |
| **Variable cost per unit sold (a)** | $ 13.45 |
| **Number of units sold (b)** | 4,000 |
| **Total variable costs (a) × (b)** | $ 53,800 |

105) A

| | |
|---|---|
| **Total variable manufacturing overhead cost ($1.45 per unit × 7,000 units)** | $ 10,150 |
| **Total fixed manufacturing overhead cost** | 25,900 |
| **Total manufacturing overhead cost** | $ 36,050 |



106) A

| | |
|---|---|
| **Sales commissions** | $ 1.60 |
| **Variable administrative expense** | 0.50 |
| **Variable selling and administrative expense per unit** | $ 2.10 |
| **Total variable selling and administrative expense ($2.10 per unit × 6,500 units sold)** | $ 13,650 |
| **Total fixed selling and administrative expense** | 3,000 |
| **Total period (nonmanufacturing) cost** | $ 16,650 |

107) B

| | |
|---|---|
| **Direct materials** | $ 5.00 |
| **Direct labour** | 3.40 |
| **Variable manufacturing overhead** | 1.70 |
| **Sales commissions** | 1.30 |
| **Variable administrative expense** | 0.45 |
| **Variable cost per unit sold** | $ 11.85 |

# Introduction to Managerial Accounting Edition 7 by Brewer

108) C

| | |
|---|---|
| **Direct materials** | $ 4.80 |
| **Direct labour** | 3.80 |
| **Variable manufacturing overhead** | 1.50 |
| **Sales commissions** | 1.80 |
| **Variable administrative expense** | 0.60 |
| **Variable cost per unit sold** | $ 12.50 |
| **Variable cost per unit sold (a)** | $ 12.50 |
| **Number of units sold (b)** | 4,000 |
| **Total variable costs (a) × (b)** | $ 50,000 |

109) C
Sales commission per unit = Total sales commissions ÷ Unit sales = $646,800 ÷ 38,500 = $16.80
Total sales commission = Sales commission per unit × Unit sales = $16.80 × 36,000 = $604,800

110) A
Sales commission per unit = Total sales commissions ÷ Unit sales = $741,200 ÷ 34,000 = $21.80
The average sales commission per unit is constant within the relevant range.



111) D
Average fixed inspection cost = Total fixed inspection cost ÷ Total activity
= $166,530 ÷ 7,000 machine-hours
= $23.79 per machine-hour

112) C

# Introduction to Managerial Accounting Edition 7 by Brewer

Unit sales = $980,000 ÷ $70 per book = 14,000 books

Selling expenses = Fixed selling expenses + ($4 per book × 14,000 books)
$110,000 = Fixed selling expenses + $56,000
Fixed selling expenses = $110,000 − $56,000 = $54,000

Administrative expenses = Fixed administrative expenses + (0.03 × $980,000)
$124,000 = Fixed administrative expenses + $29,400
Fixed administrative expenses = $124,000 − $29,400 = $94,600

Variable administrative expense per unit = 0.03 × $70 per book = $2.10 per book

Y = ($54,000 + $94,600) + ($4 + $2.10) X
Y = $148,600 + $6.10X



113) A
Sunk cost = Cost of old machine = $455,000

114) A
Differential cost = $524,000 − $438,000 = $86,000



115) D
Opportunity cost = Return from alternative investment = $458,000

116) B

| | |
|---|---|
| **Sales** | $ 467,000 |
| **Cost of goods sold** | 173,200 |
| **Gross margin** | $ 293,800 |

117) Short Answer

# Introduction to Managerial Accounting Edition 7 by Brewer

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

118) Short Answer

| | Opportunity Cost | Sunk Cost | Variable Cost | Fixed Cost | Manuf. Overhead | Product Cost | Selling Cost | Differential Cost |
|---|---|---|---|---|---|---|---|---|
| General rent | | | | X | X | X | | X |
| Utilities | | | | X | X | X | | X |
| Cost of the industrial design course | | X | | | | | | |
| Equipment rented | | | | X | X | X | | X |
| Material cost | | | X | | | X | | X |
| Labour cost | | | X | | | X | | X |
| Present salary | X | | | | | | | X |
| Advertising | | | | X | | | X | X |



119) Short Answer

# Introduction to Managerial Accounting Edition 7 by Brewer

a.

| | | |
|---|---|---|
| LOGAN COMPANY | | |
| Schedule of Cost of Goods Manufactured | | |
| Raw materials used: | | |
| Beginning inventory | $2,100 | |
| Purchases | 14,600 | |
| Available | 16,700 | |
| Less ending inventory | 3,200 | $13,500 |
| Direct labour | | 21,900 |
| Manufacturing overhead: | | |
| Depreciation—factory building | 800 | |
| Depreciation—factory equipment | 1,600 | |
| Indirect labour cost | 11,800 | |
| Insurance on factory | 1,400 | |
| Repairs and maintenance | 900 | |
| Taxes on factory | 450 | 16,950 |
| Total manufacturing cost | | 52,350 |
| Add work in process inventory, beginning | | 1,670 |
| | | 54,020 |
| Less work in process inventory, ending | | 1,110 |
| Cost of goods manufactured | | $ 52,910 |



b. Cost of Goods Sold

| | |
|---|---|
| Finished goods inventory, beginning | $46,980 |
| Cost of goods manufactured (above) | 52,910 |

# Introduction to Managerial Accounting Edition 7 by Brewer

| | |
|---|---|
| Available for sale | 99,890 |
| Less finished goods inventory, ending | 44,410 |
| Cost of goods sold | $ 55,480 |

120) Short Answer

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



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

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

122) Short Answer

# Introduction to Managerial Accounting Edition 7 by Brewer

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

123) Short Answer

# Introduction to Managerial Accounting Edition 7 by Brewer

**MARCHANT MANUFACTURING**

**Schedule of Cost of Goods Manufactured**

| | |
|---|---|
| Direct materials used: | |
| Inventory, Sept. 1 | $24,000 |
| Purchases | 102,000 |
| | 126,000 |
| Inventory, Sept. 30 (d) | 31,000 |
| Direct materials used—given | 95,000 |
| Direct labour | 67,000 |
| Manufacturing overhead (e) | 72,000 |
| Total manufacturing cost—given | 234,000 |
| Inventory of work in process, Sept 1 | 6,000 |
| | 240,000 |
| Inventory of work in process, Sept 30 (c) | 7,000 |
| Cost of goods manufactured—given | $ 233,000 |

**MARCHANT MANUFACTURING** 

**Income Statement**

| | | |
|---|---|---|
| Sales | | $344,000 |
| Cost of goods sold: | | |
| Finished goods, Sept 1 | $101,000 | |
| Cost of goods manufactured—above | 233,000 | |
| Available for sale | 334,000 | |
| Finished goods, Sept 30 (b) | 117,000 | |
| Cost of goods sold (a) | | 217,000 |
| Gross margin—given | | 127,000 |
| Operating expenses: | | |
| Administrative expenses | 41,000 | |

# Introduction to Managerial Accounting Edition 7 by Brewer

| | | |
|---|---|---|
| Selling expenses | 56,000 | 97,000 |
| Net income—given | | $ 30,000 |

124) Short Answer
a. Larsen Corporation
Schedule of Cost of Goods Manufactured

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



b. Computation of cost of goods sold

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

c. Larsen Corporation
Income Statement

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

# Introduction to Managerial Accounting Edition 7 by Brewer

125) Short Answer

a. Larner Corporation

Schedule of Cost of Goods Manufactured

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

b. Computation of cost of goods sold



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

c. Larner Corporation

Income Statement

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

126) Short Answer

# Introduction to Managerial Accounting Edition 7 by Brewer

a. Larmont Corporation
Schedule of the Cost of Goods Manufactured

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



b. Computation of cost of goods sold

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



c. Larmont Corporation
Income Statement

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

127) Short Answer

# Introduction to Managerial Accounting Edition 7 by Brewer

a. Martin Company
Schedule of the Cost of Goods Manufactured

| | | |
|---|---|---|
| Direct materials | | $1,000 |
| Direct labour | | 1,600 |
| Manufacturing overhead: | | |
| Indirect materials | $ 350 | |
| Rent | 450 | |
| Maintenance | 100 | |
| Utilities | 300 | 1,200 |
| Total manufacturing costs | | 3,800 |
| Add: WIP, beginning | | 500 |
| | | 4,300 |
| Deduct: WIP, ending | | 900 |
| Cost of goods manufactured | | $ 3,400 |



b. Cost of Goods Sold

| | |
|---|---|
| Finished goods, beginning | $500 |
| Add: Cost of goods manufactured | 3,400 |
| Goods available for sale | 3,900 |
| Finished goods, ending | 200 |
| Cost of goods sold | 3,700 |

128) Short Answer

# Introduction to Managerial Accounting Edition 7 by Brewer

Simply Sweets
Schedule of Cost of Goods Manufactured
For the month ended August 31, 2020

| | | |
|---|---|---|
| Raw materials, beginning | 1,000 | |
| Purchases of raw materials | 11,000 | |
| Raw materials available | 12,000 | |
| Raw materials inventory, ending | 2,000 | |
| Raw materials used in production | | 10,000 |
| Baker's salary | | 3,000 |
| Manufacturing Overhead: | | |
| Rent on production factory | 2,000 | |
| Utilities on production factory | 500 | |
| Production Supervisor, Salary | 4,000 | |
| Indirect materials | 500 | 7,000 |
| Total manufacturing costs | | 20,000 |
| Add: WIP inventory, beginning | | 2,500 |
| Less: WIP inventory, ending | | 4,500 |
| Cost of Goods Manufactured | | 18,000 |



Simply Sweets
Cost of Goods Sold Section
For the month ended August 31, 2020

| | | |
|---|---|---|
| Finished goods inventory, beginning | 1,000 | |
| Add: Cost of Goods Manufactured | 18,000 | |
| Finished goods available for sale | 19,000 | |
| Less: Finished goods inventory, ending | 3,000 | |

# Introduction to Managerial Accounting Edition 7 by Brewer

| | | |
|---|---|---|
| Cost of Goods Sold | | 16,000 |

Simply Sweets
Income Statement
For the month ended August 31, 2020

| | | |
|---|---|---|
| Sales | | 40,000 |
| Finished goods inventory, beginning | 1,000 | |
| Add: Cost of Goods Manufactured | 18,000 | |
| Finished goods available for sale | 19,000 | |
| Less: Finished goods inventory, ending | 3,000 | |
| Cost of Goods Sold | | 16,000 |
| Gross Margin | | 24,000 |
| Rent, retail store | 1,000 | |
| Wages, retail staff | 3,000 | |
| Utilities, retail store | 500 | |
| General & administrative expenses | 3,500 | |
| Total operating expenses | | 8,000 |
| Net Income | | 16,000 |





129) Short Answer

# Introduction to Managerial Accounting Edition 7 by Brewer

Sprinkles Inc.
Schedule of Cost of Goods Manufactured
For the month ended October 31, 2020

| | | |
|---|---|---|
| Raw materials, beginning | 2,000 | |
| Purchases of raw materials | 15,000 | |
| Raw materials available | 17,000 | |
| Raw materials inventory, ending | 5,000 | |
| Raw materials used in production | | 12,000 |
| Baker's salary | | 7,000 |
| Manufacturing Overhead: | | |
| Rent on production factory | 3,000 | |
| Utilities on production factory | 1,000 | |
| Production Supervisor, Salary | 4,000 | |
| Indirect materials | 2,500 | 10,500 |
| Total manufacturing costs | | 29,500 |
| Add: WIP inventory, beginning | | 3,000 |
| Less: WIP inventory, ending | | 6,000 |
| Cost of Goods Manufactured | | 26,500 |



Sprinkles Inc.
Cost of Goods Sold Section
For the month ended October 31, 2020

| | | |
|---|---|---|
| Finished goods inventory, beginning | 2,000 | |
| Add: Cost of Goods Manufactured | 26,500 | |
| Finished goods available for sale | 28,500 | |

# Introduction to Managerial Accounting Edition 7 by Brewer

| | | |
|---|---|---|
| Less: Finished goods inventory, ending | 4,000 | |
| Cost of Goods Sold | | 24,500 |

Sprinkles Inc.
Income Statement
For the month ended October 31, 2020

| | | |
|---|---|---|
| Sales | | 45,000 |
| Finished goods inventory, beginning | 2,000 | |
| Add: Cost of Goods Manufactured | 26,500 | |
| Finished goods available for sale | 28,500 | |
| Less: Finished goods inventory, ending | 4,000 | |
| Cost of Goods Sold | | 24,500 |
| Gross Margin | | 20,500 |
| Rent, retail store | 2,000 | |
| Wages, retail staff | 4,000 | |
| Utilities, retail store | 1,500 | |
| General & administrative expenses | 4,500 | |
| Total operating expenses | 2,000 | 12,000 |
| Net Income | | 8,500 |



130) Short Answer

# Introduction to Managerial Accounting Edition 7 by Brewer

Snickerdoodle Inc.
Schedule of Cost of Goods Manufactured
For the month ended October 31, 20120

| | | |
|---|---|---|
| Raw materials, beginning | 11,000 | |
| Purchases of raw materials | 21,000 | |
| Raw materials available | 32,000 | |
| Raw materials inventory, ending | 12,000 | |
| Raw materials used in production | | 20,000 |
| Baker's salary | | 13,000 |
| Manufacturing Overhead: | | |
| Rent on production factory | 12,000 | |
| Utilities on production factory | 10,500 | |
| Production Supervisor, Salary | 14,000 | |
| Indirect materials | 10,500 | 47,000 |
| Total manufacturing costs | | 80,000 |
| Add: WIP inventory, beginning | | 12,500 |
| Less: WIP inventory, ending | | 14,500 |
| Cost of Goods Manufactured | | 78,000 |



Snickerdoodle Inc.
Cost of Goods Sold Section
For the month ended October 31, 2020

| | | |
|---|---|---|
| Finished goods inventory, beginning | 11,000 | |
| Add: Cost of Goods Manufactured | 78,000 | |
| Finished goods available for sale | 89,000 | |
| Less: Finished goods inventory, ending | 13,000 | |

| | | |
|---|---|---|
| Cost of Goods Sold | | 76,000 |

Snickerdoodle Inc.
Income Statement
For the month ended October 31, 2020

| | | |
|---|---|---|
| Sales | | 140,000 |
| Finished goods inventory, beginning | 11,000 | |
| Add: Cost of Goods Manufactured | 78,000 | |
| Finished goods available for sale | 89,000 | |
| Less: Finished goods inventory, ending | 13,000 | |
| Cost of Goods Sold | | 76,000 |
| Gross Margin | | 64,000 |
| Rent, retail store | 11,000 | |
| Wages, retail staff | 13,000 | |
| Utilities, retail store | 10,500 | |
| General & administrative expenses | 13,500 | |
| Total operating expenses | | 48,000 |
| Net Income | | 16,000 |





131) Short Answer

# Introduction to Managerial Accounting Edition 7 by Brewer

Snickerdoodle Inc.
Schedule of Cost of Goods Manufactured
For the month ended September 30, 2020

| | | |
|---|---|---|
| Raw materials, beginning | 11,000 | |
| Purchases of raw materials | 21,000 | |
| Raw materials available | 32,000 | |
| Raw materials inventory, ending | 12,000 | |
| Raw materials used in production | | 20,000 |
| Baker's salary | | 13,000 |
| Manufacturing Overhead: | | |
| Rent on production factory | 12,000 | |
| Utilities on production factory | 10,500 | |
| Production Supervisor, Salary | 14,000 | |
| Indirect materials | 10,500 | 47,000 |
| Total manufacturing costs | | 80,000 |
| Add: WIP inventory, beginning | | 12,500 |
| Less: WIP inventory, ending | | 14,500 |
| Cost of Goods Manufactured | | 78,000 |



Snickerdoodle Inc.
Income Statement
For the month ended August 31, 2020

| | | |
|---|---|---|
| Sales | | 140,000 |
| Finished goods inventory, beginning | 11,000 | |
| Add: Cost of Goods Manufactured | 78,000 | |
| Finished goods available for sale | 89,000 | |

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| | | |
|---|---|---|
| Less: Finished goods inventory, ending | 13,000 | |
| Cost of Goods Sold | | 76,000 |
| Gross Margin | | 64,000 |
| Rent, retail store | 11,000 | |
| Wages, retail staff | 13,000 | |
| Utilities, retail store | 10,500 | |
| General & administrative expenses | 13,500 | |
| Total operating expenses | | 48,000 |
| Net Income | | 16,000 |
| Prime Costs (RM used + Direct Labor) | 33,000 | |
| Conversion Costs (Direct Labor + MOH) | 60,000 | |



132) Short Answer 

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Frosting Corp.
Schedule of Cost of Goods Manufactured
For the month ended August 31, 2020

| | | |
|---|---|---|
| Raw materials, beginning | 25,000 | |
| Purchases of raw materials | 35,000 | |
| Raw materials available | 60,000 | |
| Raw materials inventory, ending | 15,000 | |
| Raw materials used in production | | 45,000 |
| Baker's salary | | 25,000 |
| Manufacturing Overhead: | | |
| Rent on production factory | 24,000 | |
| Utilities on production factory | 15,000 | |
| Production Supervisor, Salary | 23,000 | |
| Indirect materials | 20,000 | 82,000 |
| Total manufacturing costs | | 152,000 |
| Add: WIP inventory, beginning | | 16,000 |
| Less: WIP inventory, ending | | 8,000 |
| Cost of Goods Manufactured | | 160,000 |





Frosting Corp.
Cost of Goods Sold Section
For the month ended August 31, 2020

| | | |
|---|---|---|
| Finished goods inventory, beginning | 18,000 | |
| Add: Cost of Goods Manufactured | 160,000 | |
| Finished goods available for sale | 178,000 | |

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| | | |
|---|---|---|
| Less: Finished goods inventory, ending | 20,000 | |
| Cost of Goods Sold | | 158,000 |

Frosting Corp.
Income Statement
For the month ended August 31, 2020

| | | |
|---|---|---|
| Sales | | 300,000 |
| Finished goods inventory, beginning | 18,000 | |
| Add: Cost of Goods Manufactured | 160,000 | |
| Finished goods available for sale | 178,000 | |
| Less: Finished goods inventory, ending | 20,000 | |
| Cost of Goods Sold | | 158,000 |
| Gross Margin | | 142,000 |
| Rent, retail store | 22,000 | |
| Wages, retail staff | 15,000 | |
| Utilities, retail store | 15,000 | |
| General & administrative expenses | 17,000 | |
| Total operating expenses | | 69,000 |
| Net Income | | 73,000 |





133) Section Break
133.1) B
Option B
\$20,000 + \$55,000 + \$45,000 + \$60,000 = \$180,000

133.2) D

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Option D
$300,000 + $250,000 + ($20,000 + $55,000 + $45,000 + $60,000) = $730,000

133.3) C
Option C
$160,000 + $20,000 + $15,000 = $195,000

134) Section Break
134.1) A
Option A
$40 + $120 - $70 = $90

134.2) B
Option B
(($40+$120-$70) +$200+$230) +$70-$50 = $540

134.3) A
Option A
(($40+$120-$70) +$200+$230) +$70-$50+$120-$160 = $500

134.4) B

Option B
$900-$500(from 2-83)-$150-$140 = $200

135) Section Break
135.1) D
Option D
$90+$120-$30 = $180

135.2) D
Option D
(($90+$120-$30) +$150+$250) +$50-$20 = $610

135.3) B
Option B
(($90+$120-$30) +$150+$250) +$50-$20+$100-$150 = $560

135.4) B
Option B
$1,000 -(($90+$120-$30) +$150+$250) +$50-$20+$100-$150)-$160-$140 = $140

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136) Section Break

136.1) A

Option A

$60+$180-$70 = $170

136.2) A

Option A

(($60+$180-$70) +$100+$190) +$70-$80 = $450

136.3) A

Option A

((($60+$180-$70) +$100+$190) +$70-$80) +$120-$160 = $410

136.4) B

Option A

((($60+$180-$70) +$100+$190) +$70-$80) +$120-$160-$110-$150 = $130

137) Section Break

137.1) C

Option C $105,000+$4,000-($40,000+$20,000+$39,000) = $10,000



137.2) B

Option B $105,000+$12,000-$110,000 = $7,000

138) Section Break

138.1) D

Option D

$550+$350 = $900

138.2) C

Option C

$450+$350 = $800

138.3) D

Option D

$1,350+$90-$140 = $1,300

139) Section Break

139.1) B

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Option B
$310,000 – $260,000 = $50,000

139.2) B
Option B
(($310,000 – $50,000)-$25,000+$16,000)-$120,000-$70,000=$61,000

139.3) C
Option C
$310,000 – $50,000 = $260,000

140) Section Break
140.1) C
Option C
($32,000+$35,000-$31,000) + $40,000 +$70,000 = $146,000

140.2) B
Option C
$210,000-$124,000-$35,000-$25,000 = $26,000

140.3) A

Option A

$40,000+$70,000 = $110,000

141) Section Break
141.1) C
Fixed period cost.

141.2) A
Fixed product cost.

141.3) B
Variable product cost.

141.4) C
Fixed period cost.

141.5) B

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Variable product cost.

141.6) B
Variable product cost.

141.7) B
Variable product cost.

141.8) C
Fixed period cost.

142) Section Break
142.1) A
Direct product cost.

142.2) B
Indirect product cost.

142.3) A
Direct product cost.



142.4) A
Direct product cost.

142.5) A
Direct product cost.

142.6) C
Direct period cost.

142.7) D
Indirect period cost.

143) Section Break
143.1) B
Option B $18,000+$28,000-$19,000 =$27,000

143.2) C
Option C
$17,500+$21,000+$19,000+$17,500 =$75,000

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143.3) D
Option D ($17,500+$21,000+$19,000+$17,500) +$20,000+($18,000+$28,000 -$19,000) = $122,000

143.4) C
Option C
$20,000+($18,000+$28,000-$19,000) =$47,000

143.5) B
Option B
$(17,500+$21,000+$19,000+$17,500) +$20,000+($18,000+$28,000 -$19,000) +$19,500-$21,500 = $120,000

143.6) A
Option A $18,000+(($17,500+$21,000+$19,000+$17,500) +$20,000+($18,000+$28,000 -$19,000) +$19,500-$21,500)-$20,000 = $118,000

143.7) A
Option A
$243,000-$118,000(Cost of Sales)-$20,000-$18,000-$17,000-$20,000 = $50,000