Chapter 01

Managerial Accounting Concepts and Principles

**True / False Questions**

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

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

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

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

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| 5. | Managerial accounting information can be forwarded to the managers of a company quickly since external auditors do not have to review it, and estimates and projections are acceptable.    True    False |

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

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

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

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

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

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

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

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| 13. | When the attitude of continuous improvement exists throughout an organization, every manager and employee is challenged to continuously experiment with new and improved business practices.    True    False |

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| 14. | The main goal of the lean business model is the elimination of waste while satisfying the customer and providing a positive return to the company.    True    False |

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| 15. | The management concept of customer orientation motivates a company to spend large amounts on advertising to convince customers to buy the company's standard products.    True    False |

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| 16. | The management concept of customer orientation encourages a company to set up its production system to produce large quantities of the same product for all customers.    True    False |

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

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| 18. | Under a just-in-time manufacturing system, large quantities of inventory are accumulated throughout the factory to be certain that components are available each time that they are needed.    True    False |

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

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

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

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

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

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| 24. | Costs may be classified by many different cost classifications.    True    False |

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

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

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

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

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

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

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

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

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

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

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| 35. | Selling and administrative expenses are normally period costs.    True    False |

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

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

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| 38. | The main difference between the cost of goods sold of a manufacturer and a merchandiser is that the merchandiser includes cost of goods manufactured rather than cost of goods purchased.    True    False |

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

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| 40. | Raw materials inventory should not include indirect materials.    True    False |

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

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

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

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

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

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

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

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

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

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

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

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| 52. | Prime costs consist of direct labor and factory overhead.    True    False |

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

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

**Multiple Choice Questions**

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| 55. | Managerial accounting information:      |  |  | | --- | --- | | A. | Is used mainly by external users. |  |  |  | | --- | --- | | B. | Involves gathering information about costs for planning and control decisions. |  |  |  | | --- | --- | | C. | Is generally the only accounting information available to managers. |  |  |  | | --- | --- | | D. | Can be used for control purposes but not for planning purposes. |  |  |  | | --- | --- | | E. | Has little to do with controlling costs. | |

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| 56. | Managerial accounting is different from financial accounting in that:      |  |  | | --- | --- | | A. | Managerial accounting is more focused on the organization as a whole and financial accounting is more focused on subdivisions of the organization. |  |  |  | | --- | --- | | B. | Managerial accounting never includes nonmonetary information. |  |  |  | | --- | --- | | C. | Managerial accounting includes many projections and estimates whereas financial accounting has a minimum of predictions. |  |  |  | | --- | --- | | D. | Managerial accounting is used extensively by investors, whereas financial accounting is used only by creditors. |  |  |  | | --- | --- | | E. | Managerial accounting is mainly used to set stock prices. | |

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| 57. | Flexibility of practice when applied to managerial accounting means that       |  |  | | --- | --- | | A. | The information must be presented in electronic format so that it is easily changed. |  |  |  | | --- | --- | | B. | Managers must be willing to accept the information as the accountants present it to them, rather than in the format they ask for. |  |  |  | | --- | --- | | C. | The managerial accountants need to be on call twenty-four hours a day. |  |  |  | | --- | --- | | D. | Managerial accounting system differ across companies depending on the nature of the business and the arrangement of its internal operations. |  |  |  | | --- | --- | | E. | Managers must be flexible with information provided in varying forms and using inconsistent measures. | |

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| 58. | Which of the following items does not represent a difference between financial and managerial accounting?      |  |  | | --- | --- | | A. | Users of the information. |  |  |  | | --- | --- | | B. | Flexibility of reporting. |  |  |  | | --- | --- | | C. | Timeliness of information. |  |  |  | | --- | --- | | D. | Focus of the information. |  |  |  | | --- | --- | | E. | Managerial accounting does not use the financial information from the financial accounting system. | |

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| 59. | Which of the following items is *not* a management concept that was created to improve companies' performances?       |  |  | | --- | --- | | A. | Just-in-time manufacturing. |  |  |  | | --- | --- | | B. | GAAP constraints and guidelines. |  |  |  | | --- | --- | | C. | Total quality management. |  |  |  | | --- | --- | | D. | Continuous improvement. |  |  |  | | --- | --- | | E. | Customer orientation. | |

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| 60. | The Malcolm Baldrige National Quality Award that encourages an emphasis on quality was established by      |  |  | | --- | --- | | A. | The United Nations. |  |  |  | | --- | --- | | B. | The U.S. Chamber of Commerce. |  |  |  | | --- | --- | | C. | The Malcolm Baldrige Foundation. |  |  |  | | --- | --- | | D. | The U.S. Congress. |  |  |  | | --- | --- | | E. | The SEC. | |

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| 61. | Continuous improvement:      |  |  | | --- | --- | | A. | Encourages employees to maintain established business practices. |  |  |  | | --- | --- | | B. | Strives to preserve acceptable levels of performance. |  |  |  | | --- | --- | | C. | Rejects the notion of "good enough." |  |  |  | | --- | --- | | D. | Is not applicable to most businesses. |  |  |  | | --- | --- | | E. | Is possible only in service businesses. | |

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| 62. | An attitude of constantly seeking ways to improve company operations, including customer service, product quality, product features, the production process, and employee interactions, is called:      |  |  | | --- | --- | | A. | Continuous improvement. |  |  |  | | --- | --- | | B. | Customer orientation. |  |  |  | | --- | --- | | C. | Just-in-time. |  |  |  | | --- | --- | | D. | Theory of constraints. |  |  |  | | --- | --- | | E. | Total quality measurement. | |

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| 63. | A management concept based on an understanding of the changing wants and needs of customers, and which leads to flexible product designs and production processes, is called:      |  |  | | --- | --- | | A. | Continuous improvement. |  |  |  | | --- | --- | | B. | Customer orientation. |  |  |  | | --- | --- | | C. | Just-in-time. |  |  |  | | --- | --- | | D. | Theory of constraints. |  |  |  | | --- | --- | | E. | Total quality management. | |

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| 64. | An approach to managing inventories and production operations such that units of materials and products are obtained and provided only as they are needed is called:      |  |  | | --- | --- | | A. | Continuous improvement. |  |  |  | | --- | --- | | B. | Customer orientation. |  |  |  | | --- | --- | | C. | Just-in-time manufacturing. |  |  |  | | --- | --- | | D. | Theory of constraints. |  |  |  | | --- | --- | | E. | Total quality management. | |

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| 65. | A management concept that seeks to uncover and eliminate waste in all aspects of business activities is called:      |  |  | | --- | --- | | A. | Continuous operations. |  |  |  | | --- | --- | | B. | Customer orientation. |  |  |  | | --- | --- | | C. | Just-in-time. |  |  |  | | --- | --- | | D. | Theory of constraints. |  |  |  | | --- | --- | | E. | Total quality management. | |

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| 66. | The model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company is:      |  |  | | --- | --- | | A. | Just in time manufacturing model. |  |  |  | | --- | --- | | B. | Managerial accounting model. |  |  |  | | --- | --- | | C. | Corporate social responsibility model. |  |  |  | | --- | --- | | D. | Continuous improvement model. |  |  |  | | --- | --- | | E. | Lean business model. | |

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| 67. | Jenny, an employee of Toucan Company, used company assets for her own personal gain. This is an example of      |  |  | | --- | --- | | A. | embezzlement. |  |  |  | | --- | --- | | B. | fraud. |  |  |  | | --- | --- | | C. | internal control. |  |  |  | | --- | --- | | D. | ethics. |  |  |  | | --- | --- | | E. | employment perks. | |

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| 68. | An employee is dissatisfied with the resolution of an ethical conflict with his supervisor at his place of employment. According to the Institute of Management Accountants, the employee's next step should be to      |  |  | | --- | --- | | A. | contact the IMA. |  |  |  | | --- | --- | | B. | contact the next level of management who is not involved in the ethical conflict. |  |  |  | | --- | --- | | C. | make the president of the company aware of the ethical conflict. |  |  |  | | --- | --- | | D. | report the incident to the State Board of Accountancy. |  |  |  | | --- | --- | | E. | resign from the company. | |

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| 69. | A direct cost is a cost that is:      |  |  | | --- | --- | | A. | Identifiable as controllable. |  |  |  | | --- | --- | | B. | Traceable to the company as a whole. |  |  |  | | --- | --- | | C. | Does not change with the volume of activity. |  |  |  | | --- | --- | | D. | Traceable to a single cost object. |  |  |  | | --- | --- | | E. | Traceable to multiple cost objects. | |

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| 70. | Classifying costs by behavior with changes in volume of activity involves:      |  |  | | --- | --- | | A. | Identifying fixed cost and variable cost. |  |  |  | | --- | --- | | B. | Identifying cost of goods sold and operating costs. |  |  |  | | --- | --- | | C. | Identifying costs as financial or managerial. |  |  |  | | --- | --- | | D. | Identifying costs in a physical manner. |  |  |  | | --- | --- | | E. | Identifying both quantitative and qualitative cost factors. | |

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| 71. | A classification of costs that determines whether a cost is expensed to the income statement or capitalized to inventory is:      |  |  | | --- | --- | | A. | Fixed versus variable. |  |  |  | | --- | --- | | B. | Direct versus indirect. |  |  |  | | --- | --- | | C. | Financial versus managerial. |  |  |  | | --- | --- | | D. | Service versus manufacturing. |  |  |  | | --- | --- | | E. | Product versus period. | |

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| 72. | A fixed cost:      |  |  | | --- | --- | | A. | Requires the future outlay of cash and is relevant for future decision making. |  |  |  | | --- | --- | | B. | Does not change with changes in the volume of activity within the relevant range. |  |  |  | | --- | --- | | C. | Is directly traceable to a cost object. |  |  |  | | --- | --- | | D. | Changes with changes in the volume of activity within the relevant range. |  |  |  | | --- | --- | | E. | Is irrelevant for cost-volume-profit and short-term decision making. | |

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| 73. | Last year, Wesson Company sold 10,000 units of its only product. If sales increase by 12% in the current year, how will unit variable cost and unit fixed cost be affected?   |  |  |  | | --- | --- | --- | |  | **Unit Variable Cost** | **Unit Fixed Cost** | | A) | Remains constant | Remains constant | | B) | Increases | Decreases | | C) | Decreases | Remains constant | | D) | Remains constant | Decreases | | E) | Remains constant | Increases |       |  |  | | --- | --- | | A. | Choice A |  |  |  | | --- | --- | | B. | Choice B |  |  |  | | --- | --- | | C. | Choice C |  |  |  | | --- | --- | | D. | Choice D |  |  |  | | --- | --- | | E. | Choice E | |

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| 74. | Last year, Gordon Company sold 20,000 units of its only product. If sales increase by 20% in the current year, how will unit variable cost and total fixed cost be affected?   |  |  |  | | --- | --- | --- | |  | **Unit Variable Cost** | **Total Fixed Cost** | | A) | Remains constant | Remains constant | | B) | Increases | Decreases | | C) | Decreases | Remains constant | | D) | Remains constant | Decreases | | E) | Remains constant | Increases |       |  |  | | --- | --- | | A. | Choice A |  |  |  | | --- | --- | | B. | Choice B |  |  |  | | --- | --- | | C. | Choice C |  |  |  | | --- | --- | | D. | Choice D |  |  |  | | --- | --- | | E. | Choice E | |

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| 75. | Last year, Flash Company sold 15,000 units of its only product. If sales decreased by 17% in the current year, how will total variable cost and total fixed cost be affected?   |  |  |  | | --- | --- | --- | |  | **Total Variable Cost** | **Total Fixed Cost** | | A) | Remains constant | Remains constant | | B) | Increases | Decreases | | C) | Decreases | Remains constant | | D) | Remains constant | Decreases | | E) | Remains constant | Increases |       |  |  | | --- | --- | | A. | Choice A |  |  |  | | --- | --- | | B. | Choice B |  |  |  | | --- | --- | | C. | Choice C |  |  |  | | --- | --- | | D. | Choice D |  |  |  | | --- | --- | | E. | Choice E | |

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| 76. | Period costs for a manufacturing company would flow directly to:       |  |  | | --- | --- | | A. | The income statement as an expense. |  |  |  | | --- | --- | | B. | Factory overhead. |  |  |  | | --- | --- | | C. | The balance sheet as inventory. |  |  |  | | --- | --- | | D. | Cost of goods sold on the income statement. |  |  |  | | --- | --- | | E. | The current schedule of cost of goods manufactured. | |

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| 77. | For product costs associated with a particular product to be reported on the income statement:       |  |  | | --- | --- | | A. | The product must be transferred to Finished Goods Inventory. |  |  |  | | --- | --- | | B. | The product must still be in Work in Process Inventory. |  |  |  | | --- | --- | | C. | The product must be sold. |  |  |  | | --- | --- | | D. | The product may be in any of the manufacturer's inventory accounts. |  |  |  | | --- | --- | | E. | The company must expect to sell the product during the next twelve months. | |

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| 78. | Costs that are capitalized as inventory when they are incurred are called:       |  |  | | --- | --- | | A. | Period costs. |  |  |  | | --- | --- | | B. | Product costs. |  |  |  | | --- | --- | | C. | General costs. |  |  |  | | --- | --- | | D. | Administrative costs. |  |  |  | | --- | --- | | E. | Fixed costs. | |

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| 79. | Costs that flow directly to the income statement as expenses are called:       |  |  | | --- | --- | | A. | Period costs. |  |  |  | | --- | --- | | B. | Product costs. |  |  |  | | --- | --- | | C. | General costs. |  |  |  | | --- | --- | | D. | Balance sheet costs. |  |  |  | | --- | --- | | E. | Capitalized costs. | |

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| 80. | Marshall Corporation incurred costs for materials and labor needed to manufacture its products. These costs are an example of:       |  |  | | --- | --- | | A. | Period costs. |  |  |  | | --- | --- | | B. | Product costs. |  |  |  | | --- | --- | | C. | General costs. |  |  |  | | --- | --- | | D. | Balance sheet costs. |  |  |  | | --- | --- | | E. | Capitalized costs. | |

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| 81. | Product costs:       |  |  | | --- | --- | | A. | Are expenditures necessary and integral to finished products. |  |  |  | | --- | --- | | B. | Are expenditures identified more with a time period rather than with units of product. |  |  |  | | --- | --- | | C. | Include selling and administrative expenses. |  |  |  | | --- | --- | | D. | Are expensed on the income statement when incurred. |  |  |  | | --- | --- | | E. | Are moved to the income statement for any unsold inventory at the end of the year. | |

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| 82. | Products that have been completed and are ready to be sold by the manufacturer are called:      |  |  | | --- | --- | | A. | Finished goods inventory. |  |  |  | | --- | --- | | B. | Work in Process inventory. |  |  |  | | --- | --- | | C. | Raw materials inventory. |  |  |  | | --- | --- | | D. | Cost of goods sold. |  |  |  | | --- | --- | | E. | Factory supplies. | |

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| 83. | Goods a company acquires to use in making products are called:      |  |  | | --- | --- | | A. | Cost of goods sold. |  |  |  | | --- | --- | | B. | Raw materials inventory. |  |  |  | | --- | --- | | C. | Finished goods inventory. |  |  |  | | --- | --- | | D. | Work in Process inventory. |  |  |  | | --- | --- | | E. | Conversion costs. | |

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| 84. | Products that are in the process of being manufactured but are not yet complete are called:      |  |  | | --- | --- | | A. | Raw materials inventory. |  |  |  | | --- | --- | | B. | Conversion costs. |  |  |  | | --- | --- | | C. | Cost of goods sold. |  |  |  | | --- | --- | | D. | Work in Process inventory. |  |  |  | | --- | --- | | E. | Finished goods inventory. | |

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| 85. | Another title for work in process inventory is:      |  |  | | --- | --- | | A. | Indirect materials inventory. |  |  |  | | --- | --- | | B. | Goods in process inventory. |  |  |  | | --- | --- | | C. | Conversion costs. |  |  |  | | --- | --- | | D. | Direct materials inventory. |  |  |  | | --- | --- | | E. | Raw materials inventory. | |

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| 86. | Which of the following represents the correct formula for calculating raw materials inventory turnover for a manufacturer?      |  |  | | --- | --- | | A. | Raw materials purchased/Average raw materials inventory. |  |  |  | | --- | --- | | B. | Average raw materials inventory/Raw materials used. |  |  |  | | --- | --- | | C. | Raw materials used/Average raw materials inventory. |  |  |  | | --- | --- | | D. | Ending raw materials/Raw materials used \*365. |  |  |  | | --- | --- | | E. | Raw materials used/Beginning raw materials inventory \*365. | |

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| 87. | Which of the following statements is correct concerning the Days' sales in raw materials inventory?       |  |  | | --- | --- | | A. | A measure of how long it takes raw materials to be used in production. |  |  |  | | --- | --- | | B. | The ratio is not useful for a manufacturer. |  |  |  | | --- | --- | | C. | Reveals how many times a company turns over its raw materials inventory in a period. |  |  |  | | --- | --- | | D. | Most companies generally prefer a higher number of days' sales in raw materials inventory. |  |  |  | | --- | --- | | E. | Is calculated by taking the Raw materials used/Average raw materials inventory. | |

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| 88. | The cost of workers who assist in or supervise the manufacturing process, not linked to specific units of product is called:      |  |  | | --- | --- | | A. | Unspecified labor. |  |  |  | | --- | --- | | B. | Direct labor. |  |  |  | | --- | --- | | C. | Indirect labor. |  |  |  | | --- | --- | | D. | Basic labor. |  |  |  | | --- | --- | | E. | Joint labor. | |

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| 89. | Factory overhead costs may include all of the following except:      |  |  | | --- | --- | | A. | Indirect labor costs. |  |  |  | | --- | --- | | B. | Indirect material costs. |  |  |  | | --- | --- | | C. | Selling costs. |  |  |  | | --- | --- | | D. | Assembly supplies. |  |  |  | | --- | --- | | E. | Factory rent. | |

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| 90. | Labor costs that are clearly associated with specific units of product because the labor is used to convert raw materials into finished products are called:      |  |  | | --- | --- | | A. | Contracted labor. |  |  |  | | --- | --- | | B. | Direct labor. |  |  |  | | --- | --- | | C. | Indirect labor. |  |  |  | | --- | --- | | D. | Finished labor. |  |  |  | | --- | --- | | E. | All labor. | |

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| 91. | Manufacturing costs other than direct materials and direct labor, and are not readily traceable to specific units or batches of production are called:      |  |  | | --- | --- | | A. | Administrative expenses. |  |  |  | | --- | --- | | B. | Nonmanufacturing costs. |  |  |  | | --- | --- | | C. | Prime costs. |  |  |  | | --- | --- | | D. | Factory overhead. |  |  |  | | --- | --- | | E. | Preproduction costs. | |

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| 92. | Materials that are used in manufacturing but are not clearly identified with specific product units are called:      |  |  | | --- | --- | | A. | Secondary materials. |  |  |  | | --- | --- | | B. | General materials. |  |  |  | | --- | --- | | C. | Direct materials. |  |  |  | | --- | --- | | D. | Indirect materials. |  |  |  | | --- | --- | | E. | Materials inventory. | |

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| 93. | The salary paid to the assembly line supervisor would normally be classified as:      |  |  | | --- | --- | | A. | Direct labor. |  |  |  | | --- | --- | | B. | Indirect labor. |  |  |  | | --- | --- | | C. | A period cost. |  |  |  | | --- | --- | | D. | A general cost. |  |  |  | | --- | --- | | E. | An assembly cost. | |

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| 94. | Which of the following items appears only in a manufacturing company's financial statements?      |  |  | | --- | --- | | A. | Cost of goods sold. |  |  |  | | --- | --- | | B. | Cost of goods manufactured. |  |  |  | | --- | --- | | C. | Goods available for sale. |  |  |  | | --- | --- | | D. | Gross profit. |  |  |  | | --- | --- | | E. | Net income. | |

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| 95. | Which of the following costs is not included in factory overhead?      |  |  | | --- | --- | | A. | Payroll taxes on the wages of factory supervisors. |  |  |  | | --- | --- | | B. | Indirect labor. |  |  |  | | --- | --- | | C. | Depreciation of manufacturing equipment. |  |  |  | | --- | --- | | D. | Manufacturing supplies used. |  |  |  | | --- | --- | | E. | Direct materials. | |

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| 96. | Which of the following should not be included in direct materials costs?      |  |  | | --- | --- | | A. | Invoice costs of direct materials. |  |  |  | | --- | --- | | B. | Delivery charges on shipments to customers. |  |  |  | | --- | --- | | C. | Materials storage costs. |  |  |  | | --- | --- | | D. | Materials handling costs. |  |  |  | | --- | --- | | E. | Incoming freight charges. | |

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| 97. | Raw materials that are tangible components of the finished product and can be separately and readily traced through the manufacturing process are called:      |  |  | | --- | --- | | A. | Raw materials sold. |  |  |  | | --- | --- | | B. | Chargeable materials. |  |  |  | | --- | --- | | C. | Work in process. |  |  |  | | --- | --- | | D. | Indirect materials. |  |  |  | | --- | --- | | E. | Direct materials. | |

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| 98. | The three major cost components of manufacturing a product are:      |  |  | | --- | --- | | A. | Marketing, selling, and administrative costs. |  |  |  | | --- | --- | | B. | Indirect labor, indirect materials, and fixed expenses. |  |  |  | | --- | --- | | C. | Direct materials, direct labor, and factory overhead. |  |  |  | | --- | --- | | D. | Product costs, period costs, and variable costs. |  |  |  | | --- | --- | | E. | General, selling, and administrative costs. | |

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| 99. | Which of the following costs would not be classified as factory overhead?      |  |  | | --- | --- | | A. | Property taxes on maintenance machinery. |  |  |  | | --- | --- | | B. | Insurance on factory building. |  |  |  | | --- | --- | | C. | Wages of the factory janitor. |  |  |  | | --- | --- | | D. | Rubber for the soles of shoes produced. |  |  |  | | --- | --- | | E. | Small tools used in production. | |

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| 100. | A manufacturer's total cost of making and finishing products in the period is called:      |  |  | | --- | --- | | A. | Ending finished goods inventory. |  |  |  | | --- | --- | | B. | Total manufacturing costs. |  |  |  | | --- | --- | | C. | Ending work in process inventory. |  |  |  | | --- | --- | | D. | Cost of goods manufactured. |  |  |  | | --- | --- | | E. | Cost of goods sold. | |

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| 101. | A manufacturing firm's cost of goods manufactured is equivalent to a merchandising firm's:      |  |  | | --- | --- | | A. | Cost of goods sold. |  |  |  | | --- | --- | | B. | Cost of goods purchased. |  |  |  | | --- | --- | | C. | Cost of goods available. |  |  |  | | --- | --- | | D. | Beginning merchandise inventory. |  |  |  | | --- | --- | | E. | Ending merchandise inventory. | |

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| 102. | Which one of the following items is normally not a manufacturing cost?      |  |  | | --- | --- | | A. | Direct materials. |  |  |  | | --- | --- | | B. | Factory overhead. |  |  |  | | --- | --- | | C. | General and administrative expenses. |  |  |  | | --- | --- | | D. | Direct labor. |  |  |  | | --- | --- | | E. | Conversion cost. | |

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| 103. | Which of the following is not part of the materials activity in the flow of manufacturing activities?      |  |  | | --- | --- | | A. | Beginning raw materials |  |  |  | | --- | --- | | B. | Beginning work in process |  |  |  | | --- | --- | | C. | Raw materials purchases |  |  |  | | --- | --- | | D. | Raw materials available for use |  |  |  | | --- | --- | | E. | Ending raw materials | |

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| 104. | Which of the following is not part of the production activity in the flow of manufacturing activities?      |  |  | | --- | --- | | A. | Beginning Work in Process Inventory |  |  |  | | --- | --- | | B. | Cost of goods manufactured |  |  |  | | --- | --- | | C. | Direct labor |  |  |  | | --- | --- | | D. | Factory overhead |  |  |  | | --- | --- | | E. | Total finished goods available for sale | |

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| 105. | Which of the following is not part of the sales activity in the flow of manufacturing activities?      |  |  | | --- | --- | | A. | Beginning Finished Goods Inventory |  |  |  | | --- | --- | | B. | Cost of goods manufactured |  |  |  | | --- | --- | | C. | Total Finished Goods available for sale |  |  |  | | --- | --- | | D. | Ending Work in Process Inventory |  |  |  | | --- | --- | | E. | Total finished goods available for sale | |

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| 106. | A manufacturing company has a beginning finished goods inventory of $14,600, raw material purchases of $18,000, cost of goods manufactured of $32,500, and an ending finished goods inventory of $17,800. The cost of goods sold for this company is:      |  |  | | --- | --- | | A. | $21,200. |  |  |  | | --- | --- | | B. | $29,300. |  |  |  | | --- | --- | | C. | $32,500. |  |  |  | | --- | --- | | D. | $47,100. |  |  |  | | --- | --- | | E. | $27,600. | |

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| 107. | A manufacturing company has a beginning finished goods inventory of $28,300, cost of goods manufactured of $58,500, and an ending finished goods inventory of $27,600. The cost of goods sold for this company is:      |  |  | | --- | --- | | A. | $114,400. |  |  |  | | --- | --- | | B. | $57,800. |  |  |  | | --- | --- | | C. | $2,600. |  |  |  | | --- | --- | | D. | $86,100. |  |  |  | | --- | --- | | E. | $59,200. | |

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| 108. | Romeo Corporation has accumulated the following accounting data for the year:   |  |  | | --- | --- | | Finished goods inventory, January 1 | $3,200 | | Finished goods inventory, December 31 | 4,000 | | Total cost of goods sold | 14,200 |   The cost of goods manufactured for the year is:       |  |  | | --- | --- | | A. | $21,400. |  |  |  | | --- | --- | | B. | $11,000. |  |  |  | | --- | --- | | C. | $15,000. |  |  |  | | --- | --- | | D. | $17,400. |  |  |  | | --- | --- | | E. | $10,200. | |

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| 109. | Mustang Corporation has accumulated the following accounting data for the month of April:   |  |  | | --- | --- | | Finished goods inventory, April 1 | $30,200 | | Finished goods inventory, April 30 | 24,600 | | Total cost of goods manufactured | 114,500 |   The cost of goods sold for the year is:       |  |  | | --- | --- | | A. | $169,300. |  |  |  | | --- | --- | | B. | $108,900. |  |  |  | | --- | --- | | C. | $59,700. |  |  |  | | --- | --- | | D. | $120,100. |  |  |  | | --- | --- | | E. | $144,700. | |

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| 110. | A company's prime costs total $3,000,000 and its conversion costs total $7,000,000. If direct materials are $1,000,000 and factory overhead is $5,000,000, then direct labor is:       |  |  | | --- | --- | | A. | $4,000,000. |  |  |  | | --- | --- | | B. | $14,000,000. |  |  |  | | --- | --- | | C. | $2,000,000. |  |  |  | | --- | --- | | D. | $1,000,000. |  |  |  | | --- | --- | | E. | $3,000,000. | |

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| 111. | Craigmont Company's direct materials costs are $3,000,000, its direct labor costs total $7,000,000, and its factory overhead costs total $5,000,000. Its prime costs total:      |  |  | | --- | --- | | A. | $10,000,000. |  |  |  | | --- | --- | | B. | $8,000,000. |  |  |  | | --- | --- | | C. | $12,000,000. |  |  |  | | --- | --- | | D. | $5,000,000. |  |  |  | | --- | --- | | E. | $15,000,000. | |

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| 112. | Craigmont Company's direct materials costs are $3,000,000, its direct labor costs total $7,000,000, and its factory overhead costs total $5,000,000. Its conversion costs total:      |  |  | | --- | --- | | A. | $10,000,000. |  |  |  | | --- | --- | | B. | $8,000,000. |  |  |  | | --- | --- | | C. | $12,000,000. |  |  |  | | --- | --- | | D. | $5,000,000. |  |  |  | | --- | --- | | E. | $15,000,000. | |

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| 113. | A schedule of cost of goods manufactured is also known as a:      |  |  | | --- | --- | | A. | Raw materials processed schedule. |  |  |  | | --- | --- | | B. | Factory supplies used schedule. |  |  |  | | --- | --- | | C. | Manufacturing statement. |  |  |  | | --- | --- | | D. | Total finished goods statement. |  |  |  | | --- | --- | | E. | Cost of goods sold schedule. | |

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| 114. | The following information relates to the manufacturing operations of the JNR Printing Company for the year:   |  |  |  | | --- | --- | --- | |  | **Beginning** | **Ending** | | Raw materials inventory | $57,000 | $60,000 | | Finished goods | 68,000 | 60,000 |   The raw materials used in manufacturing during the year totaled $118,000. Raw materials purchased during the year amount to:       |  |  | | --- | --- | | A. | $107,000. |  |  |  | | --- | --- | | B. | $115,000. |  |  |  | | --- | --- | | C. | $118,000. |  |  |  | | --- | --- | | D. | $121,000. |  |  |  | | --- | --- | | E. | $126,000. | |

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| 115. | The following information relates to the manufacturing operations of the Abbra Publishing Company for the year:   |  |  |  | | --- | --- | --- | |  | **Beginning** | **Ending** | | Raw materials inventory | $547,000 | $610,000 |   The raw materials used in manufacturing during the year totaled $1,018,000. Raw materials purchased during the year amount to:       |  |  | | --- | --- | | A. | $955,000. |  |  |  | | --- | --- | | B. | $892,000. |  |  |  | | --- | --- | | C. | $1,565,000. |  |  |  | | --- | --- | | D. | $408,000. |  |  |  | | --- | --- | | E. | $1,081,000. | |

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| 116. | Comet Company accumulated the following account information for the year:   |  |  | | --- | --- | | Beginning raw materials inventory | $6,000 | | Indirect materials cost | 2,000 | | Indirect labor cost | 5,000 | | Maintenance of factory equipment | 2,800 | | Direct labor cost | 7,000 |   Using the above information, total factory overhead costs would be:       |  |  | | --- | --- | | A. | $9,800. |  |  |  | | --- | --- | | B. | $16,800. |  |  |  | | --- | --- | | C. | $15,800. |  |  |  | | --- | --- | | D. | $13,000. |  |  |  | | --- | --- | | E. | $7,800. | |

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| 117. | Asteroid Industries accumulated the following cost information for the year:   |  |  | | --- | --- | | Direct materials | $16,000 | | Indirect materials | 4,000 | | Indirect labor | 8,500 | | Factory depreciation | 12,800 | | Direct labor | 37,000 |   Using the above information, total factory overhead costs would be:       |  |  | | --- | --- | | A. | $78,300. |  |  |  | | --- | --- | | B. | $25,300. |  |  |  | | --- | --- | | C. | $12,800. |  |  |  | | --- | --- | | D. | $16,800. |  |  |  | | --- | --- | | E. | $53,000. | |

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| 118. | The following information is available for the year ended December 31:   |  |  | | --- | --- | | Beginning raw materials inventory | $21,500 | | Raw materials purchases | 74,000 | | Ending raw materials inventory | 23,000 | | Office supplies expense | 2,400 |   The amount of raw materials used in production for the year is:       |  |  | | --- | --- | | A. | $76,400. |  |  |  | | --- | --- | | B. | $95,500. |  |  |  | | --- | --- | | C. | $72,500. |  |  |  | | --- | --- | | D. | $74,900. |  |  |  | | --- | --- | | E. | $70,100. | |

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| 119. | The following information is available for the year ended December 31:   |  |  | | --- | --- | | Beginning raw materials inventory | $11,000 | | Raw materials purchases | 86,000 | | Ending raw materials inventory | 10,400 | | Manufacturing supplies expense | 900 |   The amount of raw materials used in production for the year is:       |  |  | | --- | --- | | A. | $87,500. |  |  |  | | --- | --- | | B. | $85,700. |  |  |  | | --- | --- | | C. | $86,900. |  |  |  | | --- | --- | | D. | $85,400. |  |  |  | | --- | --- | | E. | $86,600. | |

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| 120. | A financial report that summarizes the amounts and types of costs that were incurred in the manufacturing process during the period is a:       |  |  | | --- | --- | | A. | Materials statement. |  |  |  | | --- | --- | | B. | Managerial statement. |  |  |  | | --- | --- | | C. | Schedule of cost of goods manufactured. |  |  |  | | --- | --- | | D. | Merchandise schedule. |  |  |  | | --- | --- | | E. | General-purpose statement. | |

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| 121. | If beginning and ending work in process inventories are $5,000 and $15,000, respectively, and cost of goods manufactured is $170,000, what is the total manufacturing cost for the period?      |  |  | | --- | --- | | A. | $180,000. |  |  |  | | --- | --- | | B. | $155,000. |  |  |  | | --- | --- | | C. | $160,000. |  |  |  | | --- | --- | | D. | $175,000. |  |  |  | | --- | --- | | E. | $165,000. | |

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| 122. | Using the information below for Singing Dolls, Inc., determine the total manufacturing costs incurred during the year:   |  |  | | --- | --- | | Work in Process, January 1 | 50,000 | | Work in Process, December 31 | 37,000 | | Direct materials used | $12,500 | | Total Factory overhead | 5,500 | | Direct labor used | 26,500 |       |  |  | | --- | --- | | A. | $13,000. |  |  |  | | --- | --- | | B. | $44,500. |  |  |  | | --- | --- | | C. | $57,500. |  |  |  | | --- | --- | | D. | $94,500. |  |  |  | | --- | --- | | E. | $89,000. | |

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| 123. | Using the information below for Singing Dolls, Inc., determine cost of goods manufactured for the year:   |  |  | | --- | --- | | Work in Process, January 1 | 50,000 | | Work in Process, December 31 | 37,000 | | Total Factory overhead | 5,500 | | Direct materials used | $12,500 | | Direct labor used | 26,500 |       |  |  | | --- | --- | | A. | $13,000. |  |  |  | | --- | --- | | B. | $44,500. |  |  |  | | --- | --- | | C. | $57,500. |  |  |  | | --- | --- | | D. | $94,500. |  |  |  | | --- | --- | | E. | $52,000. | |

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| 124. | Using the information below for Laurels Company; determine the manufacturing costs added during the current year:   |  |  | | --- | --- | | Direct materials used | $5,000 | | Direct Labor | 7,000 | | Total Factory overhead | 5,100 | | Beginning work in process | 3,000 | | Ending work in process | 4,000 |       |  |  | | --- | --- | | A. | $12,000. |  |  |  | | --- | --- | | B. | $16,100. |  |  |  | | --- | --- | | C. | $17,100. |  |  |  | | --- | --- | | D. | $18,100. |  |  |  | | --- | --- | | E. | $13,600. | |

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| 125. | Using the information below for Laurels Company; determine the cost of goods manufactured during the current year:   |  |  | | --- | --- | | Direct materials used | $5,000 | | Direct Labor | 7,000 | | Total Factory overhead | 5,100 | | Beginning work in process | 3,000 | | Ending work in process | 4,000 |       |  |  | | --- | --- | | A. | $12,000. |  |  |  | | --- | --- | | B. | $16,100. |  |  |  | | --- | --- | | C. | $17,100. |  |  |  | | --- | --- | | D. | $18,100. |  |  |  | | --- | --- | | E. | $13,600. | |

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| 126. | Using the information below for Sundar Company; determine the total manufacturing costs added during the current year:   |  |  | | --- | --- | | Direct materials used | $19,000 | | Direct labor used | 24,500 | | Factory overhead | 55,100 | | Beginning work in process | 10,700 | | Ending work in process | 11,300 |       |  |  | | --- | --- | | A. | $98,600. |  |  |  | | --- | --- | | B. | $43,500. |  |  |  | | --- | --- | | C. | $98,000. |  |  |  | | --- | --- | | D. | $42,900. |  |  |  | | --- | --- | | E. | $79,000. | |

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| 127. | Using the information below for Sundar Company; determine the cost of goods manufactured during the current year:   |  |  | | --- | --- | | Direct materials used | $19,000 | | Direct labor used | 24,500 | | Factory overhead | 55,100 | | Beginning work in process | 10,700 | | Ending work in process | 11,300 |       |  |  | | --- | --- | | A. | $98,600. |  |  |  | | --- | --- | | B. | $43,500. |  |  |  | | --- | --- | | C. | $98,000. |  |  |  | | --- | --- | | D. | $42,900. |  |  |  | | --- | --- | | E. | $79,000. | |

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| 128. | Total manufacturing costs incurred during the year do not include:       |  |  | | --- | --- | | A. | Direct materials used. |  |  |  | | --- | --- | | B. | Factory supplies used. |  |  |  | | --- | --- | | C. | Work in Process inventory, beginning balance. |  |  |  | | --- | --- | | D. | Direct labor. |  |  |  | | --- | --- | | E. | Depreciation of factory machinery. | |

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| 129. | Which of the following accounts would appear on a schedule of cost of goods manufactured?      |  |  | | --- | --- | | A. | Raw materials, factory insurance expired, indirect labor. |  |  |  | | --- | --- | | B. | Raw materials, work in process, finished goods. |  |  |  | | --- | --- | | C. | Direct labor, delivery equipment, and depreciation on factory equipment. |  |  |  | | --- | --- | | D. | Direct materials, indirect labor, sales salaries. |  |  |  | | --- | --- | | E. | Direct labor, factory repairs and maintenance, wages payable. | |

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| 130. | Which of the following represents the correct formula for calculating cost of goods manufactured?      |  |  | | --- | --- | | A. | Direct materials used + direct labor + factory overhead + beginning work in process + ending work in process. |  |  |  | | --- | --- | | B. | Direct materials used + direct labor + factory overhead + beginning work in process - ending work in process. |  |  |  | | --- | --- | | C. | Direct materials used + direct labor + factory overhead - beginning work in process + ending work in process. |  |  |  | | --- | --- | | D. | Direct materials used + direct labor + factory overhead - beginning work in process - ending work in process. |  |  |  | | --- | --- | | E. | Direct materials used + direct labor - factory overhead + beginning work in process - ending work in process. | |

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| 131. | Current information for the Healey Company follows:   |  |  | | --- | --- | | Beginning raw materials inventory | $15,200 | | Raw material purchases | 60,000 | | Ending raw materials inventory | 16,600 | | Beginning work in process inventory | 22,400 | | Ending work in process inventory | 28,000 | | Direct labor | 42,800 | | Total factory overhead | 30,000 |   All raw materials used were traceable to specific units of product. Healey Company's direct materials used for the year is:       |  |  | | --- | --- | | A. | $58,600. |  |  |  | | --- | --- | | B. | $60,000. |  |  |  | | --- | --- | | C. | $75,200. |  |  |  | | --- | --- | | D. | $76,600. |  |  |  | | --- | --- | | E. | $61,400. | |

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| 132. | Current information for the Healey Company follows:   |  |  | | --- | --- | | Beginning raw materials inventory | $15,200 | | Raw material purchases | 60,000 | | Ending raw materials inventory | 16,600 | | Beginning work in process inventory | 22,400 | | Ending work in process inventory | 28,000 | | Direct labor | 42,800 | | Total factory overhead | 30,000 |   All raw materials used were traceable to specific units of product. Healey Company's total manufacturing costs for the year are:       |  |  | | --- | --- | | A. | $125,800. |  |  |  | | --- | --- | | B. | $128,600. |  |  |  | | --- | --- | | C. | $131,400. |  |  |  | | --- | --- | | D. | $137,000. |  |  |  | | --- | --- | | E. | $139,000. | |

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| 133. | Current information for the Healey Company follows:   |  |  | | --- | --- | | Beginning raw materials inventory | $15,200 | | Raw material purchases | 60,000 | | Ending raw materials inventory | 16,600 | | Beginning work in process inventory | 22,400 | | Ending work in process inventory | 28,000 | | Direct labor | 42,800 | | Total factory overhead | 30,000 |   All raw materials used were traceable to specific units of product. Healey Company's Cost of Goods Manufactured for the year is:       |  |  | | --- | --- | | A. | $125,800. |  |  |  | | --- | --- | | B. | $128,600. |  |  |  | | --- | --- | | C. | $131,400. |  |  |  | | --- | --- | | D. | $137,000. |  |  |  | | --- | --- | | E. | $139,000. | |

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| 134. | Current information for the Stellar Corporation follows:   |  |  | | --- | --- | | Beginning work in process inventory | 17,900 | | Ending work in process inventory | 19,300 | | Direct materials | 147,000 | | Direct labor | 85,000 | | Total factory overhead | 63,100 |   Stellar Corporation's Cost of Goods Manufactured for the year is:       |  |  | | --- | --- | | A. | $295,100. |  |  |  | | --- | --- | | B. | $296,500. |  |  |  | | --- | --- | | C. | $313,000. |  |  |  | | --- | --- | | D. | $275,800. |  |  |  | | --- | --- | | E. | $293,700. | |

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| 135. | Use the following data to determine the cost of goods manufactured.   |  |  | | --- | --- | | Beginning finished goods inventory | $10,800 | | Direct labor | 30,600 | | Beginning work in process inventory | 7,200 | | General and administrative expenses | 13,500 | | Direct materials used | 40,500 | | Ending work in process inventory | 9,000 | | Indirect labor | 6,300 | | Ending finished goods inventory | 9,500 | | Indirect materials | 13,500 | | Depreciation—factory equipment | 7,500 |       |  |  | | --- | --- | | A. | $102,000. |  |  |  | | --- | --- | | B. | $110,100. |  |  |  | | --- | --- | | C. | $96,600. |  |  |  | | --- | --- | | D. | $113,700. |  |  |  | | --- | --- | | E. | $100,200. | |

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| 136. | Use the following data to compute total factory overhead costs for the month.   |  |  | | --- | --- | | Sales commissions | 10,800 | | Direct labor | 39,600 | | Indirect materials | 15,200 | | Factory manager salaries | 7,200 | | Factory supplies | 9,000 | | Indirect labor | 6,300 | | Depreciation—office equipment | 5,000 | | Direct materials | 40,500 | | Corporate office salaries | 42,500 | | Depreciation—factory equipment | 7,500 |       |  |  | | --- | --- | | A. | $141,100. |  |  |  | | --- | --- | | B. | $125,300. |  |  |  | | --- | --- | | C. | $45,200. |  |  |  | | --- | --- | | D. | $84,800. |  |  |  | | --- | --- | | E. | $58,300. | |

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| 137. | Use the following data to compute total manufacturing costs for the month.   |  |  | | --- | --- | | Sales commissions | 10,800 | | Direct labor | 39,600 | | Indirect materials | 15,200 | | Factory manager salaries | 7,200 | | Factory supplies | 9,000 | | Indirect labor | 6,300 | | Depreciation—office equipment | 5,000 | | Direct materials | 40,500 | | Corporate office salaries | 42,500 | | Depreciation—factory equipment | 7,500 |       |  |  | | --- | --- | | A. | $141,100. |  |  |  | | --- | --- | | B. | $125,300. |  |  |  | | --- | --- | | C. | $45,200. |  |  |  | | --- | --- | | D. | $84,800. |  |  |  | | --- | --- | | E. | $58,300. | |

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| 138. | Use the following information to compute the cost of goods manufactured:   |  |  | | --- | --- | | Beginning raw materials | $5,500 | | Ending raw materials | 4,000 | | Direct labor | 12,250 | | Raw material purchases | 7,400 | | Depreciation on factory equipment | 6,500 | | Factory repairs and maintenance | 3,300 | | Beginning finished goods inventory | 10,200 | | Ending finished goods inventory | 8,900 | | Beginning work in process inventory | 5,700 | | Ending work in process inventory | 6,300 |       |  |  | | --- | --- | | A. | $36,650. |  |  |  | | --- | --- | | B. | $30,950. |  |  |  | | --- | --- | | C. | $30,650. |  |  |  | | --- | --- | | D. | $30,350. |  |  |  | | --- | --- | | E. | $31,650. | |

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| 139. | The following information pertains to the Packer Corporation. Calculate the cost of goods sold for the period:   |  |  | | --- | --- | | Beginning Raw Materials | $30,000 | | Ending Raw Materials | $70,000 | | Beginning Work in Process Inventory | $40,000 | | Ending Work in Process Inventory | $46,000 | | Beginning Finished Goods Inventory | $72,000 | | Ending Finished Goods Inventory | $68,000 | | Cost of Goods Manufactured for the period | $246,000 |       |  |  | | --- | --- | | A. | $250,000. |  |  |  | | --- | --- | | B. | $290,000. |  |  |  | | --- | --- | | C. | $242,000. |  |  |  | | --- | --- | | D. | $258,000. |  |  |  | | --- | --- | | E. | $246,000. | |

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| 140. | The following information pertains to the Frameworks Corporation for May. Calculate the cost of goods sold for the period:   |  |  | | --- | --- | | Beginning Finished Goods Inventory | $19,500 | | Ending Finished Goods Inventory | $18,000 | | Cost of Goods Manufactured | $126,800 |       |  |  | | --- | --- | | A. | $164,300. |  |  |  | | --- | --- | | B. | $126,800. |  |  |  | | --- | --- | | C. | $125,300. |  |  |  | | --- | --- | | D. | $146,300. |  |  |  | | --- | --- | | E. | $128,300. | |

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| 141. | Using the information below, calculate the cost of goods manufactured for the period.   |  |  | | --- | --- | | Beginning Raw Materials Inventory | $25,000 | | Ending Raw Materials Inventory | $30,000 | | Beginning Work in Process Inventory | $55,000 | | Ending Work in Process Inventory | $64,000 | | Beginning Finished Goods Inventory | $80,000 | | Ending Finished Goods Inventory | $67,000 | | Cost of Goods Sold for the period | $540,000 | | Sales revenues for the period | $1,254,000 | | Operating expenses for the period | $232,000 |       |  |  | | --- | --- | | A. | $553,000. |  |  |  | | --- | --- | | B. | $536,000. |  |  |  | | --- | --- | | C. | $549,000. |  |  |  | | --- | --- | | D. | $527,000. |  |  |  | | --- | --- | | E. | $525,000. | |

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| 142. | Using the information below, calculate gross profit for the period.   |  |  | | --- | --- | | Beginning Raw Materials Inventory | $25,000 | | Ending Direct Materials Inventory | $30,000 | | Beginning Work in Process Inventory | $55,000 | | Ending Work in Process Inventory | $64,000 | | Beginning Finished Goods Inventory | $80,000 | | Ending Finished Goods Inventory | $67,000 | | Cost of Goods Sold for the period | $540,000 | | Sales revenues for the period | $1,254,000 | | Operating expenses for the period | $232,000 |       |  |  | | --- | --- | | A. | $714,000. |  |  |  | | --- | --- | | B. | $482,000. |  |  |  | | --- | --- | | C. | $1,022,000. |  |  |  | | --- | --- | | D. | $187,000. |  |  |  | | --- | --- | | E. | $727,000. | |

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| 143. | Using the information below, calculate cost of goods sold for the period.   |  |  | | --- | --- | | Sales revenues for the period | $1,304,000 | | Operating expenses for the period | $239,000 | | Finished Goods Inventory, January 1 | 36,000 | | Finished Goods Inventory, December 31 | 41,000 | | Cost of goods manufactured for the period | $540,000 |       |  |  | | --- | --- | | A. | $774,000. |  |  |  | | --- | --- | | B. | $769,000. |  |  |  | | --- | --- | | C. | $530,000. |  |  |  | | --- | --- | | D. | $535,000. |  |  |  | | --- | --- | | E. | $448,000. | |

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| 144. | Using the information below, calculate gross profit for the period.   |  |  | | --- | --- | | Sales revenues for the period | $1,304,000 | | Operating expenses for the period | $239,000 | | Finished Goods Inventory, January 1 | 36,000 | | Finished Goods Inventory, December 31 | 41,000 | | Cost of goods manufactured for the period | $540,000 |       |  |  | | --- | --- | | A. | $774,000. |  |  |  | | --- | --- | | B. | $769,000. |  |  |  | | --- | --- | | C. | $530,000. |  |  |  | | --- | --- | | D. | $535,000. |  |  |  | | --- | --- | | E. | $448,000. | |

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| 145. | Using the information below, calculate net income for the period.   |  |  | | --- | --- | | Sales revenues for the period | $1,304,000 | | Operating expenses for the period | $239,000 | | Finished Goods Inventory, January 1 | 36,000 | | Finished Goods Inventory, December 31 | 41,000 | | Cost of goods manufactured for the period | $540,000 |       |  |  | | --- | --- | | A. | $774,000. |  |  |  | | --- | --- | | B. | $769,000. |  |  |  | | --- | --- | | C. | $530,000. |  |  |  | | --- | --- | | D. | $535,000. |  |  |  | | --- | --- | | E. | $448,000. | |

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| 146. | An internal control system consists of the policies and procedures managers use to do all of the following *except*:       |  |  | | --- | --- | | A. | Urge adherence to company policies. |  |  |  | | --- | --- | | B. | Promote efficient operations. |  |  |  | | --- | --- | | C. | Ensure reliable accounting. |  |  |  | | --- | --- | | D. | Determine pricing for products. |  |  |  | | --- | --- | | E. | Protect assets. | |

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| 147. | The schedule of cost of goods manufactured is divided into four parts consisting of all of the following *except*:      |  |  | | --- | --- | | A. | Direct materials. |  |  |  | | --- | --- | | B. | Computation of cost of goods sold. |  |  |  | | --- | --- | | C. | Overhead. |  |  |  | | --- | --- | | D. | Computation of cost of goods manufactured. |  |  |  | | --- | --- | | E. | Direct labor. | |

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| 148. | All of the following statements regarding manufacturing costs are true *except*:      |  |  | | --- | --- | | A. | Direct material costs that increase in total with volume of production are called variable costs. |  |  |  | | --- | --- | | B. | The reporting of fixed and variable costs separately is not helpful to managers in analyzing cost behavior. |  |  |  | | --- | --- | | C. | When overhead costs vary with production, they are called variable overhead. |  |  |  | | --- | --- | | D. | When overhead costs don't vary with production, they are called fixed overhead. |  |  |  | | --- | --- | | E. | Overhead can be both variable and fixed. | |

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| 149. | Using the information below, compute the raw materials inventory turnover:   |  |  | | --- | --- | | Raw Materials Used | $85,500 | | Beginning Raw Materials Inventory | $8,000 | | Ending Raw Materials Inventory | $9,000 |       |  |  | | --- | --- | | A. | 11.02. |  |  |  | | --- | --- | | B. | 382.02. |  |  |  | | --- | --- | | C. | 10.06. |  |  |  | | --- | --- | | D. | 9.94. |  |  |  | | --- | --- | | E. | 9.50. | |

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| 150. | Using the information below, compute the Days' sales in raw materials inventory:   |  |  | | --- | --- | | Raw Materials Used | $85,500 | | Beginning Raw Materials Inventory | $8,000 | | Ending Raw Materials Inventory | $9,000 |       |  |  | | --- | --- | | A. | 11.02. |  |  |  | | --- | --- | | B. | 36.3. |  |  |  | | --- | --- | | C. | 10.06. |  |  |  | | --- | --- | | D. | 9.94. |  |  |  | | --- | --- | | E. | 38.4. | |

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| 151. | Using the information below, compute the raw materials inventory turnover:   |  |  | | --- | --- | | Raw Materials Used | $121,600 | | Beginning Raw Materials Inventory | $18,000 | | Ending Raw Materials Inventory | $20,200 |       |  |  | | --- | --- | | A. | 6.76. |  |  |  | | --- | --- | | B. | 6.02. |  |  |  | | --- | --- | | C. | 54.0. |  |  |  | | --- | --- | | D. | 60.6. |  |  |  | | --- | --- | | E. | 6.37. | |

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| 152. | Using the information below, compute the Days' sales in raw materials inventory:   |  |  | | --- | --- | | Raw Materials Used | $121,600 | | Beginning Raw Materials Inventory | $18,000 | | Ending Raw Materials Inventory | $20,200 |       |  |  | | --- | --- | | A. | 6.76. |  |  |  | | --- | --- | | B. | 6.02. |  |  |  | | --- | --- | | C. | 54.0. |  |  |  | | --- | --- | | D. | 60.6. |  |  |  | | --- | --- | | E. | 6.37. | |

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| 153. | Just-in-time manufacturing techniques can be useful in \_\_\_\_\_\_\_\_\_\_\_\_\_ days' sales in raw materials inventory.       |  |  | | --- | --- | | A. | keeping constant |  |  |  | | --- | --- | | B. | changing upward |  |  |  | | --- | --- | | C. | adding to |  |  |  | | --- | --- | | D. | lowering |  |  |  | | --- | --- | | E. | increasing | |

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| 154. | Which of the following statements is true regarding product and period costs?      |  |  | | --- | --- | | A. | Office salaries expense and factory maintenance are both product costs. |  |  |  | | --- | --- | | B. | Office rent is a product cost and supervisors' salaries expense is a period cost. |  |  |  | | --- | --- | | C. | Factory rent is a product cost and advertising expense is a period cost. |  |  |  | | --- | --- | | D. | Delivery expense is a product cost and indirect materials is a period cost. |  |  |  | | --- | --- | | E. | Sales commissions and indirect labor are both period costs. | |

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| 155. | A company's prime costs total $4,500,000 and its conversion costs total $5,500,000. If direct materials are $2,000,000, calculate the overhead costs:      |  |  | | --- | --- | | A. | $2,500,000. |  |  |  | | --- | --- | | B. | $3,500,000. |  |  |  | | --- | --- | | C. | $2,000,000. |  |  |  | | --- | --- | | D. | $1,000,000. |  |  |  | | --- | --- | | E. | $3,000,000. | |

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| 156. | If the cost of the beginning work in process inventory is $60,000, costs of goods manufactured is $890,000, direct materials cost is $330,000, direct labor cost is $210,000, and overhead cost is $315,000, calculate the ending work in process inventory:      |  |  | | --- | --- | | A. | $35,000. |  |  |  | | --- | --- | | B. | $25,000. |  |  |  | | --- | --- | | C. | $45,000. |  |  |  | | --- | --- | | D. | $350,000. |  |  |  | | --- | --- | | E. | $355,000. | |

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| 157. | If the cost of the beginning work in process inventory is $60,000, direct materials cost is $350,000, direct labor cost is $216,000, and overhead cost is $319,000, and the ending work in process inventory is $55,000, calculate the cost of goods manufactured:      |  |  | | --- | --- | | A. | $1,000,000. |  |  |  | | --- | --- | | B. | $571,000. |  |  |  | | --- | --- | | C. | $885,000. |  |  |  | | --- | --- | | D. | $890,000. |  |  |  | | --- | --- | | E. | $945,000. | |

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| 158. | Calculate the cost of goods manufactured using the following information:   |  |  | | --- | --- | | Direct materials | $298,500 | | Direct labor | 132,000 | | Factory overhead costs | 264,000 | | General and administrative expenses | 85,500 | | Selling expenses | 48,800 | | Work in Process inventory, January 1 | 118,500 | | Work in Process inventory, December 31 | 125,900 | | Finished goods inventory, January 1 | 232,100 | | Finished goods inventory, December 31 | 238,700 |       |  |  | | --- | --- | | A. | $680,500. |  |  |  | | --- | --- | | B. | $701,900. |  |  |  | | --- | --- | | C. | $687,100. |  |  |  | | --- | --- | | D. | $674,600. |  |  |  | | --- | --- | | E. | $772,600. | |

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| 159. | Calculate the cost of goods sold using the following information:   |  |  | | --- | --- | | Direct materials | $298,500 | | Direct labor | 132,000 | | Factory overhead costs | 264,000 | | General and administrative expenses | 85,500 | | Selling expenses | 48,800 | | Work in Process inventory, January 1 | 118,500 | | Work in Process inventory, December 31 | 125,900 | | Finished goods inventory, January 1 | 232,100 | | Finished goods inventory, December 31 | 238,700 |       |  |  | | --- | --- | | A. | $680,500. |  |  |  | | --- | --- | | B. | $701,900. |  |  |  | | --- | --- | | C. | $687,100. |  |  |  | | --- | --- | | D. | $674,600. |  |  |  | | --- | --- | | E. | $772,600. | |

**Matching Questions**

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| 160. | Match the following terms with the appropriate definitions.       |  |  |  | | --- | --- | --- | | 1. The efforts of employees who physically convert materials to finished products. | Period costs | \_\_\_\_ | | 2. Costs that do not change in total with changes in the volume of activity. | Variable costs | \_\_\_\_ | | 3. Tangible components of a finished product separately and readily traced through the manufacturing process. | Direct labor | \_\_\_\_ | | 4. Costs that flow directly to the current income statement as expenses. | Factory overhead | \_\_\_\_ | | 5. Manufacturing expenditures that cannot be separately or readily traced to finished goods. | Product costs | \_\_\_\_ | | 6. Expenditures necessary and integral to finished products. | Conversion costs | \_\_\_\_ | | 7. Expenditures directly associated with the manufacture of finished products; include direct materials and direct labor. | Direct materials | \_\_\_\_ | | 8. Costs that are incurred for the benefit of more than one cost object. | Prime costs | \_\_\_\_ | | 9. Expenditures incurred in the process of converting raw materials to finished products; include direct labor and factory overhead. | Fixed costs | \_\_\_\_ | | 10. Costs that change in proportion to changes in volume of activity. | Indirect costs | \_\_\_\_ | |

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| 161. | Match the following terms with the appropriate definition.      |  |  |  | | --- | --- | --- | | 1. Products in the process of being manufactured but not yet complete. | Continuous improvement | \_\_\_\_ | | 2. Reveals how many times a company uses its raw materials inventory in production during a period. | Raw materials inventory | \_\_\_\_ | | 3. Goods a company acquires to use in making products. | Raw materials inventory turnover | \_\_\_\_ | | 4. A model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company. | Just-in-time manufacturing | \_\_\_\_ | | 5. Expenditures directly associated with the manufacture of finished goods; includes direct materials and direct labor. | Balanced scorecard | \_\_\_\_ | | 6. The idea that employees understand the changing needs and wants of their customers and align their management and operating practices accordingly. | Prime costs | \_\_\_\_ | | 7. An activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers. | Customer orientation | \_\_\_\_ | | 8. A system that acquires inventory and produces only when needed. | Work in Process inventory | \_\_\_\_ | | 9. Aids in continuous improvement by augmenting financial measures with information on the drivers or indicators of future financial performance along the four dimensions of (1) financial, (2) customer, (3) internal business processes; (4) learning and growth. | Lean business model | \_\_\_\_ | | 10. An idea that rejects the notions of "good enough" or "acceptable" and challenges employees and managers to continually experiment with new and improved business practices. | Managerial accounting | \_\_\_\_ | |

**Short Answer Questions**

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| 162. | For each of the characteristics below, identify whether it is a focus of financial accounting or managerial accounting. Use the letter F to identify financial accounting and M to identify managerial accounting.  \_\_\_\_\_ 1. Users are generally investors, creditors, analysts, and regulators. \_\_\_\_\_ 2. Used to assist managers in making planning and control decisions. \_\_\_\_\_ 3. Information is structured and controlled by GAAP. \_\_\_\_\_ 4. Information is available quickly without the need to wait for an audit. \_\_\_\_\_ 5. Information is mainly historical with some predictions. \_\_\_\_\_ 6. Emphasis of the information is a company's projects, processes, and divisions. \_\_\_\_\_ 7. Information is mostly monetary, but includes nonmonetary information. |

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

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

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

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

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

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

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| 169. | An employee devises a payroll scheme that costs the employer $150. The employer discovers the fraud but decides not to confront the employee since the amount of the fraud is small. Discuss why this course of action is not advisable. |

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

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

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

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

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

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

**Essay Questions**

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| 176. | The following cost items relate to the Henning Company. Classify each cost as a variable cost or a fixed cost by placing an X in the appropriate column. Each cost should be evaluated in terms of the volume of units of finished products produced. Also indicate with an X for each item if it is a product cost or a period cost.   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Variable or fixed cost?** | | **Product or period cost?** | | | **Cost item** | **Variable** | **Fixed** | **Product** | **Period** | | Executive salary |  |  |  |  | | Direct labor |  |  |  |  | | Direct materials |  |  |  |  | | Depreciation of factory equipment |  |  |  |  | | Indirect labor |  |  |  |  | | Delivery expense |  |  |  |  | | Television advertising |  |  |  |  | | Indirect materials |  |  |  |  | |

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| 177. | For each item shown below, classify it as a product cost or a period cost, by placing an X in the appropriate column. For each item that is a product cost, also indicate whether it is a direct cost or an indirect cost with respect to a unit of finished product.   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Product or period cost?** | | **Direct or indirect cost?** | | | **Cost item** | **Product** | **Period** | **Direct** | **Indirect** | | Administrative salaries |  |  |  |  | | Direct labor |  |  |  |  | | Advertising |  |  |  |  | | Property tax on the factory |  |  |  |  | | Factory maintenance |  |  |  |  | | Direct materials |  |  |  |  | | Depreciation on factory equipment |  |  |  |  | | Interest expense |  |  |  |  | | Factory supplies |  |  |  |  | |

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| 178. | Marv's Furniture and Fixtures produces seats for movie theaters. Listed below are selected cost items for the seat production. Classify each cost as either fixed or variable, and either a product or a period cost by placing an x in the appropriate boxes.   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Cost by behavior** | | **Cost by function** | | |  | **Variable** | **Fixed** | **Product** | **Period** | | Fabric for seats |  |  |  |  | | Assembly labor |  |  |  |  | | Factory property taxes |  |  |  |  | | Accounting staff salaries |  |  |  |  | | Sales office rent |  |  |  |  | | Sales manager's salary |  |  |  |  | | Depreciation on factory equipment |  |  |  |  | | Sales commissions |  |  |  |  | |

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| 179. | Brotherton Company is a manufacturer of Blu-ray discs. Place each of the following costs in the appropriate column.   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | |  | **Product cost** | | | | **Cost item** | | **Period cost** | **Direct materials** | **Direct labor** | **Factory overhead** | | a. | Factory maintenance salary, $40,000 |  |  |  |  | | b. | Salary of factory supervisor, $70,000 |  |  |  |  | | c. | Salary of production worker, $42,000 |  |  |  |  | | d. | Salary of the company’s president, $100,000 |  |  |  |  | | e. | Television advertising, $25,000 |  |  |  |  | | f. | Property tax on factory, $15,000 |  |  |  |  | | g. | Sales commissions, $65,000 |  |  |  |  | | h. | Depreciation on factory equipment, $17,000 |  |  |  |  | | i. | Plastic used in the manufacture of the discs, $14,000 |  |  |  |  | |

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| 180. | The following costs are incurred by Gonzalez Manufacturing Co. Classify each cost item as either a period cost or a product cost. If the cost is a product cost, identify it as a prime and/or conversion cost.   |  |  |  |  | | --- | --- | --- | --- | |  | **Period Cost** | **Product Cost** | | | **Prime Cost** | **Conversion Cost** | | Factory property taxes |  |  |  | | Payroll taxes for assembly labor |  |  |  | | Depreciation of factory equipment |  |  |  | | Insurance on delivery vehicles |  |  |  | | Indirect materials used |  |  |  | | Wages of production workers |  |  |  | | Production supervisor's salary |  |  |  | | Advertising |  |  |  | | Direct materials used |  |  |  | | Sales salaries |  |  |  | |

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| 181. | Walter Products and Sandburg Industries report the following information at December 31:   |  |  |  | | --- | --- | --- | |  | **WALTER** | **SANDBURG** | | Accounts Receivable | $41,000 | $68,000 | | Cash | 6,000 | 7,000 | | Finished Goods Inventory |  | 25,000 | | Work in Process Inventory |  | 40,000 | | Merchandise Inventory | 48,000 |  | | Prepaid Expenses | 1,000 | 2,000 | | Raw Materials Inventory |  | 21,000 |   **Required:**    (a) Which company is a manufacturer? Explain.  (b) Prepare the Current Asset Section of the Balance Sheet for the manufacturer. |

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| 182. | Thornton Foods bakes and sells 2,000 dozen muffins each week to food service operations. Among the costs are bakers' salaries, $24,000; production management salaries, $16,000; production equipment operating costs, $32,000; and flour and ingredient costs, $15,000. Using this information, compute: (a) prime costs and (b) conversion costs. |

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

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

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| 185. | Calculate Cost of Goods Sold for the following two companies:   |  |  |  | | --- | --- | --- | |  | **LEWIS, INC.** | **MERCER CO.** | | Beginning Inventory: |  |  | | Merchandise | $250,000 |  | | Finished Goods |  | $550,000 | | Cost of Goods Purchased | 460,000 |  | | Cost of Goods Manufactured |  | 688,000 | | Ending Inventory: |  |  | | Merchandise | 128,000 |  | | Finished Goods |  | 350,000 | |

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| 186. | The Tacky Company manufactures staples. Costs for October were direct labor, $84,000; indirect labor, $36,700; direct materials, $55,900; factory maintenance, $4,800; factory utilities, $3,200; and insurance on plant and equipment, $700. What is Tacky Company's factory overhead for October? |

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| 187. | The Langston Company manufactures coats. Costs for February were as follows:   |  |  | | --- | --- | | Direct materials | $19,650 | | Direct labor | 15,210 | | Factory insurance | 950 | | Sales commissions | 4,700 | | Corporate executive salaries | 5,500 | | Factory supervisor salary | 3,500 | | Indirect materials | 1,920 |   **Required:**    Calculate the total manufacturing cost for February. |

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| 188. | Information for Maxim Manufacturing is presented below. Compute both the cost of goods manufactured and the cost of goods sold for Maxim Manufacturing.   |  |  | | --- | --- | | Beginning raw materials inventory | $36,800 | | Beginning work in process inventory | 21,200 | | Direct labor | 81,000 | | Beginning finished goods inventory | 64,000 | | Total factory overhead | 126,000 | | Raw materials purchased | 21,500 | | Ending raw materials inventory | 40,000 | | Ending work in process inventory | 20,000 | | Ending finished goods inventory | 46,000 | |

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| 189. | Information for Underwood Industries is presented below. Compute the cost of goods manufactured.   |  |  |  | | --- | --- | --- | |  | **Beginning** | **Ending** | | Raw materials inventory | $26,800 | 30,100 | | Work in process inventory | 41,200 | 39,000 | | Finished goods inventory | 54,000 | 53,500 | | Raw materials purchased | 93,500 |  | | Direct labor | 61,000 |  | | Total factory overhead | 117,300 |  | |

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| 190. | Information for Eastman Industries is presented below. Compute the cost of goods manufactured.   |  |  | | --- | --- | | Beginning work in process inventory | 21,200 | | Ending work in process inventory | 20,000 | | Raw materials used in production | $46,800 | | Direct labor | 81,000 | | Total factory overhead | 106,000 | |

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| 191. | Use the following information to prepare the schedule of cost of goods manufactured for Graffstone Company for the month ended June 30.   |  |  | | --- | --- | | Work in Process inventory, May 31 | $12,600 | | Work in Process inventory, June 30 | 16,500 | | Direct materials used during June | 21,000 | | Direct labor used during June | 31,000 | | Factory overhead: |  | | Indirect material | 6,400 | | Indirect labor | 9,200 | | Factory rent | 12,000 | | Factory depreciation | 15,000 | | Factory utilities | 18,400 | |

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

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| 193. | Compute the ending work in process inventory for a manufacturer with the following information.   |  |  | | --- | --- | | Raw materials purchased | 131,700 | | Raw materials used in production | 65,400 | | Direct labor used | 44,000 | | Total factory overhead used | 101,600 | | Work in process inventory, beginning of year | 32,500 | | Cost of goods manufactured | 212,900 | |

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| 194. | The following items for Neptune Company are used to compute the cost of goods manufactured and the cost of goods sold. Indicate how each item should be used in the calculations by filling in the blanks with "+" if the item is to be added, "-" if the item is to be subtracted, or "0" if the item is not used in the calculation. The first item is completed as an example.   |  |  |  | | --- | --- | --- | |  | **Cost of Goods Manufactured** | **Cost of Goods Sold** | | Beginning finished goods inventory | \_\_\_0\_\_\_ | \_\_\_+\_\_\_ | | Ending finished goods inventory | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Direct labor | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Indirect labor | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Beginning work in process inventory | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Ending work in process inventory | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | General and administrative expenses | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Indirect materials | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Beginning raw materials inventory | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Ending raw materials inventory | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Raw material purchases | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Depreciation of factory building | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Cost of goods manufactured | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | |

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| 195. | Information for Stanton, Inc., as of December 31 follows. Prepare a schedule of cost of goods manufactured for the year ended December 31.   |  |  | | --- | --- | | Administrative salaries | $35,000 | | Depreciation of factory equipment | 25,000 | | Depreciation of delivery vehicles | 6,000 | | Direct labor | 68,000 | | Factory supplies used | 9,000 | | Finished goods inventory, January 1 | 57,000 | | Finished goods inventory, December 31 | ? | | Factory insurance | 15,500 | | Interest expense | 12,000 | | Factory utilities | 14,000 | | Factory maintenance | 7,500 | | Raw materials inventory, January 1 | 5,000 | | Raw materials inventory, December 31 | 4,000 | | Raw material purchases | 125,000 | | Rent on factory building | 25,000 | | Repairs of factory equipment | 11,500 | | Sales commissions | 37,500 | | Work in Process inventory, January 1 | 3,500 | | Work in Process inventory, December 31 | 2,700 | |

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| 196. | Information for the Deuce Manufacturing Company follows. Compute the cost of goods manufactured for this company.   |  |  | | --- | --- | | Beginning raw materials inventory | $53,200 | | Beginning work in process, inventory | 78,400 | | Ending raw materials inventory | 58,100 | | Ending work in process, inventory | 98,000 | | Direct labor | 149,800 | | Total factory overhead | 105,000 | | Raw material purchases | 210,000 | |

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| 197. | Information for Jersey Metalworks as of December 31 follows. Prepare (a) the company's schedule of cost of goods manufactured for the year ended December 31; (b) prepare the company's income statement that reports separate categories for selling and general and administrative expenses.   |  |  | | --- | --- | | Administrative salaries expense | $135,000 | | Depreciation expense—Factory equipment | 52,400 | | Depreciation expense—Delivery vehicles | 36,200 | | Depreciation expense—Office equipment | 24,800 | | Advertising expense | 22,350 | | Direct labor | 268,000 | | Factory supplies used | 12,000 | | Income taxes expense | 91,500 | | Indirect labor | 35,000 | | Indirect material | 24,000 | | Factory insurance | 15,500 | | Factory utilities | 14,000 | | Factory maintenance | 7,500 | | Inventories |  | | Raw materials inventory, January 1 | 32,000 | | Raw materials inventory, December 31 | 28,000 | | Work in Process inventory, January 1 | 33,780 | | Work in Process inventory, December 31 | 37,460 | | Finished goods inventory, January 1 | 56,970 | | Finished goods inventory, December 31 | 62,000 | | Raw materials purchases | 325,000 | | Rent expense—Factory | 50,000 | | Rent expense—Office space | 24,000 | | Rent expense—Selling Space | 24,000 | | Sales salaries expense | 97,500 | | Sales | 1,452,000 | | Sales discounts | 29,000 | |

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| 198. | Martinez Company makes leather cowboy hats. Each hat requires ½ yard of leather to produce. On December 31, 2014, the company had (a) 75 hats in Finished Goods Inventory and (b) 60 yards of leather at a cost of $12 per yard in Raw Materials Inventory. During 2015, the company purchased 850 more yards of leather at $12 per yard and manufactured 1,600 hats. Determine the unit and dollar amounts of Raw Materials Inventory in leather at December 31, 2015. |

**Fill in the Blank Questions**

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

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| 200. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the process of setting goals and making plans to achieve them.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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

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| 202. | The purpose of managerial accounting information is to help \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ users make decisions while the purpose of financial accounting is to help \_\_\_\_\_\_\_\_\_\_\_\_\_ users make decisions.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| 203. | A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ system means that a company acquires or produces inventory only when needed.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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

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

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

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| 207. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the deliberate misuse of the employer's assets for the employee's personal gain.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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

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| 209. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are beliefs that distinguish right from wrong.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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

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| 211. | A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ cost changes in total in proportion to changes in the volume of activity.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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

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| 213. | Expenditures necessary and integral to the manufacture of finished products are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ costs.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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

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| 215. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ inventory consists of goods a company acquires to use in making products.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| 216. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ inventory consists of products in the process of being manufactured but not yet complete.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| 217. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ inventory consists of completed products ready for sale by a manufacturer.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| 218. | A manufacturer's inventory that is not completely finished is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.     \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| 219. | One of the main differences between the calculation of cost of goods sold for a merchandiser and that of a manufacturer is that the calculation includes cost of goods purchased for the merchandiser, but the manufacturer replaces that with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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

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

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

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

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| 224. | Crane, Inc. reported the following data regarding costs and inventories for the current year: beginning goods-in-process inventory, $4,000; beginning finished goods inventory, $2,000; cost of goods manufactured, $11,500; operating expenses, $3,000; ending finished goods inventory, $1,000; ending goods-in-process inventory, $1,500. Cost of goods sold for Crane, Inc. equals \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| 225. | Waters, Inc. reported the following data regarding costs and inventories for the current year: beginning finished goods inventory, $5,000; cost of goods manufactured, $21,500; ending finished goods inventory, $4,000. Cost of goods sold for Waters, Inc. equals \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| 226. | For a manufacturer, the cost of goods sold can be computed by adding the beginning finished goods inventory to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and then subtracting the ending finished goods inventory.    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

Chapter 01 Managerial Accounting Concepts and Principles Answer Key

**True / False Questions**

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

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

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

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

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

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

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

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

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| 5. | Managerial accounting information can be forwarded to the managers of a company quickly since external auditors do not have to review it, and estimates and projections are acceptable.    **TRUE** |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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| 13. | When the attitude of continuous improvement exists throughout an organization, every manager and employee is challenged to continuously experiment with new and improved business practices.    **TRUE** |

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

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| 14. | The main goal of the lean business model is the elimination of waste while satisfying the customer and providing a positive return to the company.    **TRUE** |

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

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| 15. | The management concept of customer orientation motivates a company to spend large amounts on advertising to convince customers to buy the company's standard products.    **FALSE** |

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

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| 16. | The management concept of customer orientation encourages a company to set up its production system to produce large quantities of the same product for all customers.    **FALSE** |

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

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

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

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| 18. | Under a just-in-time manufacturing system, large quantities of inventory are accumulated throughout the factory to be certain that components are available each time that they are needed.    **FALSE** |

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

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

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

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

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

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

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

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

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

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

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

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| 24. | Costs may be classified by many different cost classifications.    **TRUE** |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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| 35. | Selling and administrative expenses are normally period costs.    **TRUE** |

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

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

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

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

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

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| 38. | The main difference between the cost of goods sold of a manufacturer and a merchandiser is that the merchandiser includes cost of goods manufactured rather than cost of goods purchased.    **FALSE** |

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

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

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

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| 40. | Raw materials inventory should not include indirect materials.    **FALSE** |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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| 52. | Prime costs consist of direct labor and factory overhead.    **FALSE** |

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

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

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

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

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

**Multiple Choice Questions**

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| 55. | Managerial accounting information:      |  |  | | --- | --- | | A. | Is used mainly by external users. |  |  |  | | --- | --- | | **B.** | Involves gathering information about costs for planning and control decisions. |  |  |  | | --- | --- | | C. | Is generally the only accounting information available to managers. |  |  |  | | --- | --- | | D. | Can be used for control purposes but not for planning purposes. |  |  |  | | --- | --- | | E. | Has little to do with controlling costs. | |

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

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| 56. | Managerial accounting is different from financial accounting in that:      |  |  | | --- | --- | | A. | Managerial accounting is more focused on the organization as a whole and financial accounting is more focused on subdivisions of the organization. |  |  |  | | --- | --- | | B. | Managerial accounting never includes nonmonetary information. |  |  |  | | --- | --- | | **C.** | Managerial accounting includes many projections and estimates whereas financial accounting has a minimum of predictions. |  |  |  | | --- | --- | | D. | Managerial accounting is used extensively by investors, whereas financial accounting is used only by creditors. |  |  |  | | --- | --- | | E. | Managerial accounting is mainly used to set stock prices. | |

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

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| 57. | Flexibility of practice when applied to managerial accounting means that       |  |  | | --- | --- | | A. | The information must be presented in electronic format so that it is easily changed. |  |  |  | | --- | --- | | B. | Managers must be willing to accept the information as the accountants present it to them, rather than in the format they ask for. |  |  |  | | --- | --- | | C. | The managerial accountants need to be on call twenty-four hours a day. |  |  |  | | --- | --- | | **D.** | Managerial accounting system differ across companies depending on the nature of the business and the arrangement of its internal operations. |  |  |  | | --- | --- | | E. | Managers must be flexible with information provided in varying forms and using inconsistent measures. | |

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

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| 58. | Which of the following items does not represent a difference between financial and managerial accounting?      |  |  | | --- | --- | | A. | Users of the information. |  |  |  | | --- | --- | | B. | Flexibility of reporting. |  |  |  | | --- | --- | | C. | Timeliness of information. |  |  |  | | --- | --- | | D. | Focus of the information. |  |  |  | | --- | --- | | **E.** | Managerial accounting does not use the financial information from the financial accounting system. | |

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

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| 59. | Which of the following items is *not* a management concept that was created to improve companies' performances?       |  |  | | --- | --- | | A. | Just-in-time manufacturing. |  |  |  | | --- | --- | | **B.** | GAAP constraints and guidelines. |  |  |  | | --- | --- | | C. | Total quality management. |  |  |  | | --- | --- | | D. | Continuous improvement. |  |  |  | | --- | --- | | E. | Customer orientation. | |

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

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| 60. | The Malcolm Baldrige National Quality Award that encourages an emphasis on quality was established by      |  |  | | --- | --- | | A. | The United Nations. |  |  |  | | --- | --- | | B. | The U.S. Chamber of Commerce. |  |  |  | | --- | --- | | C. | The Malcolm Baldrige Foundation. |  |  |  | | --- | --- | | **D.** | The U.S. Congress. |  |  |  | | --- | --- | | E. | The SEC. | |

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

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| 61. | Continuous improvement:      |  |  | | --- | --- | | A. | Encourages employees to maintain established business practices. |  |  |  | | --- | --- | | B. | Strives to preserve acceptable levels of performance. |  |  |  | | --- | --- | | **C.** | Rejects the notion of "good enough." |  |  |  | | --- | --- | | D. | Is not applicable to most businesses. |  |  |  | | --- | --- | | E. | Is possible only in service businesses. | |

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

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| 62. | An attitude of constantly seeking ways to improve company operations, including customer service, product quality, product features, the production process, and employee interactions, is called:      |  |  | | --- | --- | | **A.** | Continuous improvement. |  |  |  | | --- | --- | | B. | Customer orientation. |  |  |  | | --- | --- | | C. | Just-in-time. |  |  |  | | --- | --- | | D. | Theory of constraints. |  |  |  | | --- | --- | | E. | Total quality measurement. | |

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

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| 63. | A management concept based on an understanding of the changing wants and needs of customers, and which leads to flexible product designs and production processes, is called:      |  |  | | --- | --- | | A. | Continuous improvement. |  |  |  | | --- | --- | | **B.** | Customer orientation. |  |  |  | | --- | --- | | C. | Just-in-time. |  |  |  | | --- | --- | | D. | Theory of constraints. |  |  |  | | --- | --- | | E. | Total quality management. | |

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

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| 64. | An approach to managing inventories and production operations such that units of materials and products are obtained and provided only as they are needed is called:      |  |  | | --- | --- | | A. | Continuous improvement. |  |  |  | | --- | --- | | B. | Customer orientation. |  |  |  | | --- | --- | | **C.** | Just-in-time manufacturing. |  |  |  | | --- | --- | | D. | Theory of constraints. |  |  |  | | --- | --- | | E. | Total quality management. | |

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

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| 65. | A management concept that seeks to uncover and eliminate waste in all aspects of business activities is called:      |  |  | | --- | --- | | A. | Continuous operations. |  |  |  | | --- | --- | | B. | Customer orientation. |  |  |  | | --- | --- | | C. | Just-in-time. |  |  |  | | --- | --- | | D. | Theory of constraints. |  |  |  | | --- | --- | | **E.** | Total quality management. | |

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

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| 66. | The model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company is:      |  |  | | --- | --- | | A. | Just in time manufacturing model. |  |  |  | | --- | --- | | B. | Managerial accounting model. |  |  |  | | --- | --- | | C. | Corporate social responsibility model. |  |  |  | | --- | --- | | D. | Continuous improvement model. |  |  |  | | --- | --- | | **E.** | Lean business model. | |

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

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| 67. | Jenny, an employee of Toucan Company, used company assets for her own personal gain. This is an example of      |  |  | | --- | --- | | A. | embezzlement. |  |  |  | | --- | --- | | **B.** | fraud. |  |  |  | | --- | --- | | C. | internal control. |  |  |  | | --- | --- | | D. | ethics. |  |  |  | | --- | --- | | E. | employment perks. | |

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

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| 68. | An employee is dissatisfied with the resolution of an ethical conflict with his supervisor at his place of employment. According to the Institute of Management Accountants, the employee's next step should be to      |  |  | | --- | --- | | A. | contact the IMA. |  |  |  | | --- | --- | | **B.** | contact the next level of management who is not involved in the ethical conflict. |  |  |  | | --- | --- | | C. | make the president of the company aware of the ethical conflict. |  |  |  | | --- | --- | | D. | report the incident to the State Board of Accountancy. |  |  |  | | --- | --- | | E. | resign from the company. | |

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

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| 69. | A direct cost is a cost that is:      |  |  | | --- | --- | | A. | Identifiable as controllable. |  |  |  | | --- | --- | | B. | Traceable to the company as a whole. |  |  |  | | --- | --- | | C. | Does not change with the volume of activity. |  |  |  | | --- | --- | | **D.** | Traceable to a single cost object. |  |  |  | | --- | --- | | E. | Traceable to multiple cost objects. | |

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

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| 70. | Classifying costs by behavior with changes in volume of activity involves:      |  |  | | --- | --- | | **A.** | Identifying fixed cost and variable cost. |  |  |  | | --- | --- | | B. | Identifying cost of goods sold and operating costs. |  |  |  | | --- | --- | | C. | Identifying costs as financial or managerial. |  |  |  | | --- | --- | | D. | Identifying costs in a physical manner. |  |  |  | | --- | --- | | E. | Identifying both quantitative and qualitative cost factors. | |

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

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| 71. | A classification of costs that determines whether a cost is expensed to the income statement or capitalized to inventory is:      |  |  | | --- | --- | | A. | Fixed versus variable. |  |  |  | | --- | --- | | B. | Direct versus indirect. |  |  |  | | --- | --- | | C. | Financial versus managerial. |  |  |  | | --- | --- | | D. | Service versus manufacturing. |  |  |  | | --- | --- | | **E.** | Product versus period. | |

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

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| 72. | A fixed cost:      |  |  | | --- | --- | | A. | Requires the future outlay of cash and is relevant for future decision making. |  |  |  | | --- | --- | | **B.** | Does not change with changes in the volume of activity within the relevant range. |  |  |  | | --- | --- | | C. | Is directly traceable to a cost object. |  |  |  | | --- | --- | | D. | Changes with changes in the volume of activity within the relevant range. |  |  |  | | --- | --- | | E. | Is irrelevant for cost-volume-profit and short-term decision making. | |

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

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| 73. | Last year, Wesson Company sold 10,000 units of its only product. If sales increase by 12% in the current year, how will unit variable cost and unit fixed cost be affected?   |  |  |  | | --- | --- | --- | |  | **Unit Variable Cost** | **Unit Fixed Cost** | | A) | Remains constant | Remains constant | | B) | Increases | Decreases | | C) | Decreases | Remains constant | | D) | Remains constant | Decreases | | E) | Remains constant | Increases |       |  |  | | --- | --- | | A. | Choice A |  |  |  | | --- | --- | | B. | Choice B |  |  |  | | --- | --- | | C. | Choice C |  |  |  | | --- | --- | | **D.** | Choice D |  |  |  | | --- | --- | | E. | Choice E | |

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

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| 74. | Last year, Gordon Company sold 20,000 units of its only product. If sales increase by 20% in the current year, how will unit variable cost and total fixed cost be affected?   |  |  |  | | --- | --- | --- | |  | **Unit Variable Cost** | **Total Fixed Cost** | | A) | Remains constant | Remains constant | | B) | Increases | Decreases | | C) | Decreases | Remains constant | | D) | Remains constant | Decreases | | E) | Remains constant | Increases |       |  |  | | --- | --- | | **A.** | Choice A |  |  |  | | --- | --- | | B. | Choice B |  |  |  | | --- | --- | | C. | Choice C |  |  |  | | --- | --- | | D. | Choice D |  |  |  | | --- | --- | | E. | Choice E | |

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

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| 75. | Last year, Flash Company sold 15,000 units of its only product. If sales decreased by 17% in the current year, how will total variable cost and total fixed cost be affected?   |  |  |  | | --- | --- | --- | |  | **Total Variable Cost** | **Total Fixed Cost** | | A) | Remains constant | Remains constant | | B) | Increases | Decreases | | C) | Decreases | Remains constant | | D) | Remains constant | Decreases | | E) | Remains constant | Increases |       |  |  | | --- | --- | | A. | Choice A |  |  |  | | --- | --- | | B. | Choice B |  |  |  | | --- | --- | | **C.** | Choice C |  |  |  | | --- | --- | | D. | Choice D |  |  |  | | --- | --- | | E. | Choice E | |

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

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| 76. | Period costs for a manufacturing company would flow directly to:       |  |  | | --- | --- | | **A.** | The income statement as an expense. |  |  |  | | --- | --- | | B. | Factory overhead. |  |  |  | | --- | --- | | C. | The balance sheet as inventory. |  |  |  | | --- | --- | | D. | Cost of goods sold on the income statement. |  |  |  | | --- | --- | | E. | The current schedule of cost of goods manufactured. | |

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

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| 77. | For product costs associated with a particular product to be reported on the income statement:       |  |  | | --- | --- | | A. | The product must be transferred to Finished Goods Inventory. |  |  |  | | --- | --- | | B. | The product must still be in Work in Process Inventory. |  |  |  | | --- | --- | | **C.** | The product must be sold. |  |  |  | | --- | --- | | D. | The product may be in any of the manufacturer's inventory accounts. |  |  |  | | --- | --- | | E. | The company must expect to sell the product during the next twelve months. | |

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

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| 78. | Costs that are capitalized as inventory when they are incurred are called:       |  |  | | --- | --- | | A. | Period costs. |  |  |  | | --- | --- | | **B.** | Product costs. |  |  |  | | --- | --- | | C. | General costs. |  |  |  | | --- | --- | | D. | Administrative costs. |  |  |  | | --- | --- | | E. | Fixed costs. | |

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

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| 79. | Costs that flow directly to the income statement as expenses are called:       |  |  | | --- | --- | | **A.** | Period costs. |  |  |  | | --- | --- | | B. | Product costs. |  |  |  | | --- | --- | | C. | General costs. |  |  |  | | --- | --- | | D. | Balance sheet costs. |  |  |  | | --- | --- | | E. | Capitalized costs. | |

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

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| 80. | Marshall Corporation incurred costs for materials and labor needed to manufacture its products. These costs are an example of:       |  |  | | --- | --- | | A. | Period costs. |  |  |  | | --- | --- | | **B.** | Product costs. |  |  |  | | --- | --- | | C. | General costs. |  |  |  | | --- | --- | | D. | Balance sheet costs. |  |  |  | | --- | --- | | E. | Capitalized costs. | |

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

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| 81. | Product costs:       |  |  | | --- | --- | | **A.** | Are expenditures necessary and integral to finished products. |  |  |  | | --- | --- | | B. | Are expenditures identified more with a time period rather than with units of product. |  |  |  | | --- | --- | | C. | Include selling and administrative expenses. |  |  |  | | --- | --- | | D. | Are expensed on the income statement when incurred. |  |  |  | | --- | --- | | E. | Are moved to the income statement for any unsold inventory at the end of the year. | |

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

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| 82. | Products that have been completed and are ready to be sold by the manufacturer are called:      |  |  | | --- | --- | | **A.** | Finished goods inventory. |  |  |  | | --- | --- | | B. | Work in Process inventory. |  |  |  | | --- | --- | | C. | Raw materials inventory. |  |  |  | | --- | --- | | D. | Cost of goods sold. |  |  |  | | --- | --- | | E. | Factory supplies. | |

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

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| 83. | Goods a company acquires to use in making products are called:      |  |  | | --- | --- | | A. | Cost of goods sold. |  |  |  | | --- | --- | | **B.** | Raw materials inventory. |  |  |  | | --- | --- | | C. | Finished goods inventory. |  |  |  | | --- | --- | | D. | Work in Process inventory. |  |  |  | | --- | --- | | E. | Conversion costs. | |

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

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| 84. | Products that are in the process of being manufactured but are not yet complete are called:      |  |  | | --- | --- | | A. | Raw materials inventory. |  |  |  | | --- | --- | | B. | Conversion costs. |  |  |  | | --- | --- | | C. | Cost of goods sold. |  |  |  | | --- | --- | | **D.** | Work in Process inventory. |  |  |  | | --- | --- | | E. | Finished goods inventory. | |

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

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| 85. | Another title for work in process inventory is:      |  |  | | --- | --- | | A. | Indirect materials inventory. |  |  |  | | --- | --- | | **B.** | Goods in process inventory. |  |  |  | | --- | --- | | C. | Conversion costs. |  |  |  | | --- | --- | | D. | Direct materials inventory. |  |  |  | | --- | --- | | E. | Raw materials inventory. | |

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

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| 86. | Which of the following represents the correct formula for calculating raw materials inventory turnover for a manufacturer?      |  |  | | --- | --- | | A. | Raw materials purchased/Average raw materials inventory. |  |  |  | | --- | --- | | B. | Average raw materials inventory/Raw materials used. |  |  |  | | --- | --- | | **C.** | Raw materials used/Average raw materials inventory. |  |  |  | | --- | --- | | D. | Ending raw materials/Raw materials used \*365. |  |  |  | | --- | --- | | E. | Raw materials used/Beginning raw materials inventory \*365. | |

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

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| 87. | Which of the following statements is correct concerning the Days' sales in raw materials inventory?       |  |  | | --- | --- | | **A.** | A measure of how long it takes raw materials to be used in production. |  |  |  | | --- | --- | | B. | The ratio is not useful for a manufacturer. |  |  |  | | --- | --- | | C. | Reveals how many times a company turns over its raw materials inventory in a period. |  |  |  | | --- | --- | | D. | Most companies generally prefer a higher number of days' sales in raw materials inventory. |  |  |  | | --- | --- | | E. | Is calculated by taking the Raw materials used/Average raw materials inventory. | |

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

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| 88. | The cost of workers who assist in or supervise the manufacturing process, not linked to specific units of product is called:      |  |  | | --- | --- | | A. | Unspecified labor. |  |  |  | | --- | --- | | B. | Direct labor. |  |  |  | | --- | --- | | **C.** | Indirect labor. |  |  |  | | --- | --- | | D. | Basic labor. |  |  |  | | --- | --- | | E. | Joint labor. | |

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

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| 89. | Factory overhead costs may include all of the following except:      |  |  | | --- | --- | | A. | Indirect labor costs. |  |  |  | | --- | --- | | B. | Indirect material costs. |  |  |  | | --- | --- | | **C.** | Selling costs. |  |  |  | | --- | --- | | D. | Assembly supplies. |  |  |  | | --- | --- | | E. | Factory rent. | |

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

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| 90. | Labor costs that are clearly associated with specific units of product because the labor is used to convert raw materials into finished products are called:      |  |  | | --- | --- | | A. | Contracted labor. |  |  |  | | --- | --- | | **B.** | Direct labor. |  |  |  | | --- | --- | | C. | Indirect labor. |  |  |  | | --- | --- | | D. | Finished labor. |  |  |  | | --- | --- | | E. | All labor. | |

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

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| 91. | Manufacturing costs other than direct materials and direct labor, and are not readily traceable to specific units or batches of production are called:      |  |  | | --- | --- | | A. | Administrative expenses. |  |  |  | | --- | --- | | B. | Nonmanufacturing costs. |  |  |  | | --- | --- | | C. | Prime costs. |  |  |  | | --- | --- | | **D.** | Factory overhead. |  |  |  | | --- | --- | | E. | Preproduction costs. | |

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

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| 92. | Materials that are used in manufacturing but are not clearly identified with specific product units are called:      |  |  | | --- | --- | | A. | Secondary materials. |  |  |  | | --- | --- | | B. | General materials. |  |  |  | | --- | --- | | C. | Direct materials. |  |  |  | | --- | --- | | **D.** | Indirect materials. |  |  |  | | --- | --- | | E. | Materials inventory. | |

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

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| 93. | The salary paid to the assembly line supervisor would normally be classified as:      |  |  | | --- | --- | | A. | Direct labor. |  |  |  | | --- | --- | | **B.** | Indirect labor. |  |  |  | | --- | --- | | C. | A period cost. |  |  |  | | --- | --- | | D. | A general cost. |  |  |  | | --- | --- | | E. | An assembly cost. | |

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

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| 94. | Which of the following items appears only in a manufacturing company's financial statements?      |  |  | | --- | --- | | A. | Cost of goods sold. |  |  |  | | --- | --- | | **B.** | Cost of goods manufactured. |  |  |  | | --- | --- | | C. | Goods available for sale. |  |  |  | | --- | --- | | D. | Gross profit. |  |  |  | | --- | --- | | E. | Net income. | |

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

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| 95. | Which of the following costs is not included in factory overhead?      |  |  | | --- | --- | | A. | Payroll taxes on the wages of factory supervisors. |  |  |  | | --- | --- | | B. | Indirect labor. |  |  |  | | --- | --- | | C. | Depreciation of manufacturing equipment. |  |  |  | | --- | --- | | D. | Manufacturing supplies used. |  |  |  | | --- | --- | | **E.** | Direct materials. | |

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

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| 96. | Which of the following should not be included in direct materials costs?      |  |  | | --- | --- | | A. | Invoice costs of direct materials. |  |  |  | | --- | --- | | **B.** | Delivery charges on shipments to customers. |  |  |  | | --- | --- | | C. | Materials storage costs. |  |  |  | | --- | --- | | D. | Materials handling costs. |  |  |  | | --- | --- | | E. | Incoming freight charges. | |

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

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| 97. | Raw materials that are tangible components of the finished product and can be separately and readily traced through the manufacturing process are called:      |  |  | | --- | --- | | A. | Raw materials sold. |  |  |  | | --- | --- | | B. | Chargeable materials. |  |  |  | | --- | --- | | C. | Work in process. |  |  |  | | --- | --- | | D. | Indirect materials. |  |  |  | | --- | --- | | **E.** | Direct materials. | |

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

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| 98. | The three major cost components of manufacturing a product are:      |  |  | | --- | --- | | A. | Marketing, selling, and administrative costs. |  |  |  | | --- | --- | | B. | Indirect labor, indirect materials, and fixed expenses. |  |  |  | | --- | --- | | **C.** | Direct materials, direct labor, and factory overhead. |  |  |  | | --- | --- | | D. | Product costs, period costs, and variable costs. |  |  |  | | --- | --- | | E. | General, selling, and administrative costs. | |

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

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| 99. | Which of the following costs would not be classified as factory overhead?      |  |  | | --- | --- | | A. | Property taxes on maintenance machinery. |  |  |  | | --- | --- | | B. | Insurance on factory building. |  |  |  | | --- | --- | | C. | Wages of the factory janitor. |  |  |  | | --- | --- | | **D.** | Rubber for the soles of shoes produced. |  |  |  | | --- | --- | | E. | Small tools used in production. | |

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

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| 100. | A manufacturer's total cost of making and finishing products in the period is called:      |  |  | | --- | --- | | A. | Ending finished goods inventory. |  |  |  | | --- | --- | | B. | Total manufacturing costs. |  |  |  | | --- | --- | | C. | Ending work in process inventory. |  |  |  | | --- | --- | | **D.** | Cost of goods manufactured. |  |  |  | | --- | --- | | E. | Cost of goods sold. | |

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

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| 101. | A manufacturing firm's cost of goods manufactured is equivalent to a merchandising firm's:      |  |  | | --- | --- | | A. | Cost of goods sold. |  |  |  | | --- | --- | | **B.** | Cost of goods purchased. |  |  |  | | --- | --- | | C. | Cost of goods available. |  |  |  | | --- | --- | | D. | Beginning merchandise inventory. |  |  |  | | --- | --- | | E. | Ending merchandise inventory. | |

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

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| 102. | Which one of the following items is normally not a manufacturing cost?      |  |  | | --- | --- | | A. | Direct materials. |  |  |  | | --- | --- | | B. | Factory overhead. |  |  |  | | --- | --- | | **C.** | General and administrative expenses. |  |  |  | | --- | --- | | D. | Direct labor. |  |  |  | | --- | --- | | E. | Conversion cost. | |

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

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| 103. | Which of the following is not part of the materials activity in the flow of manufacturing activities?      |  |  | | --- | --- | | A. | Beginning raw materials |  |  |  | | --- | --- | | **B.** | Beginning work in process |  |  |  | | --- | --- | | C. | Raw materials purchases |  |  |  | | --- | --- | | D. | Raw materials available for use |  |  |  | | --- | --- | | E. | Ending raw materials |   Beginning Raw Materials Inventory + Raw Materials Purchases = Raw Materials Available for Use. Raw Materials Available for Use - Ending Raw Materials Inventory = Raw Materials Used |

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

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| 104. | Which of the following is not part of the production activity in the flow of manufacturing activities?      |  |  | | --- | --- | | A. | Beginning Work in Process Inventory |  |  |  | | --- | --- | | B. | Cost of goods manufactured |  |  |  | | --- | --- | | C. | Direct labor |  |  |  | | --- | --- | | D. | Factory overhead |  |  |  | | --- | --- | | **E.** | Total finished goods available for sale |   Beginning Work In Process Inventory + Direct Materials + Direct Labor + Factory Overhead - Ending Work In Process Inventory = Cost of Goods Manufactured |

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

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| 105. | Which of the following is not part of the sales activity in the flow of manufacturing activities?      |  |  | | --- | --- | | A. | Beginning Finished Goods Inventory |  |  |  | | --- | --- | | B. | Cost of goods manufactured |  |  |  | | --- | --- | | C. | Total Finished Goods available for sale |  |  |  | | --- | --- | | **D.** | Ending Work in Process Inventory |  |  |  | | --- | --- | | E. | Total finished goods available for sale |   Beginning Finished Goods Inventory + Cost of Goods Manufactured = Finished Goods Available for Sale. Finished Goods Available for Sale - Ending Finished Goods Inventory = Cost of Goods Sold. |

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

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| 106. | A manufacturing company has a beginning finished goods inventory of $14,600, raw material purchases of $18,000, cost of goods manufactured of $32,500, and an ending finished goods inventory of $17,800. The cost of goods sold for this company is:      |  |  | | --- | --- | | A. | $21,200. |  |  |  | | --- | --- | | **B.** | $29,300. |  |  |  | | --- | --- | | C. | $32,500. |  |  |  | | --- | --- | | D. | $47,100. |  |  |  | | --- | --- | | E. | $27,600. |   Beginning Finished Goods + Cost of Goods Manufactured - Ending Finished Goods = Cost of Goods Sold; $14,600 + $32,500 - $17,800 = $29,300 |

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

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| 107. | A manufacturing company has a beginning finished goods inventory of $28,300, cost of goods manufactured of $58,500, and an ending finished goods inventory of $27,600. The cost of goods sold for this company is:      |  |  | | --- | --- | | A. | $114,400. |  |  |  | | --- | --- | | B. | $57,800. |  |  |  | | --- | --- | | C. | $2,600. |  |  |  | | --- | --- | | D. | $86,100. |  |  |  | | --- | --- | | **E.** | $59,200. |   Beginning Finished Goods + Cost of Goods Manufactured - Ending Finished Goods = Cost of Goods Sold; $28,300 + $58,500 - $27,600 = $59,200 |

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

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| 108. | Romeo Corporation has accumulated the following accounting data for the year:   |  |  | | --- | --- | | Finished goods inventory, January 1 | $3,200 | | Finished goods inventory, December 31 | 4,000 | | Total cost of goods sold | 14,200 |   The cost of goods manufactured for the year is:       |  |  | | --- | --- | | A. | $21,400. |  |  |  | | --- | --- | | B. | $11,000. |  |  |  | | --- | --- | | **C.** | $15,000. |  |  |  | | --- | --- | | D. | $17,400. |  |  |  | | --- | --- | | E. | $10,200. |   Beginning Finished Goods + Cost of Goods Manufactured - Ending Finished Goods = Cost of Goods Sold; $14,200 - $3,200 + $4,000 = $15,000 |

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

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| 109. | Mustang Corporation has accumulated the following accounting data for the month of April:   |  |  | | --- | --- | | Finished goods inventory, April 1 | $30,200 | | Finished goods inventory, April 30 | 24,600 | | Total cost of goods manufactured | 114,500 |   The cost of goods sold for the year is:       |  |  | | --- | --- | | A. | $169,300. |  |  |  | | --- | --- | | B. | $108,900. |  |  |  | | --- | --- | | C. | $59,700. |  |  |  | | --- | --- | | **D.** | $120,100. |  |  |  | | --- | --- | | E. | $144,700. |   Beginning Finished Goods + Cost of Goods Manufactured - Ending Finished Goods = Cost of Goods Sold; $30,200 + $114,500 - $24,600 = $120,100 |

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

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| 110. | A company's prime costs total $3,000,000 and its conversion costs total $7,000,000. If direct materials are $1,000,000 and factory overhead is $5,000,000, then direct labor is:       |  |  | | --- | --- | | A. | $4,000,000. |  |  |  | | --- | --- | | B. | $14,000,000. |  |  |  | | --- | --- | | **C.** | $2,000,000. |  |  |  | | --- | --- | | D. | $1,000,000. |  |  |  | | --- | --- | | E. | $3,000,000. |   Prime Costs = Direct Materials + Direct Labor; $3,000,000 = $1,000,000 + Direct Labor; Direct Labor = $2,000,000  OR  Conversion Costs = Direct Labor + Factory Overhead; $7,000,000 = Direct Labor + $5,000,000; Direct Labor = $2,000,000 |

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

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| 111. | Craigmont Company's direct materials costs are $3,000,000, its direct labor costs total $7,000,000, and its factory overhead costs total $5,000,000. Its prime costs total:      |  |  | | --- | --- | | **A.** | $10,000,000. |  |  |  | | --- | --- | | B. | $8,000,000. |  |  |  | | --- | --- | | C. | $12,000,000. |  |  |  | | --- | --- | | D. | $5,000,000. |  |  |  | | --- | --- | | E. | $15,000,000. |   Prime Costs = Direct Materials + Direct Labor; $3,000,000 + $7,000,000 = $10,000,000. |

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

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| 112. | Craigmont Company's direct materials costs are $3,000,000, its direct labor costs total $7,000,000, and its factory overhead costs total $5,000,000. Its conversion costs total:      |  |  | | --- | --- | | A. | $10,000,000. |  |  |  | | --- | --- | | B. | $8,000,000. |  |  |  | | --- | --- | | **C.** | $12,000,000. |  |  |  | | --- | --- | | D. | $5,000,000. |  |  |  | | --- | --- | | E. | $15,000,000. |   Conversion Costs = Direct Labor + Factory Overhead; $7,000,000 + $5,000,000 = $12,000,000. |

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

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| 113. | A schedule of cost of goods manufactured is also known as a:      |  |  | | --- | --- | | A. | Raw materials processed schedule. |  |  |  | | --- | --- | | B. | Factory supplies used schedule. |  |  |  | | --- | --- | | **C.** | Manufacturing statement. |  |  |  | | --- | --- | | D. | Total finished goods statement. |  |  |  | | --- | --- | | E. | Cost of goods sold schedule. | |

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

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| 114. | The following information relates to the manufacturing operations of the JNR Printing Company for the year:   |  |  |  | | --- | --- | --- | |  | **Beginning** | **Ending** | | Raw materials inventory | $57,000 | $60,000 | | Finished goods | 68,000 | 60,000 |   The raw materials used in manufacturing during the year totaled $118,000. Raw materials purchased during the year amount to:       |  |  | | --- | --- | | A. | $107,000. |  |  |  | | --- | --- | | B. | $115,000. |  |  |  | | --- | --- | | C. | $118,000. |  |  |  | | --- | --- | | **D.** | $121,000. |  |  |  | | --- | --- | | E. | $126,000. |   Beginning Raw Materials + Purchases - Ending Raw Materials = Raw Materials Used $57,000 + Purchases - $60,000 = $118,000; Purchases - $3,000 = $118,000; Purchases = $121,000 |

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

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| 115. | The following information relates to the manufacturing operations of the Abbra Publishing Company for the year:   |  |  |  | | --- | --- | --- | |  | **Beginning** | **Ending** | | Raw materials inventory | $547,000 | $610,000 |   The raw materials used in manufacturing during the year totaled $1,018,000. Raw materials purchased during the year amount to:       |  |  | | --- | --- | | A. | $955,000. |  |  |  | | --- | --- | | B. | $892,000. |  |  |  | | --- | --- | | C. | $1,565,000. |  |  |  | | --- | --- | | D. | $408,000. |  |  |  | | --- | --- | | **E.** | $1,081,000. |   Beginning Raw Materials + Purchases - Ending Raw Materials = Raw Materials Used $547,000 + Purchases - $610,000 = $1,018,000; Purchases = $1,018,000 + $610,000 - $547,000 = $1,081,000 |

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

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| 116. | Comet Company accumulated the following account information for the year:   |  |  | | --- | --- | | Beginning raw materials inventory | $6,000 | | Indirect materials cost | 2,000 | | Indirect labor cost | 5,000 | | Maintenance of factory equipment | 2,800 | | Direct labor cost | 7,000 |   Using the above information, total factory overhead costs would be:       |  |  | | --- | --- | | **A.** | $9,800. |  |  |  | | --- | --- | | B. | $16,800. |  |  |  | | --- | --- | | C. | $15,800. |  |  |  | | --- | --- | | D. | $13,000. |  |  |  | | --- | --- | | E. | $7,800. |   Factory Overhead = Indirect Materials + Indirect Labor + Maintenance Factory Overhead = $2,000 + $5,000 + $2,800 = $9,800. |

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

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| 117. | Asteroid Industries accumulated the following cost information for the year:   |  |  | | --- | --- | | Direct materials | $16,000 | | Indirect materials | 4,000 | | Indirect labor | 8,500 | | Factory depreciation | 12,800 | | Direct labor | 37,000 |   Using the above information, total factory overhead costs would be:       |  |  | | --- | --- | | A. | $78,300. |  |  |  | | --- | --- | | **B.** | $25,300. |  |  |  | | --- | --- | | C. | $12,800. |  |  |  | | --- | --- | | D. | $16,800. |  |  |  | | --- | --- | | E. | $53,000. |   Factory Overhead = Indirect Materials + Indirect Labor + Factory Depreciation Factory Overhead = $4,000 + $8,500 + $12,800 = $25,300. |

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

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| 118. | The following information is available for the year ended December 31:   |  |  | | --- | --- | | Beginning raw materials inventory | $21,500 | | Raw materials purchases | 74,000 | | Ending raw materials inventory | 23,000 | | Office supplies expense | 2,400 |   The amount of raw materials used in production for the year is:       |  |  | | --- | --- | | A. | $76,400. |  |  |  | | --- | --- | | B. | $95,500. |  |  |  | | --- | --- | | **C.** | $72,500. |  |  |  | | --- | --- | | D. | $74,900. |  |  |  | | --- | --- | | E. | $70,100. |   Beginning Raw Materials + Purchases - Ending Raw Materials = Raw Materials Used $21,500 + $74,000 - $23,000 = $72,500 |

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

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| 119. | The following information is available for the year ended December 31:   |  |  | | --- | --- | | Beginning raw materials inventory | $11,000 | | Raw materials purchases | 86,000 | | Ending raw materials inventory | 10,400 | | Manufacturing supplies expense | 900 |   The amount of raw materials used in production for the year is:       |  |  | | --- | --- | | A. | $87,500. |  |  |  | | --- | --- | | B. | $85,700. |  |  |  | | --- | --- | | C. | $86,900. |  |  |  | | --- | --- | | D. | $85,400. |  |  |  | | --- | --- | | **E.** | $86,600. |   Beginning Raw Materials + Purchases - Ending Raw Materials = Raw Materials Used $11,000 + $86,000 - $10,400 = $86,600 |

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

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| 120. | A financial report that summarizes the amounts and types of costs that were incurred in the manufacturing process during the period is a:       |  |  | | --- | --- | | A. | Materials statement. |  |  |  | | --- | --- | | B. | Managerial statement. |  |  |  | | --- | --- | | **C.** | Schedule of cost of goods manufactured. |  |  |  | | --- | --- | | D. | Merchandise schedule. |  |  |  | | --- | --- | | E. | General-purpose statement. | |

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

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| 121. | If beginning and ending work in process inventories are $5,000 and $15,000, respectively, and cost of goods manufactured is $170,000, what is the total manufacturing cost for the period?      |  |  | | --- | --- | | **A.** | $180,000. |  |  |  | | --- | --- | | B. | $155,000. |  |  |  | | --- | --- | | C. | $160,000. |  |  |  | | --- | --- | | D. | $175,000. |  |  |  | | --- | --- | | E. | $165,000. |   Manufacturing Costs + Beginning Work in Process - Ending Work in Process = Cost of Goods Manufactured Manufacturing Costs + $5,000 - $15,000 = $170,000; Manufacturing Costs - $10,000 = $170,000; Manufacturing Costs = $180,000 |

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

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| 122. | Using the information below for Singing Dolls, Inc., determine the total manufacturing costs incurred during the year:   |  |  | | --- | --- | | Work in Process, January 1 | 50,000 | | Work in Process, December 31 | 37,000 | | Direct materials used | $12,500 | | Total Factory overhead | 5,500 | | Direct labor used | 26,500 |       |  |  | | --- | --- | | A. | $13,000. |  |  |  | | --- | --- | | **B.** | $44,500. |  |  |  | | --- | --- | | C. | $57,500. |  |  |  | | --- | --- | | D. | $94,500. |  |  |  | | --- | --- | | E. | $89,000. |   Costs Added = Direct Materials Used + Direct Labor + Factory Overhead Costs Added = $12,500 + $26,500 + $5,500 = $44,500 |

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

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| 123. | Using the information below for Singing Dolls, Inc., determine cost of goods manufactured for the year:   |  |  | | --- | --- | | Work in Process, January 1 | 50,000 | | Work in Process, December 31 | 37,000 | | Total Factory overhead | 5,500 | | Direct materials used | $12,500 | | Direct labor used | 26,500 |       |  |  | | --- | --- | | A. | $13,000. |  |  |  | | --- | --- | | B. | $44,500. |  |  |  | | --- | --- | | **C.** | $57,500. |  |  |  | | --- | --- | | D. | $94,500. |  |  |  | | --- | --- | | E. | $52,000. |   Cost of Goods Manufactured = Costs Added + Beginning Work in Process - Ending Goods in Process Cost of Goods Manufactured = ($12,500 + $26,500 + $5,500) + $50,000 - $37,000 = $57,500 |

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

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| 124. | Using the information below for Laurels Company; determine the manufacturing costs added during the current year:   |  |  | | --- | --- | | Direct materials used | $5,000 | | Direct Labor | 7,000 | | Total Factory overhead | 5,100 | | Beginning work in process | 3,000 | | Ending work in process | 4,000 |       |  |  | | --- | --- | | A. | $12,000. |  |  |  | | --- | --- | | B. | $16,100. |  |  |  | | --- | --- | | **C.** | $17,100. |  |  |  | | --- | --- | | D. | $18,100. |  |  |  | | --- | --- | | E. | $13,600. |   Raw Materials Used + Direct Labor + Factory Overhead = Manufacturing Costs Added $5,000 + $7,000 + $5,100 = $17,100 |

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

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| 125. | Using the information below for Laurels Company; determine the cost of goods manufactured during the current year:   |  |  | | --- | --- | | Direct materials used | $5,000 | | Direct Labor | 7,000 | | Total Factory overhead | 5,100 | | Beginning work in process | 3,000 | | Ending work in process | 4,000 |       |  |  | | --- | --- | | A. | $12,000. |  |  |  | | --- | --- | | **B.** | $16,100. |  |  |  | | --- | --- | | C. | $17,100. |  |  |  | | --- | --- | | D. | $18,100. |  |  |  | | --- | --- | | E. | $13,600. |   Cost of Goods Manufactured = Costs Added + Beginning Work in Process - Ending Goods in Process  Cost of Goods Manufactured = ($5,000 + $7,000 + $5,100) + $3,000 - $4,000 = $16,100 |

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

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| 126. | Using the information below for Sundar Company; determine the total manufacturing costs added during the current year:   |  |  | | --- | --- | | Direct materials used | $19,000 | | Direct labor used | 24,500 | | Factory overhead | 55,100 | | Beginning work in process | 10,700 | | Ending work in process | 11,300 |       |  |  | | --- | --- | | **A.** | $98,600. |  |  |  | | --- | --- | | B. | $43,500. |  |  |  | | --- | --- | | C. | $98,000. |  |  |  | | --- | --- | | D. | $42,900. |  |  |  | | --- | --- | | E. | $79,000. |   Direct Materials + Direct Labor + Factory Overhead = Manufacturing Costs Added  $19,000 + $24,500 + $55,100 = $98,600 |

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

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| 127. | Using the information below for Sundar Company; determine the cost of goods manufactured during the current year:   |  |  | | --- | --- | | Direct materials used | $19,000 | | Direct labor used | 24,500 | | Factory overhead | 55,100 | | Beginning work in process | 10,700 | | Ending work in process | 11,300 |       |  |  | | --- | --- | | A. | $98,600. |  |  |  | | --- | --- | | B. | $43,500. |  |  |  | | --- | --- | | **C.** | $98,000. |  |  |  | | --- | --- | | D. | $42,900. |  |  |  | | --- | --- | | E. | $79,000. |   Cost of Goods Manufactured = Costs Added + Beginning Work in Process - Ending Work in Process Cost of Goods Manufactured = ($19,000 + $24,500 + $55,100) + $10,700 - $11,300 = $98,000 |

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

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| 128. | Total manufacturing costs incurred during the year do not include:       |  |  | | --- | --- | | A. | Direct materials used. |  |  |  | | --- | --- | | B. | Factory supplies used. |  |  |  | | --- | --- | | **C.** | Work in Process inventory, beginning balance. |  |  |  | | --- | --- | | D. | Direct labor. |  |  |  | | --- | --- | | E. | Depreciation of factory machinery. | |

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

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| 129. | Which of the following accounts would appear on a schedule of cost of goods manufactured?      |  |  | | --- | --- | | **A.** | Raw materials, factory insurance expired, indirect labor. |  |  |  | | --- | --- | | B. | Raw materials, work in process, finished goods. |  |  |  | | --- | --- | | C. | Direct labor, delivery equipment, and depreciation on factory equipment. |  |  |  | | --- | --- | | D. | Direct materials, indirect labor, sales salaries. |  |  |  | | --- | --- | | E. | Direct labor, factory repairs and maintenance, wages payable. | |

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

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| 130. | Which of the following represents the correct formula for calculating cost of goods manufactured?      |  |  | | --- | --- | | A. | Direct materials used + direct labor + factory overhead + beginning work in process + ending work in process. |  |  |  | | --- | --- | | **B.** | Direct materials used + direct labor + factory overhead + beginning work in process - ending work in process. |  |  |  | | --- | --- | | C. | Direct materials used + direct labor + factory overhead - beginning work in process + ending work in process. |  |  |  | | --- | --- | | D. | Direct materials used + direct labor + factory overhead - beginning work in process - ending work in process. |  |  |  | | --- | --- | | E. | Direct materials used + direct labor - factory overhead + beginning work in process - ending work in process. | |

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

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| 131. | Current information for the Healey Company follows:   |  |  | | --- | --- | | Beginning raw materials inventory | $15,200 | | Raw material purchases | 60,000 | | Ending raw materials inventory | 16,600 | | Beginning work in process inventory | 22,400 | | Ending work in process inventory | 28,000 | | Direct labor | 42,800 | | Total factory overhead | 30,000 |   All raw materials used were traceable to specific units of product. Healey Company's direct materials used for the year is:       |  |  | | --- | --- | | **A.** | $58,600. |  |  |  | | --- | --- | | B. | $60,000. |  |  |  | | --- | --- | | C. | $75,200. |  |  |  | | --- | --- | | D. | $76,600. |  |  |  | | --- | --- | | E. | $61,400. |   Beginning Raw Materials + Raw Materials Purchased - Ending Raw Materials = $15,200 + $60,000 - $16,600 = $58,600 |

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

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| 132. | Current information for the Healey Company follows:   |  |  | | --- | --- | | Beginning raw materials inventory | $15,200 | | Raw material purchases | 60,000 | | Ending raw materials inventory | 16,600 | | Beginning work in process inventory | 22,400 | | Ending work in process inventory | 28,000 | | Direct labor | 42,800 | | Total factory overhead | 30,000 |   All raw materials used were traceable to specific units of product. Healey Company's total manufacturing costs for the year are:       |  |  | | --- | --- | | A. | $125,800. |  |  |  | | --- | --- | | B. | $128,600. |  |  |  | | --- | --- | | **C.** | $131,400. |  |  |  | | --- | --- | | D. | $137,000. |  |  |  | | --- | --- | | E. | $139,000. |   Total Manufacturing Costs = Raw Materials Used + Direct Labor + Factory Overhead Raw materials used = Beginning Raw Materials Inventory + Raw Materials Purchases - Ending Raw Materials Inventory = 15,200 + 60,000 - 16,600 = 58,600 58,600 + 42,800 + 30,000 = 131,400 |

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

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| 133. | Current information for the Healey Company follows:   |  |  | | --- | --- | | Beginning raw materials inventory | $15,200 | | Raw material purchases | 60,000 | | Ending raw materials inventory | 16,600 | | Beginning work in process inventory | 22,400 | | Ending work in process inventory | 28,000 | | Direct labor | 42,800 | | Total factory overhead | 30,000 |   All raw materials used were traceable to specific units of product. Healey Company's Cost of Goods Manufactured for the year is:       |  |  | | --- | --- | | **A.** | $125,800. |  |  |  | | --- | --- | | B. | $128,600. |  |  |  | | --- | --- | | C. | $131,400. |  |  |  | | --- | --- | | D. | $137,000. |  |  |  | | --- | --- | | E. | $139,000. |   Total Manufacturing Costs = Raw Materials Used + Direct Labor + Factory Overhead Raw materials used = Beginning Raw Materials Inventory + Raw Materials Purchases - Ending Raw Materials Inventory = 15,200 + 60,000 - 16,600 = 58,600 58,600 + 42,800 + 30,000 = 131,400 Cost of goods manufactured = Beginning Work in Process + Total Manufacturing Costs - Ending Work in Process = 22,400 + 131,400 - 28,000 = $125,800 |

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

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| 134. | Current information for the Stellar Corporation follows:   |  |  | | --- | --- | | Beginning work in process inventory | 17,900 | | Ending work in process inventory | 19,300 | | Direct materials | 147,000 | | Direct labor | 85,000 | | Total factory overhead | 63,100 |   Stellar Corporation's Cost of Goods Manufactured for the year is:       |  |  | | --- | --- | | A. | $295,100. |  |  |  | | --- | --- | | B. | $296,500. |  |  |  | | --- | --- | | C. | $313,000. |  |  |  | | --- | --- | | D. | $275,800. |  |  |  | | --- | --- | | **E.** | $293,700. |   Cost of goods manufactured = Beginning Work in Process + Direct Materials + Direct labor + Factory Overhead - Ending Work in Process = $17,900 + $147,000 + $85,000 + $63,100 - $19,300 = $293,700 |

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

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| 135. | Use the following data to determine the cost of goods manufactured.   |  |  | | --- | --- | | Beginning finished goods inventory | $10,800 | | Direct labor | 30,600 | | Beginning work in process inventory | 7,200 | | General and administrative expenses | 13,500 | | Direct materials used | 40,500 | | Ending work in process inventory | 9,000 | | Indirect labor | 6,300 | | Ending finished goods inventory | 9,500 | | Indirect materials | 13,500 | | Depreciation—factory equipment | 7,500 |       |  |  | | --- | --- | | A. | $102,000. |  |  |  | | --- | --- | | B. | $110,100. |  |  |  | | --- | --- | | **C.** | $96,600. |  |  |  | | --- | --- | | D. | $113,700. |  |  |  | | --- | --- | | E. | $100,200. |   Cost of Goods Manufactured = Direct Materials + Direct Labor + Factory Overhead + Beginning Work in Process - Ending Work in Process Cost of Goods Manufactured = $40,500 + $30,600 + (Indirect Labor + Indirect Materials + Depreciation Factory Equipment) + $7,200 - $9,000 Cost of Goods Manufactured = $40,500 + $30,600 + $6,300 + $13,500 + $7,500 + $7,200 - $9,000 = $96,600 |

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

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| 136. | Use the following data to compute total factory overhead costs for the month.   |  |  | | --- | --- | | Sales commissions | 10,800 | | Direct labor | 39,600 | | Indirect materials | 15,200 | | Factory manager salaries | 7,200 | | Factory supplies | 9,000 | | Indirect labor | 6,300 | | Depreciation—office equipment | 5,000 | | Direct materials | 40,500 | | Corporate office salaries | 42,500 | | Depreciation—factory equipment | 7,500 |       |  |  | | --- | --- | | A. | $141,100. |  |  |  | | --- | --- | | B. | $125,300. |  |  |  | | --- | --- | | **C.** | $45,200. |  |  |  | | --- | --- | | D. | $84,800. |  |  |  | | --- | --- | | E. | $58,300. |   Indirect materials $15,200 + Factory manager salaries $7,200 + Factory supplies $9,000 + Indirect labor $6,300 + Depreciation on factory equipment $7,500 = $45,200 |

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

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| 137. | Use the following data to compute total manufacturing costs for the month.   |  |  | | --- | --- | | Sales commissions | 10,800 | | Direct labor | 39,600 | | Indirect materials | 15,200 | | Factory manager salaries | 7,200 | | Factory supplies | 9,000 | | Indirect labor | 6,300 | | Depreciation—office equipment | 5,000 | | Direct materials | 40,500 | | Corporate office salaries | 42,500 | | Depreciation—factory equipment | 7,500 |       |  |  | | --- | --- | | A. | $141,100. |  |  |  | | --- | --- | | **B.** | $125,300. |  |  |  | | --- | --- | | C. | $45,200. |  |  |  | | --- | --- | | D. | $84,800. |  |  |  | | --- | --- | | E. | $58,300. |   Direct labor $39,600 + Indirect materials $15,200 + Factory manager salaries $7,200 + Factory supplies $9,000 + Indirect labor $6,300 + Direct materials $40,500 + Depreciation on factory equipment $7,500 = $125,300 |

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

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| 138. | Use the following information to compute the cost of goods manufactured:   |  |  | | --- | --- | | Beginning raw materials | $5,500 | | Ending raw materials | 4,000 | | Direct labor | 12,250 | | Raw material purchases | 7,400 | | Depreciation on factory equipment | 6,500 | | Factory repairs and maintenance | 3,300 | | Beginning finished goods inventory | 10,200 | | Ending finished goods inventory | 8,900 | | Beginning work in process inventory | 5,700 | | Ending work in process inventory | 6,300 |       |  |  | | --- | --- | | A. | $36,650. |  |  |  | | --- | --- | | B. | $30,950. |  |  |  | | --- | --- | | C. | $30,650. |  |  |  | | --- | --- | | **D.** | $30,350. |  |  |  | | --- | --- | | E. | $31,650. |   Cost of Goods Manufactured = Direct Materials + Direct Labor + Factory Overhead + Beginning in Goods Process - Ending Work in Process Cost of Goods Manufactured = (Beginning Raw Materials + Raw Materials Purchased - Ending Raw Materials) + Direct Labor + (Depreciation on Factory Equipment + Factory Repairs and Maintenance) + Beginning Work in Process - Ending Work in Process Cost of Goods Manufactured = ($5,500 + $7,400 - $4,000) + $12,250 + ($6,500 + $3,300) + $5,700 - $6,300 = $30,350 |

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

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| 139. | The following information pertains to the Packer Corporation. Calculate the cost of goods sold for the period:   |  |  | | --- | --- | | Beginning Raw Materials | $30,000 | | Ending Raw Materials | $70,000 | | Beginning Work in Process Inventory | $40,000 | | Ending Work in Process Inventory | $46,000 | | Beginning Finished Goods Inventory | $72,000 | | Ending Finished Goods Inventory | $68,000 | | Cost of Goods Manufactured for the period | $246,000 |       |  |  | | --- | --- | | **A.** | $250,000. |  |  |  | | --- | --- | | B. | $290,000. |  |  |  | | --- | --- | | C. | $242,000. |  |  |  | | --- | --- | | D. | $258,000. |  |  |  | | --- | --- | | E. | $246,000. |   Cost of Goods Sold = Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory Cost of Goods Sold = $72,000 + $246,000 - $68,000 = $250,000 |

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

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| 140. | The following information pertains to the Frameworks Corporation for May. Calculate the cost of goods sold for the period:   |  |  | | --- | --- | | Beginning Finished Goods Inventory | $19,500 | | Ending Finished Goods Inventory | $18,000 | | Cost of Goods Manufactured | $126,800 |       |  |  | | --- | --- | | A. | $164,300. |  |  |  | | --- | --- | | B. | $126,800. |  |  |  | | --- | --- | | C. | $125,300. |  |  |  | | --- | --- | | D. | $146,300. |  |  |  | | --- | --- | | **E.** | $128,300. |   Cost of Goods Sold = Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory Cost of Goods Sold = $19,500 + $126,800 - $18,000 = $128,300 |

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

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| 141. | Using the information below, calculate the cost of goods manufactured for the period.   |  |  | | --- | --- | | Beginning Raw Materials Inventory | $25,000 | | Ending Raw Materials Inventory | $30,000 | | Beginning Work in Process Inventory | $55,000 | | Ending Work in Process Inventory | $64,000 | | Beginning Finished Goods Inventory | $80,000 | | Ending Finished Goods Inventory | $67,000 | | Cost of Goods Sold for the period | $540,000 | | Sales revenues for the period | $1,254,000 | | Operating expenses for the period | $232,000 |       |  |  | | --- | --- | | A. | $553,000. |  |  |  | | --- | --- | | B. | $536,000. |  |  |  | | --- | --- | | C. | $549,000. |  |  |  | | --- | --- | | **D.** | $527,000. |  |  |  | | --- | --- | | E. | $525,000. |   Beginning Finished Goods + Cost of Goods Manufactured - Ending Finished Goods = Cost of Goods Sold $80,000 + Cost of Goods Manufactured - $67,000 = $540,000 Cost of Goods Manufactured + $13,000 = $540,000; Cost of Goods Manufactured = $527,000 |

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

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| 142. | Using the information below, calculate gross profit for the period.   |  |  | | --- | --- | | Beginning Raw Materials Inventory | $25,000 | | Ending Direct Materials Inventory | $30,000 | | Beginning Work in Process Inventory | $55,000 | | Ending Work in Process Inventory | $64,000 | | Beginning Finished Goods Inventory | $80,000 | | Ending Finished Goods Inventory | $67,000 | | Cost of Goods Sold for the period | $540,000 | | Sales revenues for the period | $1,254,000 | | Operating expenses for the period | $232,000 |       |  |  | | --- | --- | | **A.** | $714,000. |  |  |  | | --- | --- | | B. | $482,000. |  |  |  | | --- | --- | | C. | $1,022,000. |  |  |  | | --- | --- | | D. | $187,000. |  |  |  | | --- | --- | | E. | $727,000. |   Gross Profit = Sales - Cost of Goods Sold; Gross Profit = $1,254,000 - $540,000 = $714,000 |

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

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| 143. | Using the information below, calculate cost of goods sold for the period.   |  |  | | --- | --- | | Sales revenues for the period | $1,304,000 | | Operating expenses for the period | $239,000 | | Finished Goods Inventory, January 1 | 36,000 | | Finished Goods Inventory, December 31 | 41,000 | | Cost of goods manufactured for the period | $540,000 |       |  |  | | --- | --- | | A. | $774,000. |  |  |  | | --- | --- | | B. | $769,000. |  |  |  | | --- | --- | | C. | $530,000. |  |  |  | | --- | --- | | **D.** | $535,000. |  |  |  | | --- | --- | | E. | $448,000. |   Beginning Finished Goods Inventory + Cost of goods manufactured - Ending Finished Goods Inventory = Cost of goods sold. $36,000 + 540,000 - 41,000 = $535,000. |

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

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| 144. | Using the information below, calculate gross profit for the period.   |  |  | | --- | --- | | Sales revenues for the period | $1,304,000 | | Operating expenses for the period | $239,000 | | Finished Goods Inventory, January 1 | 36,000 | | Finished Goods Inventory, December 31 | 41,000 | | Cost of goods manufactured for the period | $540,000 |       |  |  | | --- | --- | | A. | $774,000. |  |  |  | | --- | --- | | **B.** | $769,000. |  |  |  | | --- | --- | | C. | $530,000. |  |  |  | | --- | --- | | D. | $535,000. |  |  |  | | --- | --- | | E. | $448,000. |   Beginning Finished Goods Inventory + Cost of goods manufactured - Ending Finished Goods Inventory = Cost of goods sold Cost of goods sold = $36,000 + $540,000 - $41,000 = $535,000 Gross Profit = Sales - Cost of Goods Sold; Gross Profit = $1,304,000 - $535,000 = $769,000 |

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

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| 145. | Using the information below, calculate net income for the period.   |  |  | | --- | --- | | Sales revenues for the period | $1,304,000 | | Operating expenses for the period | $239,000 | | Finished Goods Inventory, January 1 | 36,000 | | Finished Goods Inventory, December 31 | 41,000 | | Cost of goods manufactured for the period | $540,000 |       |  |  | | --- | --- | | A. | $774,000. |  |  |  | | --- | --- | | B. | $769,000. |  |  |  | | --- | --- | | **C.** | $530,000. |  |  |  | | --- | --- | | D. | $535,000. |  |  |  | | --- | --- | | E. | $448,000. |   Beginning Finished Goods Inventory + Cost of goods manufactured - Ending Finished Goods Inventory = Cost of goods sold Cost of goods sold = $36,000 + $540,000 - $41,000 = $535,000 Net Income = Sales - Cost of Goods Sold - Operating Expenses $1,304,000 - $535,000 - 239,000 = $530,000 |

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

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| 146. | An internal control system consists of the policies and procedures managers use to do all of the following *except*:       |  |  | | --- | --- | | A. | Urge adherence to company policies. |  |  |  | | --- | --- | | B. | Promote efficient operations. |  |  |  | | --- | --- | | C. | Ensure reliable accounting. |  |  |  | | --- | --- | | **D.** | Determine pricing for products. |  |  |  | | --- | --- | | E. | Protect assets. | |

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

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| 147. | The schedule of cost of goods manufactured is divided into four parts consisting of all of the following *except*:      |  |  | | --- | --- | | A. | Direct materials. |  |  |  | | --- | --- | | **B.** | Computation of cost of goods sold. |  |  |  | | --- | --- | | C. | Overhead. |  |  |  | | --- | --- | | D. | Computation of cost of goods manufactured. |  |  |  | | --- | --- | | E. | Direct labor. | |

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

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| 148. | All of the following statements regarding manufacturing costs are true *except*:      |  |  | | --- | --- | | A. | Direct material costs that increase in total with volume of production are called variable costs. |  |  |  | | --- | --- | | **B.** | The reporting of fixed and variable costs separately is not helpful to managers in analyzing cost behavior. |  |  |  | | --- | --- | | C. | When overhead costs vary with production, they are called variable overhead. |  |  |  | | --- | --- | | D. | When overhead costs don't vary with production, they are called fixed overhead. |  |  |  | | --- | --- | | E. | Overhead can be both variable and fixed. | |

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

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| 149. | Using the information below, compute the raw materials inventory turnover:   |  |  | | --- | --- | | Raw Materials Used | $85,500 | | Beginning Raw Materials Inventory | $8,000 | | Ending Raw Materials Inventory | $9,000 |       |  |  | | --- | --- | | A. | 11.02. |  |  |  | | --- | --- | | B. | 382.02. |  |  |  | | --- | --- | | **C.** | 10.06. |  |  |  | | --- | --- | | D. | 9.94. |  |  |  | | --- | --- | | E. | 9.50. |   Raw materials inventory turnover = Raw materials used/Average raw materials inventory Raw materials inventory turnover = $85,500/[($8,000 + $9,000/2] Raw materials inventory turnover = $85,500/$8,500 = 10.06 |

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

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| 150. | Using the information below, compute the Days' sales in raw materials inventory:   |  |  | | --- | --- | | Raw Materials Used | $85,500 | | Beginning Raw Materials Inventory | $8,000 | | Ending Raw Materials Inventory | $9,000 |       |  |  | | --- | --- | | A. | 11.02. |  |  |  | | --- | --- | | B. | 36.3. |  |  |  | | --- | --- | | C. | 10.06. |  |  |  | | --- | --- | | D. | 9.94. |  |  |  | | --- | --- | | **E.** | 38.4. |   Days' sales in raw materials inventory = Ending raw materials/Raw materials used \* 365 Days' sales in raw materials inventory = $9,000/$85,500 \* 365 = 38.4 |

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

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| 151. | Using the information below, compute the raw materials inventory turnover:   |  |  | | --- | --- | | Raw Materials Used | $121,600 | | Beginning Raw Materials Inventory | $18,000 | | Ending Raw Materials Inventory | $20,200 |       |  |  | | --- | --- | | A. | 6.76. |  |  |  | | --- | --- | | B. | 6.02. |  |  |  | | --- | --- | | C. | 54.0. |  |  |  | | --- | --- | | D. | 60.6. |  |  |  | | --- | --- | | **E.** | 6.37. |   Raw materials inventory turnover = Raw materials used/Average raw materials inventory Raw materials inventory turnover = $121,600/[($18,000 + $20,200/2] Raw materials inventory turnover = $121,600/$19,100 = 6.37 |

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

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| 152. | Using the information below, compute the Days' sales in raw materials inventory:   |  |  | | --- | --- | | Raw Materials Used | $121,600 | | Beginning Raw Materials Inventory | $18,000 | | Ending Raw Materials Inventory | $20,200 |       |  |  | | --- | --- | | A. | 6.76. |  |  |  | | --- | --- | | B. | 6.02. |  |  |  | | --- | --- | | C. | 54.0. |  |  |  | | --- | --- | | **D.** | 60.6. |  |  |  | | --- | --- | | E. | 6.37. |   Days' sales in raw materials inventory = Ending raw materials/Raw materials used \* 365 Days' sales in raw materials inventory = $20,200/$121,600 \* 365 = 60.6 |

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

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| 153. | Just-in-time manufacturing techniques can be useful in \_\_\_\_\_\_\_\_\_\_\_\_\_ days' sales in raw materials inventory.       |  |  | | --- | --- | | A. | keeping constant |  |  |  | | --- | --- | | B. | changing upward |  |  |  | | --- | --- | | C. | adding to |  |  |  | | --- | --- | | **D.** | lowering |  |  |  | | --- | --- | | E. | increasing | |

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

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| 154. | Which of the following statements is true regarding product and period costs?      |  |  | | --- | --- | | A. | Office salaries expense and factory maintenance are both product costs. |  |  |  | | --- | --- | | B. | Office rent is a product cost and supervisors' salaries expense is a period cost. |  |  |  | | --- | --- | | **C.** | Factory rent is a product cost and advertising expense is a period cost. |  |  |  | | --- | --- | | D. | Delivery expense is a product cost and indirect materials is a period cost. |  |  |  | | --- | --- | | E. | Sales commissions and indirect labor are both period costs. | |

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

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| 155. | A company's prime costs total $4,500,000 and its conversion costs total $5,500,000. If direct materials are $2,000,000, calculate the overhead costs:      |  |  | | --- | --- | | A. | $2,500,000. |  |  |  | | --- | --- | | B. | $3,500,000. |  |  |  | | --- | --- | | C. | $2,000,000. |  |  |  | | --- | --- | | D. | $1,000,000. |  |  |  | | --- | --- | | **E.** | $3,000,000. |   Overhead Costs = Conversion Costs - (Prime Costs - Direct Materials Costs) Overhead Costs = $5,500,000 - ($4,500,000 - $2,000,000) = $3,000,000 |

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

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| 156. | If the cost of the beginning work in process inventory is $60,000, costs of goods manufactured is $890,000, direct materials cost is $330,000, direct labor cost is $210,000, and overhead cost is $315,000, calculate the ending work in process inventory:      |  |  | | --- | --- | | A. | $35,000. |  |  |  | | --- | --- | | **B.** | $25,000. |  |  |  | | --- | --- | | C. | $45,000. |  |  |  | | --- | --- | | D. | $350,000. |  |  |  | | --- | --- | | E. | $355,000. |   Ending Work in Process Inventory = Cost of Goods Manufactured - Direct Materials Costs - Direct Labor Costs - Overhead Costs - Beginning Work in Process Inventory Ending Work in Process Inventory = $890,000 - $330,000 - $210,000 - $315,000 - $60,000 = $25,000 |

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

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| 157. | If the cost of the beginning work in process inventory is $60,000, direct materials cost is $350,000, direct labor cost is $216,000, and overhead cost is $319,000, and the ending work in process inventory is $55,000, calculate the cost of goods manufactured:      |  |  | | --- | --- | | A. | $1,000,000. |  |  |  | | --- | --- | | B. | $571,000. |  |  |  | | --- | --- | | C. | $885,000. |  |  |  | | --- | --- | | **D.** | $890,000. |  |  |  | | --- | --- | | E. | $945,000. |   Cost of Goods Manufactured = Beginning Work In Process Inventory + Direct Materials Costs + Direct Labor Costs + Overhead Costs - Ending Work in Process Inventory Cost of Goods Manufactured = $60,000 + $350,000 + $216,000 + $319,000 - $55,000 = $890,000 |

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

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| 158. | Calculate the cost of goods manufactured using the following information:   |  |  | | --- | --- | | Direct materials | $298,500 | | Direct labor | 132,000 | | Factory overhead costs | 264,000 | | General and administrative expenses | 85,500 | | Selling expenses | 48,800 | | Work in Process inventory, January 1 | 118,500 | | Work in Process inventory, December 31 | 125,900 | | Finished goods inventory, January 1 | 232,100 | | Finished goods inventory, December 31 | 238,700 |       |  |  | | --- | --- | | A. | $680,500. |  |  |  | | --- | --- | | B. | $701,900. |  |  |  | | --- | --- | | **C.** | $687,100. |  |  |  | | --- | --- | | D. | $674,600. |  |  |  | | --- | --- | | E. | $772,600. |   Cost of Goods Manufactured = Raw Materials Used + Direct Labor + Factory Overhead + Beginning Work in Process - Ending Work in Process Cost of Goods Manufactured = $298,500 + $132,000 + $264,000 + $118,500 - $125,900 = $687,100 |

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

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| 159. | Calculate the cost of goods sold using the following information:   |  |  | | --- | --- | | Direct materials | $298,500 | | Direct labor | 132,000 | | Factory overhead costs | 264,000 | | General and administrative expenses | 85,500 | | Selling expenses | 48,800 | | Work in Process inventory, January 1 | 118,500 | | Work in Process inventory, December 31 | 125,900 | | Finished goods inventory, January 1 | 232,100 | | Finished goods inventory, December 31 | 238,700 |       |  |  | | --- | --- | | **A.** | $680,500. |  |  |  | | --- | --- | | B. | $701,900. |  |  |  | | --- | --- | | C. | $687,100. |  |  |  | | --- | --- | | D. | $674,600. |  |  |  | | --- | --- | | E. | $772,600. |   Cost of Goods Sold = Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory Cost of Goods Sold = $232,100 + (Direct Materials + Direct Labor + Factory Overhead Costs + Beginning Work in Process Inventory - Ending Work in Process Inventory) + $232,100 - $238,700 Cost of Goods Sold = $298,500 + $132,000 + $264,000 + $118,500 - $125,900 + $232,100 - $238,700 = $680,500 |

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

**Matching Questions**

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| 160. | Match the following terms with the appropriate definitions.       |  |  |  | | --- | --- | --- | | 1. The efforts of employees who physically convert materials to finished products. | Period costs | **4** | | 2. Costs that do not change in total with changes in the volume of activity. | Variable costs | **10** | | 3. Tangible components of a finished product separately and readily traced through the manufacturing process. | Direct labor | **1** | | 4. Costs that flow directly to the current income statement as expenses. | Factory overhead | **5** | | 5. Manufacturing expenditures that cannot be separately or readily traced to finished goods. | Product costs | **6** | | 6. Expenditures necessary and integral to finished products. | Conversion costs | **9** | | 7. Expenditures directly associated with the manufacture of finished products; include direct materials and direct labor. | Direct materials | **3** | | 8. Costs that are incurred for the benefit of more than one cost object. | Prime costs | **7** | | 9. Expenditures incurred in the process of converting raw materials to finished products; include direct labor and factory overhead. | Fixed costs | **2** | | 10. Costs that change in proportion to changes in volume of activity. | Indirect costs | **8** | |

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

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| 161. | Match the following terms with the appropriate definition.      |  |  |  | | --- | --- | --- | | 1. Products in the process of being manufactured but not yet complete. | Continuous improvement | **10** | | 2. Reveals how many times a company uses its raw materials inventory in production during a period. | Raw materials inventory | **3** | | 3. Goods a company acquires to use in making products. | Raw materials inventory turnover | **2** | | 4. A model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company. | Just-in-time manufacturing | **8** | | 5. Expenditures directly associated with the manufacture of finished goods; includes direct materials and direct labor. | Balanced scorecard | **9** | | 6. The idea that employees understand the changing needs and wants of their customers and align their management and operating practices accordingly. | Prime costs | **5** | | 7. An activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers. | Customer orientation | **6** | | 8. A system that acquires inventory and produces only when needed. | Work in Process inventory | **1** | | 9. Aids in continuous improvement by augmenting financial measures with information on the drivers or indicators of future financial performance along the four dimensions of (1) financial, (2) customer, (3) internal business processes; (4) learning and growth. | Lean business model | **4** | | 10. An idea that rejects the notions of "good enough" or "acceptable" and challenges employees and managers to continually experiment with new and improved business practices. | Managerial accounting | **7** | |

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| *AACSB: Communication AICPA: BB Industry AICPA: FN Decision Making Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-A1 Assess raw materials inventory management using raw materials inventory turnover and days' sales in raw materials inventory. Learning Objective: 01-C1 Explain the purpose and nature of, and the role of ethics in, managerial accounting. Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ. Learning Objective: 01-C6 Describe trends in managerial accounting. Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser. Topic: Balance Sheet Topic: Income Statement Topic: Purpose of Managerial Accounting Topic: Raw Materials Inventory Turnover and Days' Sales Topic: Trends in Managerial Accounting* |

**Short Answer Questions**

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| 162. | For each of the characteristics below, identify whether it is a focus of financial accounting or managerial accounting. Use the letter F to identify financial accounting and M to identify managerial accounting.  \_\_\_\_\_ 1. Users are generally investors, creditors, analysts, and regulators. \_\_\_\_\_ 2. Used to assist managers in making planning and control decisions. \_\_\_\_\_ 3. Information is structured and controlled by GAAP. \_\_\_\_\_ 4. Information is available quickly without the need to wait for an audit. \_\_\_\_\_ 5. Information is mainly historical with some predictions. \_\_\_\_\_ 6. Emphasis of the information is a company's projects, processes, and divisions. \_\_\_\_\_ 7. Information is mostly monetary, but includes nonmonetary information.     1. F; 2. M; 3. F; 4. M; 5. F; 6. M; 7. M |

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

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| 163. | Identify and describe the three categories of manufacturing costs.     The three basic cost elements in accounting for manufactured goods are direct material costs, direct labor costs, and factory overhead costs. Direct materials are tangible components of a finished product, separately and readily traced through the manufacturing process to finished goods. Direct labor is the efforts of employees who physically convert materials to finished products. Factory overhead consists of all manufacturing costs that are not direct materials or direct labor. |

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

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| 164. | What is managerial accounting and how is it used to aid decision makers?     Managerial accounting is an activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers. It helps managers with three key tasks: 1) determining the costs of an organization's products and services, 2) planning future activities, and 3) comparing actual results to planned results. |

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

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| 165. | There are many differences between financial and managerial accounting. Identify and explain at least three of these differences.     The differences include: (1) Users and decision makers—Financial accounting focuses on external decision makers and managerial accounting focuses on internal decision makers. (2) Purpose of information—External users of financial accounting information must often decide whether to invest in, or lend to a company or whether to continue to own or carry the company's debt. Internal users of managerial accounting must plan a company's future, so the information must help them make planning and control decisions. (3) Flexibility of practice—Financial accounting relies on accepted principles that are enforced through an extensive set of rules and guidelines (GAAP); managerial accounting systems are flexible to meet the differing needs of managers in different situations. (4) Timeliness of information—Generally, financial information is not immediately available to external users because it must be audited; internal users can usually obtain managerial accounting information quickly because it does not need to be audited and estimates and projections are acceptable. (5) Time dimension—External financial reports deal primarily with the results of both past activities and current conditions and avoids predictions whenever possible; managerial accounting regularly includes prediction of conditions and events. (6) Focus of information—Financial accounting generally focuses on the entire organization; managerial accounting focuses on an organization's projects, processes, and subdivisions. (7) Nature of information—Both financial and managerial accounting report monetary information; managerial accounting also reports nonmonetary information.  Feedback: Students would need to choose any three of the seven differences described above. |

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

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| 166. | Explain what is meant by the "lean business model" and why many businesses have adopted it.     The lean business model is a model whose main principle is the elimination of waste while satisfying the customer and providing a positive return to the company. It is based on the changes in the business environment—including an increased emphasis on customers and the expanding global economy. A primary force behind its adoption is competition, both domestic and international. |

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

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| 167. | Define fraud and give at least two examples of employee fraud.     Fraud involves the use of one's job for personal gain through deliberate misuse of an employer's assets. Examples are theft of cash or other assets, overstating reimbursable expenses, payroll schemes, billing schemes, and financial statement fraud.  Feedback: Students would need to list any two of the five examples described above. |

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

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| 168. | List the four goals of an internal control system.     An internal control system is the policies and procedures management used to a) urge adherence to company policies, b) promote efficient operations, c) ensure reliable accounting, and d) protect assets. |

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

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| 169. | An employee devises a payroll scheme that costs the employer $150. The employer discovers the fraud but decides not to confront the employee since the amount of the fraud is small. Discuss why this course of action is not advisable.     While this particular incident resulted in a minor loss to this company, by ignoring the fraud, the company may be encouraging future incidents of fraud. The company should not overlook the fact that a number of small losses can add up to a significant loss to annual revenues. |

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

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| 170. | Define and contrast period costs and product costs. How are they reported in the financial statements of a manufacturing company?      Period costs are the expenditures that are charged to expense in the income statement because they are more identified with a time period than with finished products. Product costs are expenditures necessary and integral to finished products that are capitalized to inventory and then become cost of goods sold when the goods are sold. |

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

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| 171. | What are the three types of inventories that are carried by manufacturers? Describe each type of inventory.     Manufacturers carry three types of inventories: raw materials inventory, work in process inventory, and finished goods inventory. Raw materials inventory consists of goods a company acquires to use in making products. It can include both direct materials—those items that are used directly in a product and are clearly identified with a single unit or batch of product—and indirect materials—those items that cannot be clearly identified with specific units or batches of products. Work in Process, also called goods in process, are products in the process of being manufactured, but are not yet complete. Finished goods are completed products ready for sale. |

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

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| 172. | What is the main difference between the income statement of a manufacturer and that of a merchandiser?     In the calculation of cost of goods sold, the merchandiser adds cost of goods purchased to beginning merchandise inventory, then subtracts the ending merchandise inventory to get cost of goods sold. Since a manufacturer has three types of inventories—raw materials, work in process, and finished goods—the manufacturer replaces "merchandise inventory" with "finished goods" inventory. In addition, the manufacturer does not purchase its items for resale, but instead manufactures them, so replaces "cost of goods purchased" in the above calculation with "cost of goods manufactured." |

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

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| 173. | What does the days' sales in raw materials inventory ratio reveal?     Days' Sales in raw materials inventory reveals how much raw materials inventory is available in terms of the number of days' sales. |

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

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| 174. | What are prime costs? What are conversion costs?     Prime costs are expenditures directly associated with the manufacture of finished goods and include direct materials and direct labor. Conversion costs are expenditures incurred in the converting raw materials into finished goods, and include direct labor and factory overhead. |

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

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| 175. | What are the components of the schedule of cost of goods manufactured? Describe each component.     The components of the schedule of cost of goods manufactured are direct materials, direct labor, factory overhead, and computation of the cost of goods manufactured. Direct materials used is computed by taking beginning raw materials inventory, adding raw materials purchased, and subtracting the ending raw materials inventory (assuming all of the raw materials are direct materials). Direct labor is the cost of the workers whose efforts can be traced to individual units or batches of products. Factory overhead lists all of the indirect manufacturing costs. Finally, the direct materials, direct labor, and factory overhead are added to determine total manufacturing costs. Beginning work in process is added to total manufacturing costs; ending work in process is subtracted to determine the cost of goods manufactured. |

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

**Essay Questions**

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| 176. | The following cost items relate to the Henning Company. Classify each cost as a variable cost or a fixed cost by placing an X in the appropriate column. Each cost should be evaluated in terms of the volume of units of finished products produced. Also indicate with an X for each item if it is a product cost or a period cost.   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Variable or fixed cost?** | | **Product or period cost?** | | | **Cost item** | **Variable** | **Fixed** | **Product** | **Period** | | Executive salary |  |  |  |  | | Direct labor |  |  |  |  | | Direct materials |  |  |  |  | | Depreciation of factory equipment |  |  |  |  | | Indirect labor |  |  |  |  | | Delivery expense |  |  |  |  | | Television advertising |  |  |  |  | | Indirect materials |  |  |  |  |       |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Variable or fixed cost?** | | **Product or period cost?** | | | **Cost item** | **Variable** | **Fixed** | **Product** | **Period** | | Executive salary |  | X |  | X | | Direct labor | X |  | X |  | | Direct materials | X |  | X |  | | Depreciation of factory equipment |  | X | X |  | | Indirect labor | X |  | X |  | | Delivery expense | X |  |  | X | | Television advertising |  | X |  | X | | Indirect materials | X |  | X |  | |

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

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| 177. | For each item shown below, classify it as a product cost or a period cost, by placing an X in the appropriate column. For each item that is a product cost, also indicate whether it is a direct cost or an indirect cost with respect to a unit of finished product.   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Product or period cost?** | | **Direct or indirect cost?** | | | **Cost item** | **Product** | **Period** | **Direct** | **Indirect** | | Administrative salaries |  |  |  |  | | Direct labor |  |  |  |  | | Advertising |  |  |  |  | | Property tax on the factory |  |  |  |  | | Factory maintenance |  |  |  |  | | Direct materials |  |  |  |  | | Depreciation on factory equipment |  |  |  |  | | Interest expense |  |  |  |  | | Factory supplies |  |  |  |  |       |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Product or period cost?** | | **Direct or indirect cost?** | | | **Cost item** | **Product** | **Period** | **Direct** | **Indirect** | | Administrative salaries |  | X |  |  | | Direct labor | X |  | X |  | | Advertising |  | X |  |  | | Property tax on the factory | X |  |  | X | | Factory maintenance | X |  |  | X | | Direct materials | X |  | X |  | | Depreciation on factory equipment | X |  |  | X | | Interest expense |  | X |  |  | | Factory supplies | X |  |  | X | |

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

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| 178. | Marv's Furniture and Fixtures produces seats for movie theaters. Listed below are selected cost items for the seat production. Classify each cost as either fixed or variable, and either a product or a period cost by placing an x in the appropriate boxes.   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Cost by behavior** | | **Cost by function** | | |  | **Variable** | **Fixed** | **Product** | **Period** | | Fabric for seats |  |  |  |  | | Assembly labor |  |  |  |  | | Factory property taxes |  |  |  |  | | Accounting staff salaries |  |  |  |  | | Sales office rent |  |  |  |  | | Sales manager's salary |  |  |  |  | | Depreciation on factory equipment |  |  |  |  | | Sales commissions |  |  |  |  |       |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Cost by behavior** | | **Cost by function** | | |  | **Variable** | **Fixed** | **Product** | **Period** | | Fabric for seats | x |  | x |  | | Assembly labor | x |  | x |  | | Factory property taxes |  | x | x |  | | Accounting staff salaries |  | x |  | x | | Sales office rent |  | x |  | x | | Sales manager's salary |  | x |  | x | | Depreciation on factory equipment |  | x |  |  | | Sales commissions | x |  |  | x | |

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

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| 179. | Brotherton Company is a manufacturer of Blu-ray discs. Place each of the following costs in the appropriate column.   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | |  | **Product cost** | | | | **Cost item** | | **Period cost** | **Direct materials** | **Direct labor** | **Factory overhead** | | a. | Factory maintenance salary, $40,000 |  |  |  |  | | b. | Salary of factory supervisor, $70,000 |  |  |  |  | | c. | Salary of production worker, $42,000 |  |  |  |  | | d. | Salary of the company’s president, $100,000 |  |  |  |  | | e. | Television advertising, $25,000 |  |  |  |  | | f. | Property tax on factory, $15,000 |  |  |  |  | | g. | Sales commissions, $65,000 |  |  |  |  | | h. | Depreciation on factory equipment, $17,000 |  |  |  |  | | i. | Plastic used in the manufacture of the discs, $14,000 |  |  |  |  |       |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | |  | **Product cost** | | | | **Cost item** | | **Period cost** | **Direct materials** | **Direct labor** | **Factory overhead** | | a. | Factory maintenance salary, $40,000 |  |  |  | $40,000 | | b. | Salary of factory supervisor, $70,000 |  |  |  | $70,000 | | c. | Salary of production worker, $42,000 |  |  | $42,000 |  | | d. | Salary of the company’s president, $100,000 | $100,000 |  |  |  | | e. | Television advertising, $25,000 | $25,000 |  |  |  | | f. | Property tax on factory, $15,000 |  |  |  | $15,000 | | g. | Sales commissions, $65,000 | $65,000 |  |  |  | | h. | Depreciation on factory equipment, $17,000 |  |  |  | $17,000 | | i. | Plastic used in the manufacture of the discs, $14,000 |  | $14,000 |  |  | |

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

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| 180. | The following costs are incurred by Gonzalez Manufacturing Co. Classify each cost item as either a period cost or a product cost. If the cost is a product cost, identify it as a prime and/or conversion cost.   |  |  |  |  | | --- | --- | --- | --- | |  | **Period Cost** | **Product Cost** | | | **Prime Cost** | **Conversion Cost** | | Factory property taxes |  |  |  | | Payroll taxes for assembly labor |  |  |  | | Depreciation of factory equipment |  |  |  | | Insurance on delivery vehicles |  |  |  | | Indirect materials used |  |  |  | | Wages of production workers |  |  |  | | Production supervisor's salary |  |  |  | | Advertising |  |  |  | | Direct materials used |  |  |  | | Sales salaries |  |  |  |       |  |  |  |  | | --- | --- | --- | --- | |  | **Period Cost** | **Product Cost** | | | **Prime Cost** | **Conversion Cost** | | Factory property taxes |  |  | X | | Payroll taxes for assembly labor |  |  | X | | Depreciation of factory equipment |  |  | X | | Insurance on delivery vehicles | X |  |  | | Indirect materials used |  |  | X | | Wages of production workers |  | X | X | | Production supervisor's salary |  |  | X | | Advertising | X |  |  | | Direct materials used |  | X |  | | Sales salaries | X |  |  | |

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

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| 181. | Walter Products and Sandburg Industries report the following information at December 31:   |  |  |  | | --- | --- | --- | |  | **WALTER** | **SANDBURG** | | Accounts Receivable | $41,000 | $68,000 | | Cash | 6,000 | 7,000 | | Finished Goods Inventory |  | 25,000 | | Work in Process Inventory |  | 40,000 | | Merchandise Inventory | 48,000 |  | | Prepaid Expenses | 1,000 | 2,000 | | Raw Materials Inventory |  | 21,000 |   **Required:**    (a) Which company is a manufacturer? Explain.  (b) Prepare the Current Asset Section of the Balance Sheet for the manufacturer.      (a) Sandburg Industries is the manufacturer. It has three types of inventories: raw materials, work in process, and finished goods. It converts materials to finished goods.  (b) Current Assets—Sandburg Industries:   |  |  | | --- | --- | | Cash | $7,000 | | Accounts Receivable | 68,000 | | Raw Materials Inventory | 21,000 | | Work in Process Inventory | 40,000 | | Finished Goods Inventory | 25,000 | | Prepaid Expenses | 2,000 | |  | $163,000 | |

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

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| 182. | Thornton Foods bakes and sells 2,000 dozen muffins each week to food service operations. Among the costs are bakers' salaries, $24,000; production management salaries, $16,000; production equipment operating costs, $32,000; and flour and ingredient costs, $15,000. Using this information, compute: (a) prime costs and (b) conversion costs.       |  |  | | --- | --- | | **(a) Prime Cost** | | | Bakers' Salaries | $24,000 | | Flour & Ingredients | 15,000 | | Prime Cost | $39,000 |      |  |  | | --- | --- | | **(b) Conversion Cost** | | | Bakers' Salaries | $24,000 | | Management Salaries | 16,000 | | Production equipment | 32,000 | | Conversion Cost | $72,000 | |

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

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| 183. | A manufacturing company's finished goods inventory on January 1 was $68,000; cost of goods manufactured was $147,000; and the December 31 finished goods inventory was $77,000. What is the cost of goods sold for that year?       |  |  | | --- | --- | | Beginning finished goods inventory | $68,000 | | Plus cost of goods manufactured | 147,000 | | Less ending finished goods inventory | -77,000 | | Cost of goods sold | $138,000 | |

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

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| 184. | A manufacturing company's beginning finished goods inventory was $29,000; cost of goods manufactured was $316,000; and the ending finished goods inventory was $31,000. What is the cost of goods sold for that year?       |  |  | | --- | --- | | Beginning finished goods inventory | $29,000 | | Plus cost of goods manufactured | 316,000 | | Less ending finished goods inventory | -31,000 | | Cost of goods sold | $314,000 | |

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

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| 185. | Calculate Cost of Goods Sold for the following two companies:   |  |  |  | | --- | --- | --- | |  | **LEWIS, INC.** | **MERCER CO.** | | Beginning Inventory: |  |  | | Merchandise | $250,000 |  | | Finished Goods |  | $550,000 | | Cost of Goods Purchased | 460,000 |  | | Cost of Goods Manufactured |  | 688,000 | | Ending Inventory: |  |  | | Merchandise | 128,000 |  | | Finished Goods |  | 350,000 |       |  |  | | --- | --- | | **LEWIS, INC.:** |  | | Beginning merchandise inventory | $250,000 | | Plus cost of goods purchased | 460,000 | | Less ending merchandise inventory | (128,000) | | Cost of goods sold | $582,000 | | **MERCER CO.:** |  | | Beginning finished goods inventory | $550,000 | | Plus cost of goods manufactured | 688,000 | | Less ending finished goods inventory | (350,000) | | Cost of goods sold | $888,000 | |

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

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| 186. | The Tacky Company manufactures staples. Costs for October were direct labor, $84,000; indirect labor, $36,700; direct materials, $55,900; factory maintenance, $4,800; factory utilities, $3,200; and insurance on plant and equipment, $700. What is Tacky Company's factory overhead for October?       |  |  | | --- | --- | | Indirect labor | $36,700 | | Factory maintenance | 4,800 | | Factory utilities | 3,200 | | Insurance on plant and equipment | 700 | | Total factory overhead | $45,400 | |

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| *AACSB: Analytical Thinking AICPA: BB Industry AICPA: FN Measurement Blooms: Apply Difficulty: 2 Medium Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements. Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements. Topic: Comparing Product and Period Costs Topic: Schedule of Cost of Goods Manufactured* |

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| 187. | The Langston Company manufactures coats. Costs for February were as follows:   |  |  | | --- | --- | | Direct materials | $19,650 | | Direct labor | 15,210 | | Factory insurance | 950 | | Sales commissions | 4,700 | | Corporate executive salaries | 5,500 | | Factory supervisor salary | 3,500 | | Indirect materials | 1,920 |   **Required:**    Calculate the total manufacturing cost for February.       |  |  | | --- | --- | | Direct materials | $19,650 | | Direct labor | 15,210 | | Factory insurance | 950 | | Factory supervisor salary | 3,500 | | Indirect materials | 1,920 | | Total | 41,230 | |

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| *AACSB: Analytical Thinking AICPA: BB Industry AICPA: FN Measurement Blooms: Apply Difficulty: 2 Medium Learning Objective: 01-C3 Define product and period costs and explain how they impact financial statements. Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements. Topic: Comparing Product and Period Costs Topic: Schedule of Cost of Goods Manufactured* |

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| 188. | Information for Maxim Manufacturing is presented below. Compute both the cost of goods manufactured and the cost of goods sold for Maxim Manufacturing.   |  |  | | --- | --- | | Beginning raw materials inventory | $36,800 | | Beginning work in process inventory | 21,200 | | Direct labor | 81,000 | | Beginning finished goods inventory | 64,000 | | Total factory overhead | 126,000 | | Raw materials purchased | 21,500 | | Ending raw materials inventory | 40,000 | | Ending work in process inventory | 20,000 | | Ending finished goods inventory | 46,000 |       |  |  |  | | --- | --- | --- | | **Cost of Goods Manufactured and Sold:** |  |  | | Beginning raw materials inventory | $36,800 |  | | Add: raw materials purchased | 21,500 |  | | Raw materials available | $58,300 |  | | Less Ending raw materials inventory | (40,000) |  | | Raw materials used |  | $18,300 | | Direct labor |  | 81,000 | | Factory overhead |  | 126,000 | | Total Manufacturing Costs |  | $225,300 | | Add Beginning work in process inventory |  | 21,200 | | Total work in process |  | 246,500 | | Less Ending work in process inventory |  | (20,000) | | **Cost of Goods Manufactured** |  | **$226,500** | | Add Beginning finished goods inventory |  | 64,000 | | Cost of Goods Available |  | $290,500 | | Less: Ending finished goods inventory |  | (46,000) | | **Cost of Goods Sold** |  | **$244,500** | |

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| *AACSB: Analytical Thinking AICPA: BB Industry AICPA: FN Measurement Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser. Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements. Topic: Income Statement Topic: Schedule of Cost of Goods Manufactured* |

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| 189. | Information for Underwood Industries is presented below. Compute the cost of goods manufactured.   |  |  |  | | --- | --- | --- | |  | **Beginning** | **Ending** | | Raw materials inventory | $26,800 | 30,100 | | Work in process inventory | 41,200 | 39,000 | | Finished goods inventory | 54,000 | 53,500 | | Raw materials purchased | 93,500 |  | | Direct labor | 61,000 |  | | Total factory overhead | 117,300 |  |       |  |  |  | | --- | --- | --- | | **Cost of Goods Manufactured:** |  |  | | Beginning raw materials inventory | $26,800 |  | | Add: raw materials purchased | 93,500 |  | | Raw materials available | $120,300 |  | | Less Ending raw materials inventory | (30,100) |  | | Raw materials used |  | $90,200 | | Direct labor |  | 61,000 | | Factory overhead |  | 117,300 | | Total Manufacturing Costs |  | 268,500 | | Add Beginning work in process inventory |  | 41,200 | | Total work in process |  | 309,700 | | Less Ending work in process inventory |  | (39,000) | | **Cost of Goods Manufactured** |  | **$270,700** | |

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

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| 190. | Information for Eastman Industries is presented below. Compute the cost of goods manufactured.   |  |  | | --- | --- | | Beginning work in process inventory | 21,200 | | Ending work in process inventory | 20,000 | | Raw materials used in production | $46,800 | | Direct labor | 81,000 | | Total factory overhead | 106,000 |       |  |  | | --- | --- | | **Cost of Goods Manufactured:** |  | | Raw materials used | $46,800 | | Direct labor | 81,000 | | Factory overhead | 106,000 | | Total Manufacturing Costs | $233,800 | | Add Beginning work in process inventory | 21,200 | | Total work in process | 255,000 | | Less Ending work in process inventory | (20,000) | | **Cost of Goods Manufactured** | **$235,000** | |

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

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| 191. | Use the following information to prepare the schedule of cost of goods manufactured for Graffstone Company for the month ended June 30.   |  |  | | --- | --- | | Work in Process inventory, May 31 | $12,600 | | Work in Process inventory, June 30 | 16,500 | | Direct materials used during June | 21,000 | | Direct labor used during June | 31,000 | | Factory overhead: |  | | Indirect material | 6,400 | | Indirect labor | 9,200 | | Factory rent | 12,000 | | Factory depreciation | 15,000 | | Factory utilities | 18,400 |       |  |  |  | | --- | --- | --- | | **Graffstone Company Schedule of Cost of Goods Manufactured For Month Ended June 30** | | | | Direct materials |  | $21,000 | | Direct labor |  | 31,000 | | Factory overhead: |  |  | | Indirect material | $6,400 |  | | Indirect labor | 9,200 |  | | Factory rent | 12,000 |  | | Factory depreciation | 15,000 |  | | Factory utilities | 18,400 |  | | Total factory overhead costs |  | 61,000 | | Total manufacturing costs |  | $113,000 | | Add work in process inventory, May 31 |  | 12,600 | | Total work in process |  | $125,600 | | Deduct work in process inventory, June 30 |  | 16,500 | | Cost of goods manufactured |  | $109,100 | |

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

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| 192. | Duncan Crafts manufactures specialty key chains for tourist attractions. On January 1, the firm had 300 souvenir attraction disks used in the production of the chains that cost $3 each; and 600 completed key chains that cost $6 each. During the year Duncan Crafts purchased 1,500 souvenir disks costing $3 each and produced 1,100 key chains. Compute the total cost of raw materials inventory at December 31.       |  |  |  | | --- | --- | --- | | **Raw Materials (Disks)** | **Units Cost** |  | | Beginning Balance | 300 @ $3 = | $900 | | +Purchased | 1,500 @ $3 = | 4,500 | | Available | 1,800 @ $3 = | 5,400 | | -Used | (1,100 @ $3) = | (3,300) | | Ending Balance | 700 @ $3 = | $2,100 | |

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

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| 193. | Compute the ending work in process inventory for a manufacturer with the following information.   |  |  | | --- | --- | | Raw materials purchased | 131,700 | | Raw materials used in production | 65,400 | | Direct labor used | 44,000 | | Total factory overhead used | 101,600 | | Work in process inventory, beginning of year | 32,500 | | Cost of goods manufactured | 212,900 |       |  |  | | --- | --- | | Work in process inventory, beginning | 32,500 | | Raw materials used in production | 65,400 | | Direct labor used | 44,000 | | Total factory overhead used | 101,600 | | Less: Cost of goods manufactured | (212.900) | | Work in process inventory, ending | $30,600 | |

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

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| 194. | The following items for Neptune Company are used to compute the cost of goods manufactured and the cost of goods sold. Indicate how each item should be used in the calculations by filling in the blanks with "+" if the item is to be added, "-" if the item is to be subtracted, or "0" if the item is not used in the calculation. The first item is completed as an example.   |  |  |  | | --- | --- | --- | |  | **Cost of Goods Manufactured** | **Cost of Goods Sold** | | Beginning finished goods inventory | \_\_\_0\_\_\_ | \_\_\_+\_\_\_ | | Ending finished goods inventory | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Direct labor | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Indirect labor | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Beginning work in process inventory | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Ending work in process inventory | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | General and administrative expenses | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Indirect materials | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Beginning raw materials inventory | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Ending raw materials inventory | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Raw material purchases | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Depreciation of factory building | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | | Cost of goods manufactured | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |       |  |  |  | | --- | --- | --- | |  | **Cost of Goods Manufactured** | **Cost of Goods Sold** | | Beginning finished goods inventory | 0 | + | | Ending finished goods inventory | 0 | - | | Direct labor | + | 0 | | Indirect labor | + | 0 | | Beginning work in process inventory | + | 0 | | Ending work in process inventory | - | 0 | | General and administrative expenses | 0 | 0 | | Indirect materials | + | 0 | | Beginning raw materials inventory | + | 0 | | Ending raw materials inventory | - | 0 | | Raw material purchases | + | 0 | | Depreciation of factory building | + | 0 | | Cost of goods manufactured | 0 | + | |

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| *AACSB: Analytical Thinking AICPA: BB Industry AICPA: FN Measurement Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser. Learning Objective: 01-P2 Prepare a schedule of cost of goods manufactured and explain its purpose and links to financial statements. Topic: Income Statement Topic: Schedule of Cost of Goods Manufactured* |

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| 195. | Information for Stanton, Inc., as of December 31 follows. Prepare a schedule of cost of goods manufactured for the year ended December 31.   |  |  | | --- | --- | | Administrative salaries | $35,000 | | Depreciation of factory equipment | 25,000 | | Depreciation of delivery vehicles | 6,000 | | Direct labor | 68,000 | | Factory supplies used | 9,000 | | Finished goods inventory, January 1 | 57,000 | | Finished goods inventory, December 31 | ? | | Factory insurance | 15,500 | | Interest expense | 12,000 | | Factory utilities | 14,000 | | Factory maintenance | 7,500 | | Raw materials inventory, January 1 | 5,000 | | Raw materials inventory, December 31 | 4,000 | | Raw material purchases | 125,000 | | Rent on factory building | 25,000 | | Repairs of factory equipment | 11,500 | | Sales commissions | 37,500 | | Work in Process inventory, January 1 | 3,500 | | Work in Process inventory, December 31 | 2,700 |       |  |  |  | | --- | --- | --- | | **Stanton, Inc. Schedule of Cost of Goods Manufactured For Year Ended December 31** | | | | Direct materials: |  |  | | Raw materials, January 1 | $5,000 |  | | Raw material purchases | 125,000 |  | | Raw materials available | $130,000 |  | | Raw materials, December 31 | (4,000) |  | | Direct materials used |  | $126,000 | | Direct labor |  | 68,000 | | Factory overhead costs: |  |  | | Depreciation of factory equipment | $25,000 |  | | Factory supplies used | 9,000 |  | | Factory insurance | 15,500 |  | | Factory utilities | 14,000 |  | | Factory maintenance | 7,500 |  | | Rent on factory building | 25,000 |  | | Repairs of factory equipment | 11,500 |  | | Total factory overhead costs |  | 107,500 | | Total manufacturing costs |  | $301,500 | | Work in Process inventory, January 1 |  | 3,500 | | Total work in process |  | $305,000 | | Work in Process inventory, December 31 |  | (2,700) | | Cost of goods manufactured |  | $302,300 | |

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

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| 196. | Information for the Deuce Manufacturing Company follows. Compute the cost of goods manufactured for this company.   |  |  | | --- | --- | | Beginning raw materials inventory | $53,200 | | Beginning work in process, inventory | 78,400 | | Ending raw materials inventory | 58,100 | | Ending work in process, inventory | 98,000 | | Direct labor | 149,800 | | Total factory overhead | 105,000 | | Raw material purchases | 210,000 |       |  |  |  | | --- | --- | --- | | **Cost of Goods Manufactured** |  |  | | Direct materials: |  |  | | Raw Materials, Beginning | $53,200 |  | | Raw Materials Purchases | 210,000 |  | | Raw materials Available | $263,200 |  | | Less Raw materials, Ending | (58,100) |  | | Direct materials used |  | $205,100 | | Direct Labor |  | 149,800 | | Total Factory Overhead |  | 105,000 | | Total manufacturing costs |  | $459,900 | | Plus Beginning Work in Process Inventory |  | 78,400 | | Total manufacturing costs |  | $538,300 | | Less Ending Work in Process Inventory |  | (98,000) | | Cost of Goods Manufactured |  | $440,300 | |

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

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| 197. | Information for Jersey Metalworks as of December 31 follows. Prepare (a) the company's schedule of cost of goods manufactured for the year ended December 31; (b) prepare the company's income statement that reports separate categories for selling and general and administrative expenses.   |  |  | | --- | --- | | Administrative salaries expense | $135,000 | | Depreciation expense—Factory equipment | 52,400 | | Depreciation expense—Delivery vehicles | 36,200 | | Depreciation expense—Office equipment | 24,800 | | Advertising expense | 22,350 | | Direct labor | 268,000 | | Factory supplies used | 12,000 | | Income taxes expense | 91,500 | | Indirect labor | 35,000 | | Indirect material | 24,000 | | Factory insurance | 15,500 | | Factory utilities | 14,000 | | Factory maintenance | 7,500 | | Inventories |  | | Raw materials inventory, January 1 | 32,000 | | Raw materials inventory, December 31 | 28,000 | | Work in Process inventory, January 1 | 33,780 | | Work in Process inventory, December 31 | 37,460 | | Finished goods inventory, January 1 | 56,970 | | Finished goods inventory, December 31 | 62,000 | | Raw materials purchases | 325,000 | | Rent expense—Factory | 50,000 | | Rent expense—Office space | 24,000 | | Rent expense—Selling Space | 24,000 | | Sales salaries expense | 97,500 | | Sales | 1,452,000 | | Sales discounts | 29,000 |       |  |  |  | | --- | --- | --- | | **Jersey Metalworks Schedule of Cost of Goods Manufactured For Year Ended December 31** | | | | Direct materials: |  |  | | Raw materials, January 1 | $32,000 |  | | Raw materials purchases | 325,000 |  | | Raw materials available | $357,000 |  | | Less raw materials, December 31 | 28,000 |  | | Direct materials used |  | $329,000 | | Direct labor |  | 268,000 | | Factory overhead costs: |  |  | | Depreciation expense—Factory equipment | $52,400 |  | | Factory supplies used | 12,000 |  | | Indirect labor | 35,000 |  | | Indirect material | 24,000 |  | | Factory insurance | 15,500 |  | | Factory utilities | 14,000 |  | | Factory maintenance | 7,500 |  | | Rent expense—Factory | 50,000 |  | | Total factory overhead costs |  | 210,400 | | Total manufacturing costs |  | $807,400 | | Work in Process inventory, January 1 |  | 33,780 | | Total cost of work in Process |  | $841,180 | | Less work in Process inventory, December 31 |  | 37,460 | | Cost of goods manufactured |  | $803,720 |      |  |  |  | | --- | --- | --- | | **Jersey Metalworks Income Statement For Year Ended December 31** | | | | Sales |  | $1,452,000 | | Less sales discounts |  | 29,000 | | Net sales |  | $1,423,000 | | Cost of goods sold |  |  | | Finished goods inventory, January 1 | $56,970 |  | | Cost of goods manufactured | 803,720 |  | | Goods available for sale | 860,690 |  | | Less finished goods inventory, December 31 | 62,000 |  | | Cost of goods sold |  | 798,690 | | Gross profit from sales |  | 624,310 | | Operating expenses |  |  | | Selling expenses |  |  | | Sales salaries expense | 97,500 |  | | Depreciation expense—Delivery vehicles | 36,200 |  | | Advertising expense | 22,350 |  | | Rent expense—Selling space | 24,000 |  | | Total selling expenses |  | 180,050 | | General and administrative expenses |  |  | | Administrative salaries expense | 135,000 |  | | Depreciation expense—Office equipment | 24,800 |  | | Rent expense—Office space | 24,000 |  | | Total general and administrative expenses |  | 183,800 | | Total operating expenses |  | 363,850 | | Income before taxes |  | 260,460 | | Income taxes expense |  | 91,500 | | Net income |  | $168,960 | |

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

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| 198. | Martinez Company makes leather cowboy hats. Each hat requires ½ yard of leather to produce. On December 31, 2014, the company had (a) 75 hats in Finished Goods Inventory and (b) 60 yards of leather at a cost of $12 per yard in Raw Materials Inventory. During 2015, the company purchased 850 more yards of leather at $12 per yard and manufactured 1,600 hats. Determine the unit and dollar amounts of Raw Materials Inventory in leather at December 31, 2015.       |  |  |  | | --- | --- | --- | |  | **Units** | **Cost** | | Beginning Inventory | 60 yards | $720 | | Materials purchased | 850 yards | $10,200 | | Less: Materials used | 800 yards | $9,600 | | Ending Inventory | 110 yards | $1,320 | |

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| *AACSB: Analytical Thinking AICPA: BB Industry AICPA: FN Measurement Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ. Topic: Balance Sheet* |

**Fill in the Blank Questions**

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| 199. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is an activity that provides financial and nonfinancial information to an organization's managers and other internal decision makers.     **Managerial accounting** |

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

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| 200. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the process of setting goals and making plans to achieve them.    **Planning** |

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

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| 201. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the process of monitoring planning decisions and evaluating an organization's activities and employees.    **Control** |

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

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| 202. | The purpose of managerial accounting information is to help \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ users make decisions while the purpose of financial accounting is to help \_\_\_\_\_\_\_\_\_\_\_\_\_ users make decisions.    **internal; external**  Answers must appear in this order |

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

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| 203. | A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ system means that a company acquires or produces inventory only when needed.    **just-in-time (JIT) or just-in-time manufacturing** |

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| *AACSB: Communication AICPA: BB Resource Management AICPA: FN Risk Analysis Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-C6 Describe trends in managerial accounting. Topic: Trends in Managerial Accounting* |

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| 204. | The model whose goal is to eliminate waste while satisfying the customer and providing a positive return to the company is the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.    **lean business model** |

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

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| 205. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rejects the notions of "good enough" or "acceptable" and challenges employees and managers to continuously experiment with new and improved business practices.    **Continuous improvement** |

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

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

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

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| 207. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the deliberate misuse of the employer's assets for the employee's personal gain.    **Fraud** |

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

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| 208. | Policies and procedures used by management to monitor and control business activities are known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.    **internal control** |

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

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| 209. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are beliefs that distinguish right from wrong.    **Ethics** |

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

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| 210. | The process of identifying costs as direct or indirect is referred to as classifying costs by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.    **traceability** |

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| *AACSB: Communication AICPA: BB Industry AICPA: FN Measurement Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs. Topic: Cost Classification* |

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| 211. | A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ cost changes in total in proportion to changes in the volume of activity.    **variable** |

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| *AACSB: Communication AICPA: BB Industry AICPA: FN Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs. Topic: Cost Classification* |

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| 212. | A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ cost does not change in total in proportion to changes in the volume of activity within the relevant range.    **fixed** |

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| *AACSB: Communication AICPA: BB Industry AICPA: FN Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-C2 Describe accounting concepts useful in classifying costs. Topic: Cost Classification* |

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| 213. | Expenditures necessary and integral to the manufacture of finished products are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ costs.    **product** |

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

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| 214. | Expenditures that flow directly to the current income statement and are not reported as assets are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ costs.    **period** |

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

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| 215. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ inventory consists of goods a company acquires to use in making products.    **Raw materials** |

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| *AACSB: Communication AICPA: BB Industry AICPA: FN Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ. Topic: Balance Sheet* |

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| 216. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ inventory consists of products in the process of being manufactured but not yet complete.    **Work in process or goods in process** |

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| *AACSB: Communication AICPA: BB Industry AICPA: FN Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ. Topic: Balance Sheet* |

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| 217. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ inventory consists of completed products ready for sale by a manufacturer.    **Finished goods** |

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| *AACSB: Communication AICPA: BB Industry AICPA: FN Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ. Topic: Balance Sheet* |

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| 218. | A manufacturer's inventory that is not completely finished is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.     **work in process** |

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| *AACSB: Communication AICPA: BB Industry AICPA: FN Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-C4 Explain how balance sheets and income statements for manufacturing, merchandising, and service companies differ. Topic: Balance Sheet* |

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| 219. | One of the main differences between the calculation of cost of goods sold for a merchandiser and that of a manufacturer is that the calculation includes cost of goods purchased for the merchandiser, but the manufacturer replaces that with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.    **cost of goods manufactured** |

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| *AACSB: Communication AICPA: BB Industry AICPA: FN Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-P1 Compute cost of goods sold for a manufacturer and for a merchandiser. Topic: Income Statement* |

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| 220. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ reveals how much raw materials inventory is available in terms of the number of days' sales.    **Days' sales in Raw Materials Inventory** |

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

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| 221. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ reveals how many times a company uses its raw materials inventory in production during a period.    **Raw Materials Inventory Turnover** |

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

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| 222. | Expenditures incurred in the process of converting raw materials to finished goods, that include direct labor and factory overhead are known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.    **conversion costs** |

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

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| 223. | Expenditures directly associated with the manufacture of finished goods that include direct materials and direct labor are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ costs.    **prime** |

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

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| 224. | Crane, Inc. reported the following data regarding costs and inventories for the current year: beginning goods-in-process inventory, $4,000; beginning finished goods inventory, $2,000; cost of goods manufactured, $11,500; operating expenses, $3,000; ending finished goods inventory, $1,000; ending goods-in-process inventory, $1,500. Cost of goods sold for Crane, Inc. equals \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.    **$12,500**  Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory; $2,000 + $11,500 - $1,000 |

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

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| 225. | Waters, Inc. reported the following data regarding costs and inventories for the current year: beginning finished goods inventory, $5,000; cost of goods manufactured, $21,500; ending finished goods inventory, $4,000. Cost of goods sold for Waters, Inc. equals \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.    **$22,500**  Beginning Finished Goods Inventory + Cost of Goods Manufactured - Ending Finished Goods Inventory; $5,000 + $21,500 - $4,000 |

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

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| 226. | For a manufacturer, the cost of goods sold can be computed by adding the beginning finished goods inventory to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and then subtracting the ending finished goods inventory.    **cost of goods manufactured** |

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