

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

- 1) All companies are either classified as service, merchandising, or manufacturing companies. 1) \_\_\_\_\_

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

- 2) The balance sheet of a service company has 2) \_\_\_\_\_  
A) little or no inventory. B) three categories of inventory.  
C) two categories of inventory. D) raw materials inventory.
- 3) H & R Block, an income tax preparation service, is what type of company? 3) \_\_\_\_\_  
A) Manufacturer B) Service company  
C) Retailer D) Wholesaler
- 4) Among other things, General Mills makes breakfast cereal. Which type of company is General Mills? 4) \_\_\_\_\_  
A) Manufacturer B) Service company  
C) Retailer D) Wholesaler
- 5) Which type of company typically produces its own inventory? 5) \_\_\_\_\_  
A) Manufacturer B) Service company  
C) Retailer D) Wholesaler
- 6) Before these materials are used to manufacture its cars, Honda classifies steel, glass, and plastic as 6) \_\_\_\_\_  
A) raw materials inventory. B) work in process inventory.  
C) finished goods inventory. D) merchandise inventory.
- 7) Walmart classifies its clothing held for sale as 7) \_\_\_\_\_  
A) merchandise inventory. B) finished goods inventory.  
C) raw materials inventory. D) work in process inventory.
- 8) How would Honda classify its partially completed vehicles? 8) \_\_\_\_\_  
A) Supplies B) Raw materials  
C) Work in process D) Finished goods
- 9) Which of the following is characteristic of a service company? 9) \_\_\_\_\_  
A) Service companies transform raw materials into finished goods.  
B) Service companies generally have no tangible products to sell.  
C) Service companies have a single category of inventory.  
D) Service companies make a product.

- 10) A lawn mowing business would be classified as a \_\_\_\_\_  
A) wholesale company. B) merchandising company.  
C) manufacturing company. D) service company.
- 11) A law firm would be classified as a \_\_\_\_\_  
A) wholesale company. B) service company.  
C) manufacturing company. D) merchandising company.
- 12) Intel Corporation makes computer chips. Intel Corporation would be classified as a \_\_\_\_\_  
A) service company. B) manufacturing company.  
C) wholesale company. D) merchandising company.
- 13) \_\_\_\_\_ has three types of inventory. \_\_\_\_\_  
A) A merchandising company B) A manufacturing company  
C) A wholesale company D) A service company
- 14) Which type of company has the highest percentage of labour costs? \_\_\_\_\_  
A) Service company B) Merchandising company  
C) Wholesale company D) Manufacturing company
- 15) Which type(s) of companies prepare income statements and balance sheets? \_\_\_\_\_  
A) Manufacturing company B) Merchandising company  
C) Service company D) All types of companies
- 16) Which of the following costs could be found in work in process inventory for an ice cream manufacturer? \_\_\_\_\_  
A) Depreciation on sales office B) Customer order forms  
C) Utilities for administrative offices D) Assembly worker wages
- 17) A company which is in the business of providing intangible services is what type of company? \_\_\_\_\_  
A) Manufacturing B) Service company  
C) Retailer D) Wholesaler
- 18) A company which is in the business of reselling tangible products purchased from suppliers to final users is what type of company? \_\_\_\_\_  
A) Manufacturing B) Service company  
C) Retailer D) Wholesaler
- 19) A company which is in the business of reselling tangible products purchased from supplier to businesses which resell the product is what type of company? \_\_\_\_\_  
A) Manufacturing B) Service company  
C) Retailer D) Wholesaler

20) The flow of inventory costs in a manufacturing company is

20) \_\_\_\_\_

- A) work in process, raw materials, finished goods.
- B) work in process, finished goods, raw materials.
- C) raw materials, work in process, finished goods.
- D) finished goods, work in process, raw materials.

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

- 21) Describe service, merchandising, and manufacturing companies.
- 22) Explain the difference between raw materials inventory, work in process inventory, and finished goods inventory.
- 23) Describe a company that has some elements of all three types of companies. It is part service company, part manufacturer, and part merchandiser.
- 24) Why do most service firms not have inventory costs pertaining to items to be sold? What type of costs do they generally have?
- 25) From the asset list below identify the type of business (service, merchandiser, manufacturer) and explain how y know.

Cash	\$10,000
Accounts Receivable	15,000
Prepaid Expenses	2,000
Raw Materials Inventory	9,000
Work In Process Inventory	12,000
Finished Goods Inventory	<u>10,000</u>
Total Assets	<u>\$ 58,000</u>

- 26) From the asset list below identify the type of business (service, merchandiser, manufacturer) and explain how y know.

Cash	\$10,000
Accounts Receivable	15,000
Prepaid Expenses	2,000
Inventory	<u>30,000</u>
Total Assets	<u>\$ 57,000</u>

- 27) From the asset list below identify the type of business (service, merchandiser, manufacturer) and explain how y know.

Cash	\$10,000
Accounts Receivable	15,000
Prepaid Expenses	<u>3,000</u>
Total Assets	<u>\$ 28,000</u>

**MATCHING. Choose the item in column 2 that best matches each item in column 1.**

Match the following:

- |  |                          |           |
|--|--------------------------|-----------|
| 28) Generally has no inventory   | A) Merchandising company | 28) _____ |
| 29) Has three types of inventory   | B) Manufacturing company | 29) _____ |
| 30) Inventory consists of freight-in and the purchase cost of the finished product | C) Service company       | 30) _____ |
| 31) Has the highest percentage of labour costs                                     |                          | 31) _____ |
| 32) Walmart is this type of company  |                          | 32) _____ |

Match the following:

- |   |                              |           |
|---|------------------------------|-----------|
| 33) Typically have a single category of inventory                       | A) Manufacturing companies   | 33) _____ |
| 34) Resell products they previously purchased ready-made from suppliers | B) Work in process inventory | 34) _____ |
| 35) Do not have inventory for resale                                    | C) Merchandising companies   | 35) _____ |
| 36) Produce its own inventory   | D) Service companies         | 36) _____ |
| 37) Transform raw materials into finished products                      | E) Materials inventory       | 37) _____ |
| 38) Ready to sell inventory of manufacturers                            | F) Merchandise inventory     | 38) _____ |
| 39) Partially completed items of manufacturers                          | G) Finished goods inventory  | 39) _____ |

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

- |  |           |
|--|-----------|
| 40) All of the components of manufacturing from research and development through customer service after the sale are part of a firm's value chain. | 40) _____ |
| 41) The activities in the value chain must take place in a specific order.   | 41) _____ |

- 42) The value chain helps companies control costs of products only. 42) \_\_\_\_\_
- 43) Research and development is needed to improve products and to design new products. 43) \_\_\_\_\_
- 44) Receipt of materials is part of the firm's value chain. 44) \_\_\_\_\_
- 45) A company's distribution system is an important part of the value chain. 45) \_\_\_\_\_
- 46) Progressive companies incorporate environmental sustainability throughout every function of the value chain. 46) \_\_\_\_\_
- 47) Providing customer service past the warrantee date can be part of incorporating environmental sustainability practices. 47) \_\_\_\_\_

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

- 48) The value chain is used by 48) \_\_\_\_\_  
A) service, manufacturing and merchandising businesses.  
B) only service and manufacturing businesses.  
C) only service and merchandising businesses.  
D) only manufacturing and merchandising businesses.
- 49) Collectively, all costs such as design, customer service, etc. are part of 49) \_\_\_\_\_  
A) fixed costs. B) manufacturing costs.  
C) the value chain. D) downstream activities.
- 50) The promotion of products and services is known as 50) \_\_\_\_\_  
A) design. B) distribution.  
C) marketing. D) customer service.
- 51) Depreciation on a factory would be classified as a cost in which part of the value chain? 51) \_\_\_\_\_  
A) Production B) Distribution  
C) Research and development D) Design
- 52) A technical support hotline for customers would be considered which part of the value chain? 52) \_\_\_\_\_  
A) Customer service B) Distribution  
C) Marketing D) Design
- 53) Advertising expenses would be considered which part of the value chain? 53) \_\_\_\_\_  
A) Research and development B) Marketing  
C) Production D) Customer service

- 54) The costs associated with re-engineering machinery and its location within the factory to increase efficiency would be considered which part of the value chain? 54) \_\_\_\_\_  
 A) Research and development B) Design  
 C) Customer service D) Marketing
- 55) A company decision as to where to locate a new store would be considered 55) \_\_\_\_\_  
 A) customer service. B) research and development.  
 C) marketing. D) production.

Use the information below to answer the following question(s).

Farm Fresh Dairy provided the following expense information for May:

Assembly-line workers' wages	\$72,000
Caps for milk bottles	2,000
Reconfiguring the assembly line	155,000
Customer support hotline	8,000
Delivery expenses	17,000
Depreciation on factory equipment	81,000
Plastic milk bottles	52,000
Salaries of salespeople	63,000
Salaries of research scientists	84,000
Customer toll-free order line	4,000

- 56) What is the total cost of research and development at Farm Fresh Dairy? 56) \_\_\_\_\_  
 A) \$239,000 B) \$84,000 C) \$155,000 D) \$88,000
- 57) What is the total cost for the production category of the value chain at Farm Fresh Dairy? 57) \_\_\_\_\_  
 A) \$200,000 B) \$205,000 C) \$126,000 D) \$207,000
- 58) What is the total cost for the design category of the value chain at Farm Fresh Dairy? 58) \_\_\_\_\_  
 A) \$155,000 B) \$84,000 C) \$88,000 D) \$239,000
- 59) What is the total cost for the distribution category of the value chain at Farm Fresh Dairy? 59) \_\_\_\_\_  
 A) \$19,000 B) \$29,000 C) \$17,000 D) \$21,000
- 60) What is the total cost for the marketing category of the value chain at Farm Fresh Dairy? 60) \_\_\_\_\_  
 A) \$92,000 B) \$67,000 C) \$71,000 D) \$63,000
- 61) What is the total cost for the customer service category of the value chain at Farm Fresh Dairy? 61) \_\_\_\_\_  
 A) \$80,000 B) \$71,000 C) \$12,000 D) \$8,000

Use the information below to answer the following question(s).

Sunnybrook Orange Groves processes a variety of fresh juices. The company has the following expenses for July:

Depreciation expense on bottling machines	\$63,000
Glass juice bottles	\$54,000
Commissions for salespeople	\$27,000
Salaries of nutrition researchers	\$89,000
Cost of maintaining website used for customer orders	\$4,000
Wages of factory workers	\$75,000
Freshness seals/caps for juice bottles	\$3,000
Reconfigure the factory layout	\$102,000
Customer help line	\$2,000
Cost of refrigerated trucks used to deliver juice	\$17,000

- 62) What is the total cost for the research and development category of the value chain at Sunnybrook Orange Groves? 62) \_\_\_\_\_  
 A) \$191,000                      B) \$93,000                      C) \$102,000                      D) \$89,000
- 63) What is the total cost for the production category of the value chain at Sunnybrook Orange Groves? 63) \_\_\_\_\_  
 A) \$436,000                      B) \$195,000                      C) \$54,000                      D) \$293,000
- 64) What is the total cost for the design category of the value chain at Sunnybrook Orange Groves? 64) \_\_\_\_\_  
 A) \$177,000                      B) \$191,000                      C) \$102,000                      D) \$89,000
- 65) What is the total cost for the distribution category of the value chain at Sunnybrook Orange Groves? 65) \_\_\_\_\_  
 A) \$21,000                      B) \$19,000                      C) \$17,000                      D) \$20,000
- 66) What is the total cost for the marketing category of the value chain at Sunnybrook Orange Groves? 66) \_\_\_\_\_  
 A) \$33,000                      B) \$27,000                      C) \$31,000                      D) \$29,000
- 67) What is the total cost for the customer service category of the value chain at Sunnybrook Orange Groves? 67) \_\_\_\_\_  
 A) \$6,000                      B) \$31,000                      C) \$2,000                      D) \$29,000

Use the information below to answer the following question(s).

Lucas Family Orange Groves processes a variety of fresh juices. The company has the following expenses for July:

Wages of factory workers	\$86,000
Freshness seals/caps for juice bottles	\$5,000
Reconfiguring the factory layout	\$102,000
Customer help line	\$14,000
Costs of refrigerated trucks used to deliver juice	\$17,000
Depreciation expense on bottling machines	\$29,000
Glass juice bottles	\$17,000
Commissions for salespeople	\$36,000
Salaries of nutrition researchers	\$114,000
Costs of maintaining website used for customer orders	\$4,000

- 68) What is the total cost for the customer service category of the value chain at Lucas Family Orange Groves? 68) \_\_\_\_\_  
 A) \$18,000 B) \$14,000 C) \$45,000 D) \$4,000
- 69) What is the total cost for the production category of the value chain at Lucas Family Orange Groves? 69) \_\_\_\_\_  
 A) \$132,000 B) \$141,000 C) \$108,000 D) \$137,000
- 70) What is the total cost for the research and development category of the value chain at Lucas Family Orange Groves? 70) \_\_\_\_\_  
 A) \$114,000 B) 216,000 C) 118,000 D) 102,000
- 71) What is the total cost for the design category of the value chain at Lucas Family Groves? 71) \_\_\_\_\_  
 A) \$216,000 B) \$102,000 C) \$4,000 D) \$106,000
- 72) What is the total cost for the marketing category of the value chain at Lucas Family Orange Groves? 72) \_\_\_\_\_  
 A) \$40,000 B) \$57,000 C) \$36,000 D) \$53,000
- 73) What is the total cost for the distribution category of the value chain at Lucas Family Orange Groves? 73) \_\_\_\_\_  
 A) \$21,000 B) \$4,000 C) \$17,000 D) \$47,000
- 74) Delivery expenses are charged to which of the following areas? 74) \_\_\_\_\_  
 A) Customer service B) Marketing  
 C) Distribution D) Production or purchases
- 75) A product support hot line would be considered 75) \_\_\_\_\_  
 A) production or purchases. B) marketing.  
 C) customer service. D) distribution.



- 76) Place the six business functions in the order they appear along the value chain: 76) \_\_\_\_\_
- A = Customer service  
 B = Design  
 C = Distribution  
 D = Production or purchases  
 E = Research and Development  
 F = Marketing
- A) A, C, D, B, F, E                      B) A, E, B, D, C, F  
 C) E, B, A, D, F, C                      D) E, B, D, F, C, A
- 77) Which function of the value chain incorporates the most opportunity to create sustainability for manufacturing companies? 77) \_\_\_\_\_
- A) Research & development                      B) Marketing  
 C) Design                      D) Distribution

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

- 78) Place the value chain elements in the normal order by numbering them from 1 to 6. 78) \_\_\_\_\_
- \_\_\_\_\_ Design  
 \_\_\_\_\_ Customer Service  
 \_\_\_\_\_ Marketing  
 \_\_\_\_\_ Research and Development  
 \_\_\_\_\_ Distribution  
 \_\_\_\_\_ Production or Purchases
- 79) List the correct value chain element for each of the business functions described below. 79) \_\_\_\_\_
- Delivery of finished goods to customer
  - Investigating a potential new product
  - Laying out the production process for a new product
  - Answering customer questions after the sale
  - Promoting a product at a trade show
  - Resource used to make a product
- 80) List the correct value chain element for each of the costs incurred by Bombardier Recreatic 80) \_\_\_\_\_
- Products.
- \$5,000 to ship a truck load of snow mobiles to a retailer
  - \$50,000 spent reviewing market data to determine the feasibility of a new snow mobil
  - \$150,000 in engineering costs to design a new production line
  - \$50,000 on a call centre to take call from customers
  - \$10,000 to attend a powersports trade show
  - \$12,000 for sheet metal use to form the frame of a snow mobile

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

- 81) Name and briefly describe the activities that make up the value chain.

- 82) Provide a description of an activity or process that a company could undertake to integrate sustainability into the value chain.

**MATCHING. Choose the item in column 2 that best matches each item in column 1.**

Match the following:

- |   |                             |           |
|---|-----------------------------|-----------|
| 83) Cost of a commercial during a TV program              | A) Distribution             | 83) _____ |
| 84) Cost of shipping goods to customers                   | B) Marketing                | 84) _____ |
| 85) Costs associated with repairing costs under warrantee | C) Customer Service         | 85) _____ |
| 86) Costs of developing a new produce                     | D) Production               | 86) _____ |
| 87) Cost of making a prototype of a new product           | E) Research and Development | 87) _____ |
| 88) Cost of labour for machine operator in factory        | F) Design                   | 88) _____ |

Match the following:

- |   |                             |           |
|---|-----------------------------|-----------|
| 89) Depreciation expense on store fixtures                        | A) Production or purchases  | 89) _____ |
| 90) Cost of repairing a product under warrantee                   | B) Distribution             | 90) _____ |
| 91) Cost of testing a new material for use in an existing product | C) Research and Development | 91) _____ |
| 92) Architect's fee for designing a new factory building          | D) Design                   | 92) _____ |
| 93) Cost of new robot to be used in the assembly plant            | E) Customer Service         | 93) _____ |
| 94) Delivery of products and services                             | F) Marketing                | 94) _____ |
| 95) Detailed engineering plans for products                       |                             | 95) _____ |

96) Payment to sponsor a racing team	A) Production or purchases	96) _____
97) Investigating a potential new process for producing a product	B) Design	97) _____
98) Repairing a customer's purchase at no charge	C) Marketing	98) _____
99) Research on whether the store should expand their product line	D) Customer Service	99) _____
100) Purchases of merchandise	E) Distribution	100) _____
101) Rearranging the store layout	F) Research and Development	101) _____
102) Advertising on the local TV channel		102) _____
103) Cost of having merchandise delivered to the store		103) _____
104) Salaries of sales persons		104) _____
105) Depreciation on manufacturing equipment		105) _____
106) Parts for monitors being manufactured		106) _____
107) Delivery expense to customers		107) _____
108) Rearrange the production process to accommodate new equipment		108) _____
109) Customer support hot line		109) _____
110) Salaries for the engineers who developed a new process		110) _____
111) Toll free line for customer orders		111) _____
112) Assembly line workers' wages		112) _____

- |   |                            |            |
|---|----------------------------|------------|
| 113) Cost of having raw materials delivered to the factory        | A) Customer Service        | 113) _____ |
| 114) Customer complaint department                                | B) Design                  | 114) _____ |
| 115) Factory machine controller software                          | C) Production or purchases | 115) _____ |
| 116) Consultant fees for redesign of the company's billing system | D) Marketing               | 116) _____ |
| 117) Sponsorship of a local youth ball team                       | E) Distribution            | 117) _____ |
| 118) Purolator charges for returning completed files to clients   |                            | 118) _____ |
| 119) Purchase of printer supplies                                 |                            | 119) _____ |

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

- |  |            |
|--|------------|
| 120) If a company wants to determine a product's cost, they must assign only direct costs. | 120) _____ |
| 121) Costs can be either direct or indirect, depending upon the cost object.               | 121) _____ |
| 122) Indirect costs can be traced to specific units.                                       | 122) _____ |
| 123) Indirect costs cannot be traced to the cost objects, so they are allocated.           | 123) _____ |
| 124) Direct costs are allocated to cost objects.   | 124) _____ |

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

- |   |                       |
|---|-----------------------|
| 125) When determining the cost of a manufactured product, a factory janitor's wages would be classified as        | 125) _____            |
| A) a direct cost.   | B) an indirect cost.  |
| C) a period cost.   | D) a conversion cost. |
| 126) When determining the cost of a manufactured product, the cost of lighting the factory would be classified as | 126) _____            |
| A) a direct cost.   | B) an indirect cost.  |
| C) a period cost.   | D) a conversion cost. |

- 127) The determination of a cost as being either direct or indirect depends upon 127) \_\_\_\_\_  
 A) the cost object chosen to determine its individual costs.  
 B) the cost tracing system.  
 C) the accounting system.  
 D) the allocation system.
- 128) Cost tracing is 128) \_\_\_\_\_  
 A) the assignment of direct costs to the chosen cost object.  
 B) the assignment of both direct and indirect costs associated with a cost object.  
 C) the process of determining the actual cost of the cost object.  
 D) a function of cost allocation.

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

- 129) What is the meaning of the term "cost object"? Give an example of a cost object that would be used in a manufacturing company, a merchandising company, and a service sector company.
- 130) What is meant by assigning costs to a cost object?

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

- 131) For a sporting goods store, identify whether the costs listed below would be considered direct or indirect costs of the bicycle department 131) \_\_\_\_\_  
 a. Wages for checkout clerks  
 b. Cost of bicycle parts stocked  
 c. Wages for sales clerks in the bicycle department  
 d. Wages for warehouse workers  
 e. Cost of utilities for the store

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

- 132) What are the differences between direct costs and indirect costs? Give an example of each.

**MATCHING. Choose the item in column 2 that best matches each item in column 1.**

Match the following:

- |   |                  |            |
|---|------------------|------------|
| 133) Butcher's salary                                 | A) Direct cost   | 133) _____ |
| 134) Cost of meat                                     | B) Indirect cost | 134) _____ |
| 135) Store utilities                                  |                  | 135) _____ |
| 136) Paper, trays and plastic wrap for packaging meat |                  | 136) _____ |

Match the following:

137) Seats	A) Indirect cost	137) _____
138) Assembly workers wages	B) Direct cost	138) _____
139) Plant utilities		139) _____
140) Production supervisors salaries		140) _____
141) Engine blocks and transaxles		141) _____
142) Depreciation on forklifts		142) _____
143) Property tax on production facility		143) _____
144) Machine operators' health insurance		144) _____

Samson Manufacturing has four manufacturing cost pools and many types of costs, some of which are e listed below. Match the type of cost with the most appropriate cost pool or as a period cost.

145) Amortization on buildings and equipment	A) Cost pool - direct factory labour	145) _____
146) Fringe benefits for factory workers	B) Period cost	146) _____
147) Idle time wages	C) Cost pool - indirect factory operating costs	147) _____
148) Lubricants for machines	D) Cost pool - indirect factory labour	148) _____
149) Night security		149) _____
150) Factory worker overtime premiums		150) _____
151) Factory worker overtime premiums		151) _____
152) Property insurance on the factory		152) _____
153) Property taxes on the administration office		153) _____
154) Safety hats and shoes		154) _____
155) Factory supervisors' salaries		155) _____
156) Utilities on the administrative building		156) _____
157) Utilities on the factory		157) _____

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

158) An inventoriable cost could be the cost of the marketing and distribution of a product.	158) _____
159) Most companies use two definitions of cost - "inventoriable product cost" and "total cost"	159) _____
160) Inventoriable product costs consist of manufacturing overhead, direct labour and direct materials.	160) _____
161) Total costs include the costs of all resources used through out the value chain	161) _____
162) A prime cost consists of direct labour and factory overhead.	162) _____

163) IFRS and ASPE allow manufacturers to use total costs in determining the value of inventory and cost of goods sold 163) \_\_\_\_\_

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

164) Which of the following is a period cost for a manufacturer? 164) \_\_\_\_\_  
A) Freight out B) Direct labour  
C) Manufacturing overhead D) Direct materials

165) Period costs are 165) \_\_\_\_\_  
A) the same as indirect costs.  
B) expensed only when the inventory is sold.  
C) always considered part of the inventory.  
D) always recorded as an expense.

166) Which of the following is an inventoriable cost? 166) \_\_\_\_\_  
A) Marketing expenses B) Research and development expenses  
C) Direct labour expenses D) Distribution expenses

167) Which of the following is not an inventoriable cost? 167) \_\_\_\_\_  
A) Janitorial costs incurred in the factory  
B) Direct labour expenses  
C) The President's salary  
D) Maintenance costs for production machinery

168) Which of the following describes full costs for a product for profitability analysis? 168) \_\_\_\_\_  
A) Full product costs include all costs of the value chain.  
B) Full product costs do not include non-manufacturing costs.  
C) Full product costs consist of direct materials, direct labour and manufacturing overhead.  
D) Full product costs are narrower in scope than inventoriable product costs.

169) Inventoriable product costs for a manufactured product include 169) \_\_\_\_\_  
A) sales commissions on selling the product.  
B) the costs of direct materials, direct labour and manufacturing overhead.  
C) the costs of direct materials and direct labour only.  
D) marketing and research and development costs.

170) Which of the following statements describes inventoriable product costs? 170) \_\_\_\_\_  
A) They do not include prime costs.  
B) They include marketing and distribution costs.  
C) They are used for external reporting purposes.  
D) They are expensed on the income statement when incurred.



- 171) Where would period costs be found on the financial statements? 171) \_\_\_\_\_  
A) Under current assets on the balance sheet  
B) As operating expenses on the income statement for a previous period  
C) Under current liabilities on the balance sheet  
D) As operating expenses on the income statement in the period incurred
- 172) Where could product costs be found on the financial statements? 172) \_\_\_\_\_  
A) Under current assets and as cost of goods sold  
B) As operating expenses on the income statement in the previous period  
C) Under current liabilities on the balance sheet  
D) Under current liabilities and as operating expenses on the income statement
- 173) Which of the following statements is correct concerning product costs? 173) \_\_\_\_\_  
A) Product costs are shown with operating expenses on the income statement.  
B) Product costs are expensed in the period incurred.  
C) Product costs are expensed in the period the related product is sold.  
D) Product costs are shown with current liabilities on the balance sheet.
- 174) \_\_\_\_\_ costs include all costs associated with the production of a product. 174) \_\_\_\_\_  
A) Direct                      B) Overhead                      C) Inventoriable                      D) Mixed
- 175) Manufacturing overhead costs for a product include 175) \_\_\_\_\_  
A) prime costs.                      B) operating expenses.  
C) indirect manufacturing costs.                      D) direct material.
- 176) When do inventoriable costs become expenses? 176) \_\_\_\_\_  
A) When the manufacturing process begins  
B) When direct materials are purchased  
C) When the manufacturing process is completed  
D) When the product is sold
- 177) For a manufactured product, indirect materials and indirect labour are 177) \_\_\_\_\_  
A) overhead and product costs.                      B) operating and product costs.  
C) overhead and period costs.                      D) operating and period costs.
- 178) Manufacturers consider selling and administrative costs to be 178) \_\_\_\_\_  
A) period costs.                      B) conversion costs.  
C) inventoriable costs.                      D) prime costs.

- 179) When manufacturing products, which of the following is an example of a period cost? 179) \_\_\_\_\_  
A) Property taxes on the plant  
B) Depreciation expense on factory equipment  
C) Indirect materials used in the factory  
D) Advertising expense
- 180) When manufacturing products, which of the following is an example of an inventoriable cost? 180) \_\_\_\_\_  
A) Depreciation on office equipment      B) Depreciation on factory equipment  
C) Depreciation on store building      D) Sales salaries expenses
- 181) When manufacturing products, direct labour and direct materials are classified as 181) \_\_\_\_\_  
A) product costs and expensed when incurred.  
B) period costs and expensed when the goods are sold.  
C) product costs and expensed when the goods are sold.  
D) period costs and expensed when incurred.
- 182) Certain materials used in a manufacturing plant cannot be traced to a specific unit. These 182) \_\_\_\_\_  
materials are called \_\_\_\_\_ materials.  
A) indirect      B) direct      C) general      D) finished
- 183) Rent on a factory building would be considered to be 183) \_\_\_\_\_  
A) a direct cost.      B) a product cost.  
C) a period cost.      D) administrative overhead.
- 184) Which element in the value chain would contain inventoriable costs for a manufacturer? 184) \_\_\_\_\_  
A) Distribution      B) Research and development  
C) Design      D) Production
- 185) Prime costs consist of 185) \_\_\_\_\_  
A) direct labour and manufacturing overhead.  
B) direct materials and manufacturing overhead.  
C) direct materials and direct labour.  
D) direct materials, direct labour and manufacturing overhead.
- 186) Conversion costs consist of 186) \_\_\_\_\_  
A) direct materials and direct labour.  
B) direct labour and manufacturing overhead.  
C) direct materials, direct labour and manufacturing overhead.  
D) direct materials and manufacturing overhead.

- 187) Which of the following is an example of direct labour? 187) \_\_\_\_\_
- A) Salary of the vice-president of operations
  - B) Wages of assembly line personnel
  - C) Salary of a production manager
  - D) Wages of factory security
- 188) Which statement describes direct materials in a manufacturing setting? 188) \_\_\_\_\_
- A) Direct materials do not become part of the finished product.
  - B) Direct materials cannot be separately and conveniently traced.
  - C) Direct materials are used to determine total inventoriable product costs.
  - D) Direct materials are used to determine total manufacturing overhead.
- 189) In a manufacturing plant, which type of employee wage is an example of indirect labour? 189) \_\_\_\_\_
- A) Salesperson's commissions
  - B) Plant manager's salary
  - C) Machine operator's wages
  - D) Chief operating officer's salary
- 190) Which of the following are classified as manufacturing overhead? 190) \_\_\_\_\_
- A) All materials
  - B) Direct materials and direct labour
  - C) Indirect labour and indirect materials
  - D) Factory rent and direct labour
- 191) Which of the following is an example of overhead in a factory? 191) \_\_\_\_\_
- A) Salaries of salespersons
  - B) Wages of administrators in the corporate office
  - C) Wages of factory maintenance personnel
  - D) Wages of machine operators

Use the information below to answer the following question(s).

Uniquely Me Shoppe, a clothing retailer, had the following total costs as grouped by value chain element:

Research and development	\$53,000
Design	\$17,000
Purchases	\$99,000
Marketing	\$42,000
Distribution	\$68,000
Customer service	\$27,000

- 192) What were the inventoriable costs at the Uniquely Me Shoppe? 192) \_\_\_\_\_
- A) \$17,000
  - B) \$169,000
  - C) \$116,000
  - D) \$99,000
- 193) What were the period costs at the Uniquely Me Shoppe? 193) \_\_\_\_\_
- A) \$110,000
  - B) \$306,000
  - C) \$137,000
  - D) \$207,000

Use the information below to answer the following question(s).

Comfy Furniture Company manufactures furniture at its Windsor, Ontario, factory. Some of its costs from the past year include:

Depreciation on sales office	\$11,000
Depreciation on factory equipment	\$16,000
Factory supervisor salary	\$52,500
Sales commissions	\$23,000
Lubricants used in factory equipment	\$3,000
Insurance costs for factory	\$21,000
Wages paid to maintenance workers	\$115,000
Fabric used to upholster furniture	\$7,000
Freight-in (on raw materials)	\$2,500
Costs of delivery to customers	\$9,000
Wages paid to assemblyline workers	\$132,500
Lumber used to build product	\$72,000
Utilities in factory	\$44,500
Utilities in sales office	\$26,500

- 194) Product costs for Comfy Furniture Company totaled \_\_\_\_\_  
 A) \$482,000.      B) \$442,500.      C) \$466,000.      D) \$351,000.
- 195) Period costs for Comfy Furniture Company totaled \_\_\_\_\_  
 A) \$69,500.      B) \$46,500.      C) \$121,000.      D) \$43,000.
- 196) Prime costs for Comfy Furniture Company totaled \_\_\_\_\_  
 A) \$332,000.      B) \$79,000.      C) \$214,000.      D) \$211,500.
- 197) Conversion costs for Comfy Furniture Company totaled \_\_\_\_\_  
 A) \$214,000.      B) \$319,500.      C) \$460,500.      D) \$384,500.
- 198) Direct material costs for Comfy Furniture Company totaled \_\_\_\_\_  
 A) \$79,000.      B) \$7,000.      C) \$72,000.      D) \$81,500.
- 199) Direct labour costs for Comfy Furniture Company totaled \_\_\_\_\_  
 A) \$132,500.      B) \$115,000.      C) \$300,000.      D) \$323,000.
- 200) Manufacturing overhead costs for Comfy Furniture Company totaled \_\_\_\_\_  
 A) \$122,000.      B) \$252,000.      C) \$324,000.      D) \$228,000.

Use the information below to answer the following question(s).

Country Furniture Company manufactures furniture at its Halifax, Nova Scotia, factory. Some of its costs from the past year i

Depreciation on sales office	\$10,000
Depreciation on factory equipment	\$15,000
Factory supervisor salary	\$60,500
Sales commissions	\$25,000
Lubricants used in factory equipment	\$4,500
Insurance costs for factory	\$21,000
Wages paid to maintenance workers	\$105,000
Fabric used to upholster furniture	\$30,000
Freight-in (on raw materials)	\$3,000
Costs of delivery to customers	\$8,000
Wages paid to assemblyline workers	\$155,500
Lumber used to build product	\$82,000
Utilities in factory	\$44,500
Utilities in sales office	\$26,000

- 201) Prime costs for Country Furniture Company totaled 201) \_\_\_\_\_  
A) \$247,500. B) \$270,500. C) \$92,000. D) \$368,500.
- 202) Direct material costs for Country Furniture Company totaled 202) \_\_\_\_\_  
A) \$95,000. B) \$82,000. C) \$115,000. D) \$10,000.
- 203) Direct labour costs for Country Furniture Company totaled 203) \_\_\_\_\_  
A) \$155,500. B) \$270,500. C) \$115,000. D) \$206,000.
- 204) Manufacturing overhead costs for Country Furniture Company totaled 204) \_\_\_\_\_  
A) \$269,000. B) \$272,000. C) \$104,500. D) \$250,500.
- 205) Conversion costs for Country Furniture Company totaled 205) \_\_\_\_\_  
A) \$250,500. B) \$405,500. C) \$362,500. D) \$504,500.

Use the information below to answer the following question(s).

Rustic Living Furniture Company manufactures furniture at its Saskatoon Saskatchewan factory. Some of its costs from the p include:

Wages paid to maintenance workers	\$60,000
Fabric used to upholster furniture	\$8,000
Wages paid to assembly-line workers	\$100,000
Lumber used to build product	\$15,000
Sales commissions	\$7,500
Insurance costs for factory	\$21,000
Freight-in (on raw materials)	\$3,000
Utilities in factory	\$12,000
Factory supervisor salary	\$60,000
Depreciation on factory equipment	\$18,000
Utilities in sales office	\$26,500
Costs of delivery to customers	\$8,000
Depreciation on sales office	\$1,000
Lubricants used in factory equipment	\$500

- 206) Prime costs for Rustic Living Furniture Company totaled 206) \_\_\_\_\_  
A) \$123,000. B) \$168,500. C) \$126,000. D) \$23,000.
- 207) Conversion for Rustic Living Furniture Company totaled 207) \_\_\_\_\_  
A) \$272,500. B) \$215,500. C) \$271,500. D) \$275,500.
- 208) Direct material for Rustic Living Furniture Company totaled 208) \_\_\_\_\_  
A) \$15,000. B) \$23,000. C) \$18,000. D) \$26,000.
- 209) Direct labour for Rustic Living Furniture Company totaled 209) \_\_\_\_\_  
A) \$107,500. B) \$160,000. C) \$220,000. D) \$100,000.
- 210) Manufacturing overhead for Rustic Living Furniture Company totaled 210) \_\_\_\_\_  
A) \$206,000. B) \$198,000. C) \$174,500. D) \$171,500.

Use the information below to answer the following question(s).

First Sporting Equipment manufactures sporting goods. Selected costs from the past year include:

Plastics used to make products	\$151,000
Heating and lighting costs for factory	\$73,000
Factory janitor wages	\$67,000
Costs of shipping to customers	\$11,000
Lubricants used in factory equipment	\$2,000
Lighting costs for sales office	\$17,000
Depreciation on factory equipment	\$23,000
Office supplies for sales office	\$4,000
Insurance costs for factory	\$15,000
Maintenance worker wages	\$99,000
Freight-in (on plastics)	\$8,000
Aluminum used to make products	\$175,000
Assembly-line worker wages	\$142,000
Salaries of salespeople	\$84,000

211) Inventoriable product costs for First Sporting Equipment totaled 211) \_\_\_\_\_  
A) \$827,000. B) \$732,000. C) \$620,000. D) \$755,000.

212) Period costs for First Sporting Equipment totaled 212) \_\_\_\_\_  
A) \$32,000. B) \$99,000. C) \$116,000. D) \$201,000.

Use the information below to answer the following question(s).

Bombardeer, an auto manufacturer, incurred the following costs last month (in thousands of dollars).

Interior assemblies	\$540
Depreciation on administrative offices	280
Assembly workers' wages	1,340
Plant utilities	290
Production supervisors' salaries	150
Engine and body parts and assemblies	2,500
Machine lubricants	75
Property tax on corporate offices	40
Cost of warranty repairs	450
Factory janitors' wages	90
Cost of designing new plant layout	360
Machine operators health insurance	130
Depreciation on forklifts	210
TOTAL	\$6,455

213) The total manufacturing overhead costs for Bombardeer are 213) \_\_\_\_\_  
A) \$1,095. B) \$815. C) \$525. D) \$945.

- |  |            |
|--|------------|
| 214) The total inventoriable product costs costs for Bombardeer are  | 214) _____ |
| A) \$5,325.                      B) \$4,120.                      C) \$5,195.                      D) \$3,840. |            |
| 215) The total prime costs for Bombardeer are  | 215) _____ |
| A) \$3,040.                      B) \$4,510.                      C) \$4,455.                      D) \$4,380. |            |
| 216) The total conversion costs for Bombardeer are   | 216) _____ |
| A) \$2,565.                      B) \$2,285.                      C) \$2,155.                      D) \$1,470. |            |
| 217) The total period costs for Bombardeer are   | 217) _____ |
| A) \$1,260.                      B) \$1,130.                      C) \$770.                      D) \$1,090.   |            |

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

- 218) Differentiate between:  
    A. Direct materials versus indirect materials  
    B. Direct labour versus indirect labour

**MATCHING. Choose the item in column 2 that best matches each item in column 1.**

Match the following:

- |  |   |            |
|--|---|------------|
| 219) Insurance on the plant building                 | A) Inventoriable product cost, direct materials       | 219) _____ |
| 220) Cost of shipping the furniture to the customers | B) Inventoriable product cost, direct labour          | 220) _____ |
| 221) Assembly line workers' wages                    | C) Period cost  | 221) _____ |
| 222) Depreciation on plant equipment                 | D) Inventoriable product cost, manufacturing overhead | 222) _____ |
| 223) Salespersons' salaries                          |   | 223) _____ |
| 224) Cost of various types of wood                   |   | 224) _____ |
| 225) Insurance on delivery trucks                    |   | 225) _____ |
| 226) Plant forklift operator's salary                |   | 226) _____ |



Match the following:

227) Direct materials used in factory	A) Period	227) _____
228) Factory utilities	B) Product	228) _____
229) Salespersons' commissions		229) _____
230) Salary of plant manager		230) _____
231) Indirect materials used in factory		231) _____
232) Depreciation expense on store equipment		232) _____
233) Indirect labour incurred in factory		233) _____
234) Advertising expense		234) _____
235) Direct labour incurred in factory		235) _____
236) Factory machinery repairs and maintenance		236) _____
237) Depreciation expense on factory machinery		237) _____
238) Supplies used in store		238) _____
239) Plant insurance expired		239) _____

Match the following:

240) Rent expense on factory building	A) Direct labour	240) _____
241) Sales supplies used	B) Selling and general expenses	241) _____
242) Factory supplies used	C) Direct materials	242) _____
243) Indirect materials used	D) Manufacturing overhead	243) _____
244) Wages of assembly line personnel		244) _____
245) Cost of primary material used to make product		245) _____
246) Depreciation expense on office equipment		246) _____
247) Rent expense on office facilities		247) _____
248) Insurance expired on factory equipment		248) _____
249) Utilities incurred in the office		249) _____
250) Advertising expense		250) _____
251) Taxes paid on factory building		251) _____

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

252) The income statements of manufacturing companies are much less complex than those of service or merchandising companies.	252) _____
253) The financial statements of a merchandiser are more complex than those of a manufacturer.	253) _____
254) Service companies have the simplest accounting with regard to the income statement.	254) _____
255) Cost of goods sold is a major expense of service companies.	255) _____
256) The schedule of cost of goods manufactured is prepared before the income statement for a manufacturing company.	256) _____

257) Total manufacturing costs include direct materials and direct labour, but not manufacturing overhead. 257) \_\_\_\_\_

258) Total manufacturing costs include direct materials, direct labour, and manufacturing overhead. 258) \_\_\_\_\_

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

259) Which of the following is calculated last before operating income can be determined for a manufacturer? 259) \_\_\_\_\_

- A) Cost of goods manufactured
- B) Cost of goods available for sale
- C) Cost of goods sold
- D) Cost of direct materials

260) The main difference in the balance sheets of manufacturing vs. service business is in 260) \_\_\_\_\_

- A) investments.
- B) equity.
- C) current liabilities.
- D) current assets.

261) Which of the following would be on the balance sheet of a service company? 261) \_\_\_\_\_

- A) Factory equipment depreciation
- B) Accounts receivable
- C) Cost of goods manufactured
- D) Cost of goods sold

262) Which of the following would be on the income statement of a retailer? 262) \_\_\_\_\_

- A) Accounts receivable
- B) Cost of goods sold
- C) Accounts payable
- D) Value of inventory

263) Which of the following costs would appear on the income statements for both a merchandiser and manufacturer? 263) \_\_\_\_\_

- A) Cost of goods manufactured
- B) Direct materials used
- C) Operating expenses
- D) Direct labour incurred

264) A merchandiser's purchases are equivalent to a manufacturer's 264) \_\_\_\_\_

- A) cost of goods manufactured.
- B) work in process inventory.
- C) raw materials inventory.
- D) cost of goods sold.

Use the information below to answer the following question(s).

Olde Tyme Beverage Company's operating activities for the year are listed below.

Purchases	\$132,000
Operating expenses	80,000
Beginning Inventory	12,000
Ending inventory	16,000
Sales revenue	275,000

- 265) What is the cost of goods available for sale at the Olde Tyme Beverage Company? 265) \_\_\_\_\_  
 A) \$63,000 B) \$144,000 C) \$128,000 D) \$132,000
- 266) What is the cost of goods sold for the year at the Olde Tyme Beverage Company? 266) \_\_\_\_\_  
 A) \$128,000 B) \$144,000 C) \$132,000 D) \$63,000
- 267) What is the gross profit for the year at the Olde Tyme Beverage Company? 267) \_\_\_\_\_  
 A) \$195,000 B) \$147,000 C) \$143,000 D) \$67,000

Use the information below to answer the following question(s).

Towpath Tennis & Recreation's operating activities for the year are listed below:

Purchases	\$150,000
Operating expenses	62,000
Beginning Inventory	27,000
Ending inventory	32,000
Sales revenue	302,000

- 268) What is the cost of goods available for sale at Towpath Tennis & Recreation? 268) \_\_\_\_\_  
 A) \$150,000 B) \$90,000 C) \$145,000 D) \$177,000
- 269) What is the cost of goods sold for the year at Towpath Tennis & Recreation? 269) \_\_\_\_\_  
 A) \$90,000 B) \$150,000 C) \$145,000 D) \$177,000
- 270) What is the gross profit for the year at Towpath Tennis & Recreation? 270) \_\_\_\_\_  
 A) \$152,000 B) \$240,000 C) \$95,000 D) \$157,000
- 271) Which of the following, in addition to cost of goods manufactured, is needed to compute the cost of goods sold for a manufacturer? 271) \_\_\_\_\_  
 A) Ending finished goods less beginning finished goods  
 B) Beginning finished goods less ending finished goods  
 C) Beginning work in process inventory less ending work in process inventory  
 D) Ending work in process inventory less beginning work in process inventory

- 272) For a manufacturer, beginning work in process would be equal to \_\_\_\_\_
- A) cost of goods manufactured - ending work in process inventory + manufacturing costs incurred in the period.
  - B) manufacturing costs incurred in the period - ending work in process inventory.
  - C) cost of goods manufactured + ending work in process inventory - manufacturing costs incurred in the period.
  - D) ending work in process inventory + manufacturing costs incurred in the period.

Use the information below to answer the following question(s).

Express Company reports the following data for its first year of operation.

Cost of goods manufactured	\$475,000
Work in process inventory, beginning	0
Work in process inventory, ending	140,000
Direct materials used	110,000
Manufacturing overhead	185,000
Finished goods inventory, ending	101,000

- 273) What are the total manufacturing costs to account for at Express Company? \_\_\_\_\_
- A) \$615,000
  - B) \$529,000
  - C) \$475,000
  - D) \$295,000
- 274) What is the cost of goods sold at Express Company? \_\_\_\_\_
- A) \$374,000
  - B) \$475,000
  - C) \$770,000
  - D) \$514,000

Use the information below to answer the following question(s).

Active Apparel Company reports the following data for its first year of operation.

Cost of goods manufactured	\$500,000
Work in process inventory, beginning	0
Work in process inventory, ending	120,000
Direct materials used	85,000
Manufacturing overhead	100,000
Finished goods inventory, ending	72,000

- 275) What are the total manufacturing costs to account for at Active Apparel Company? \_\_\_\_\_
- A) \$493,000
  - B) \$620,000
  - C) \$685,000
  - D) \$500,000
- 276) What is the cost of goods sold at Active Apparel Company? \_\_\_\_\_
- A) \$500,000
  - B) \$428,000
  - C) \$548,000
  - D) \$685,000
- 277) Direct labour for a company was \$132,000; manufacturing overhead was \$275,000; and direct materials were \$253,000. Conversion costs would total \_\_\_\_\_
- A) \$385,000.
  - B) \$528,000.
  - C) \$407,000.
  - D) \$660,000.

- 278) Direct labour for a company was \$132,000; manufacturing overhead was \$275,000; and direct materials were \$253,000. Prime costs would total \_\_\_\_\_
- A) \$407,000.      B) \$528,000.      C) \$385,000.      D) \$660,000.

Use the information below to answer the following question(s).

Readers Unlimited sells books. The following information summarizes the company's operating expenses for the year:

Purchases	\$90,000
Operating expenses	\$53,000
Beginning merchandise inventory	\$12,000
Ending merchandise inventory	\$15,000
Sales revenue	\$172,000

- 279) What is the cost of goods available for sale at Readers Unlimited? \_\_\_\_\_
- A) \$102,000      B) \$82,000      C) \$105,000      D) \$87,000
- 280) What is operating income at Readers Unlimited? \_\_\_\_\_
- A) \$32,000      B) \$29,000      C) \$87,000      D) \$93,000
- 281) What is gross profit at Readers Unlimited? \_\_\_\_\_
- A) \$32,000      B) \$119,000      C) \$82,000      D) \$85,000

Use the information below to answer the following question(s).

Summerville Company sells office supplies. The following information summarizes the company's operating activities for the

Utilities for the store	\$8,000
Sales commissions	11,000
Sales revenue	151,000
Purchases of merchandise	73,000
January 1 inventory	27,000
Rent for store	12,000
December 31 inventory	23,000

- 282) What is cost of goods sold at Summerville Company? \_\_\_\_\_
- A) \$77,000      B) \$93,000      C) \$100,000      D) \$73,000
- 283) What is operating income at Summerville Company? \_\_\_\_\_
- A) \$143,000      B) \$58,000      C) \$43,000      D) \$47,000
- 284) What is gross profit at Summerville Company? \_\_\_\_\_
- A) \$82,000      B) \$74,000      C) \$58,000      D) \$43,000
- 285) What is total operating expense at Summerville Company? \_\_\_\_\_
- A) \$20,000      B) \$31,000      C) \$23,000      D) \$19,000

Use the information below to answer the following question(s).

Back Yards Inc. sells lawn furniture. The following information summarizes the company's operating expenses for the year:

Purchases	\$101,000
Operating expenses	\$75,000
Beginning merchandise inventory	\$32,000
Ending merchandise inventory	\$37,000
Sales revenue	\$257,000

- 286) What was cost of goods sold at Back Yards Inc.? 286) \_\_\_\_\_  
 A) \$81,000 B) \$96,000 C) \$133,000 D) \$106,000
- 287) What was gross profit at Back Yards Inc.? 287) \_\_\_\_\_  
 A) \$156,000 B) \$182,000 C) \$(171,000) D) \$161,000
- 288) What was operating income for the year at Back Yards Inc.? 288) \_\_\_\_\_  
 A) \$86,000 B) \$76,000 C) \$96,000 D) \$81,000
- 289) What was the value of goods available for sale at Back Yards Inc.? 289) \_\_\_\_\_  
 A) \$156,000 B) \$138,000 C) \$133,000 D) \$96,000

Use the information below to answer the following question(s).

Selected financial information for Sunnydale Manufacturing is presented in the following table (000s omitted).

Sales revenue	\$4,000
Purchases of direct materials	500
Direct labour	450
Manufacturing overhead	620
Operating expenses	700
Beginning raw materials inventory	150
Ending raw materials inventory	170
Beginning work in process inventory	320
Ending work in process inventory	310
Beginning finished good inventory	250
Ending finished goods inventory	200

- 290) What was direct materials used at Sunnydale Manufacturing? 290) \_\_\_\_\_  
 A) \$520 B) \$480 C) \$500 D) \$650
- 291) What was cost of goods manufactured at Sunnydale Manufacturing? 291) \_\_\_\_\_  
 A) \$1,560 B) \$1,550 C) \$1,540 D) \$1,580
- 292) What was cost of goods sold at Sunnydale Manufacturing? 292) \_\_\_\_\_  
 A) \$1,570 B) \$1,510 C) \$1,610 D) \$680

293) What was operating income at Sunnydale Manufacturing? 293) \_\_\_\_\_  
 A) \$4,000 B) \$1,690 C) \$3,300 D) \$2,430

294) Selected information regarding a company's most recent quarter follows (all data in thousands). 294) \_\_\_\_\_

Beginning work in process inventory	\$130
Cost of goods manufactured	\$320
Direct materials used	\$170
Direct labour	\$90
Ending work in process inventory	\$140

What was manufacturing overhead for the quarter?  
 A) \$310 B) \$60 C) \$260 D) \$70

295) Selected information regarding a company's most recent quarter follows (all data in thousands). 295) \_\_\_\_\_

Direct labour	\$450
Beginning work in process inventory	\$320
Ending work in process inventory	\$310
Cost of goods manufactured	\$1,560
Manufacturing overhead	\$620

What was direct materials used for the quarter?  
 A) \$1,570 B) \$460 C) \$480 D) \$770

296) Selected information regarding a company's most recent quarter follows (all data in thousands). 296) \_\_\_\_\_

Operating expenses	\$700
Gross profit	\$2,390
Sales revenue	\$4,000
Ending finished goods inventory	\$200
Cost of goods manufactured	\$1,560

What was cost of goods sold?  
 A) \$1,060 B) \$1,740 C) \$860 D) \$1,610

297) Selected information regarding a company's most recent quarter follows (all data in thousands). 297) \_\_\_\_\_

Operating expenses	\$700
Gross profit	\$2,390
Sales revenue	\$4,000
Ending finished goods inventory	\$200
Cost of goods manufactured	\$1,560

What was the beginning finished goods inventory?  
 A) \$250 B) \$1,060 C) \$860 D) \$1,740



298) Selected information regarding a company's most recent quarter follows (all data in thousands).

298) \_\_\_\_\_

Sales revenue	\$4,000
Beginning raw materials inventory	\$150
Direct materials used	\$350
Purchases of direct materials	\$500
Direct labour	\$450
Manufacturing overhead	\$620

What was the ending raw materials inventory?

A) \$970

B) \$350

C) \$850

D) \$300

Use the information below to answer the following question(s).

Montreal Industries Inc. had the following activities during the year:

Direct materials:	
Beginning inventory	\$50,000
Purchases	154,000
Ending inventory	26,000
Direct manufacturing labour	40,000
Manufacturing overhead	30,000
Ending work-in-process inventory	10,000
Beginning work-in-process inventory	2,000
Ending finished goods inventory	40,000
Beginning finished goods inventory	60,000

299) What is Montreal's cost of direct materials used during the year?

299) \_\_\_\_\_

A) \$204,000

B) \$128,000

C) \$178,000

D) \$218,000

300) What is Montreal's cost of goods manufactured during the year?

300) \_\_\_\_\_

A) \$240,000

B) \$248,000

C) \$268,000

D) \$238,000

301) What is Montreal's cost of goods sold during the year?

301) \_\_\_\_\_

A) \$232,000

B) \$200,000

C) \$260,000

D) \$240,000

Use the information below to answer the following question(s).

Frazer Inc. had the following activities in the year:

Direct materials:	
Beginning inventory	\$100,000
Purchases	308,000
Ending inventory	52,000
Direct manufacturing labour	80,000
Manufacturing overhead	60,000
Ending work in process inventory	20,000
Beginning work in process inventory	4,000
Ending finished goods inventory	80,000
Beginning finished goods inventory	120,000

302) What is Frazer's cost of goods manufactured? 302) \_\_\_\_\_  
 A) \$536,000 B) \$496,000 C) \$476,000 D) \$480,000

303) What is Frazer's cost of goods sold? 303) \_\_\_\_\_  
 A) \$520,000 B) \$440,000 C) \$464,000 D) \$400,000

Use the information below to answer the following question(s).

Ontario Industries Inc. had the following activities during the year:

Direct materials:	
Beginning inventory	\$40,000
Purchases	165,000
Ending inventory	32,000
Direct manufacturing labour	46,000
Manufacturing overhead	?
Ending work-in-process inventory	12,000
Beginning work-in-process inventory	?
Ending finished goods inventory	?
Beginning finished goods inventory	80,000
Cost of goods manufactured	242,000
Manufacturing costs incurred	248,000
Cost of goods sold	247,000
Total manufacturing costs to account for	254,000

304) What is the amount of Ontario Industries Inc.'s ending finished goods inventory? 304) \_\_\_\_\_  
 A) \$70,000 B) \$75,000 C) \$55,000 D) \$65,000

305) What is the amount of the manufacturing overhead incurred at Ontario Industries Inc.? 305) \_\_\_\_\_  
 A) \$29,000 B) \$35,000 C) \$41,000 D) \$23,000

- 306) What is the amount of the beginning work-in-process inventory at Ontario Industries Inc.?  
 A) \$5,000                      B) \$12,000                      C) \$6,000                      D) \$1,000

306) \_\_\_\_\_

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

- 307) Use the appropriate letter(s) to indicate if the following costs would be found on the income statement of a:  
 A. service company.  
 B. merchandising company.  
 C. manufacturing company.

307) \_\_\_\_\_

You may use more than one letter for each answer.

\_\_\_\_\_ Revenue  
 \_\_\_\_\_ Salaries expense  
 \_\_\_\_\_ Customer service expense  
 \_\_\_\_\_ Cost of goods manufactured  
 \_\_\_\_\_ Cost of goods sold

- 308) Compute the missing amounts.

308) \_\_\_\_\_

	Miami Company	Orlando Company
Sales	\$200,000	(D)
Cost of Goods Sold		
Beginning Inventory	(A)	60,000
Purchases and Freight In	118,000	(E)
Cost of goods available for sale	(B)	180,000
Ending Inventory	4,000	4,000
Cost of goods sold	120,000	(F)
Gross Margin	80,000	224,000
Selling and Administrative Expenses	(C)	170,000
Operating Income	24,000	(G)

- 309) Dino Company sells collectibles. The following information summarizes Dino's operating activities for the most recent year:

309) \_\_\_\_\_

Merchandise inventory, beginning	\$10,000
Merchandise inventory, ending	7,000
Purchases	95,000
Operating expenses	65,000
Sales revenue	180,000

Required: Prepare an income statement for the most recent year.

- 310) Swirzoff Company sells office supplies. The following information summarizes Swirzoff's operating activities for the past year: 310) \_\_\_\_\_

Utilities for store	6,000
Rent for store	8,000
Sales commissions	4,500
Purchases of merchandise	54,000
Inventory, ending	20,500
Inventory, beginning	30,000
Sales revenue	108,000

Required: Prepare an income statement for Swirzoff Company, a merchandiser, for the year ended December 31.

- 311) South State Company used \$71,000 of direct materials and incurred \$37,000 of direct labor costs during 2014. Indirect labour amounted to \$2,700 while indirect materials used totaled \$1,600. Other operating costs pertaining to the factory included utilities of \$3,100; maintenance of \$4,500; supplies of \$1,800; depreciation expense of \$7,900; and property taxes of \$2,600. There was no beginning or ending finished goods inventory, but work in process inventory began the year with a \$5,500 balance and ended the year with a \$7,500 balance. 311) \_\_\_\_\_

Required: Prepare a schedule of cost of goods manufactured for South State Company for year ended December 31.

- 312) The following information is available for the Petree Corporation for last year: 312) \_\_\_\_\_
- Raw materials inventory decreased \$4,000 from the beginning of the year to the end of year.
  - Raw materials inventory on December 31(end of year) was 50% of raw materials inventory on January 1 (beginning of year).
  - Beginning work in process inventory was \$145,000.
  - Ending finished goods inventory was \$65,000.
  - Purchases of direct materials were \$154,700.
  - Manufacturing overhead was 50% of the cost of direct labour.
  - Total manufacturing costs incurred were \$246,400, 80% of cost of goods manufactured \$156,000 less than cost of goods sold.

Compute:

- Finished goods inventory on January 1(beginning of year)
- Work in process inventory on December 31(end of year)
- Direct labour incurred
- Manufacturing overhead incurred
- Direct materials used
- Raw materials inventory on January 1(beginning of year)
- Raw materials inventory on December 31(end of year)

Note to students: The solutions to this problem are not necessarily calculated in alphabetic order.

- 313) The following amounts were taken from the general ledger of the Excellent Manufacturing Company. Compute the cost of goods manufactured and the cost of goods sold for the company for the year. 313) \_\_\_\_\_

Raw materials inventory beg. of year	\$50,000	Depreciation- plant & equipment	
Raw materials inventory end of year	56,000	Repairs and maintenance plant	
Work in process inv- beg. of year	100,000	Insurance on plant	
Work in process inv- end of year	70,000	General and administration exp.	
Finished goods inv- beg. of year	36,000	Indirect labour	
Finished goods inv- end of year	50,000	Direct labour	
Purchase of direct materials	30,000	Marketing expenses	

- 314) Makeit, a start-up manufacturing company, had a bookkeeper who left suddenly, leaving rather incomplete accounting records for the last month of his employment. You have been hired to sort out the puzzle. Assume Makeit's raw materials inventory contains only direct materials. You have the following information available: 314) \_\_\_\_\_

Work in process inventory, April 30	\$3,000
Finished goods inventory, April 1	8,600
Direct labour in April	6,000
Purchases of direct material in April	18,000
Work in process inventory, April 1	0
Revenues in April	54,000
Gross profit in April	24,000
Direct materials used in April	16,000
Raw materials inventory, April 30	6,000
Manufacturing overhead in April	12,600

Find the following amounts:

- Cost of goods sold in April.
- Beginning raw materials inventory.
- Ending finished goods inventory.

- 315) Buildit, a start-up manufacturing company, had a bookkeeper who left suddenly, leaving rather incomplete accounting records for the last month of his employment. You have been hired to sort out the puzzle. Assume Buildit's raw materials inventory contains only direct materials. You have the following information available:

315) \_\_\_\_\_

Work in process inventory, April 30	\$4,200
Finished goods inventory, April 1	9,300
Direct labour in April	5,000
Purchases of direct material in April	12,000
Work in process inventory, April 1	1,000
Revenues in April	42,000
Gross profit in April	19,000
Direct materials used in April	14,000
Raw materials inventory, April 30	4,500
Manufacturing overhead in April	8,200

Find the following amounts:

- A. Cost of goods sold in April.
- B. Beginning raw materials inventory.
- C. Ending finished goods inventory.

- 316) Homeco, a start-up manufacturing company, had a bookkeeper who left suddenly, leaving rather incomplete accounting records for the last month of his employment. You have been hired to sort out the puzzle. Assume Homeco's raw materials inventory contains only direct materials. You have the following information available:

316) \_\_\_\_\_

Work in process inventory, May 30	\$9,300
Finished goods inventory, May 1	12,000
Direct labour in April	13,100
Purchases of direct material in May	26,900
Work in process inventory, May 1	3,200
Revenues in May	61,000
Gross profit in May	27,500
Direct materials used in May	31,600
Raw materials inventory, May 30	9,800
Manufacturing overhead in May	17,300

Find the following amounts:

- A. Cost of goods sold in May.
- B. Beginning raw materials inventory.
- C. Ending finished goods inventory.

- 317) Redat, a start-up manufacturing company, had a bookkeeper who left suddenly, leaving rather incomplete accounting records for the last month of his employment. You have been hired to sort out the puzzle. Assume Redat's raw materials inventory contains only direct materials. You have the following information available:

317) \_\_\_\_\_

Work in process inventory, June 30	\$6,400
Finished goods inventory, June 1	12,600
Direct labour in June	11,000
Purchases of direct material in June	14,600
Work in process inventory, June 1	2,900
Revenues in June	62,000
Gross profit in June	21,000
Direct materials used in June	17,300
Raw materials inventory, June 30	5,600
Manufacturing overhead in June	19,400

Find the following amounts:

- A. Cost of goods sold in June.
- B. Beginning raw materials inventory.
- C. Ending finished goods inventory.

318) Certain item descriptions and amounts are missing from the monthly schedule of cost of goods manufactured below and the income statement of Schredlink Manufacturing. Fill in the missing items.

318) \_\_\_\_\_

Schredlink Manufacturing Company			
a. _____			
b. _____ July 31			
Beginning c. _____			\$ 42,000
Add: Direct d. _____			
Beginning raw materials inventory	\$ e. _____		
Purchases of direct materials	102,000		
f. _____	156,000		
Ending raw materials inventory	(46,000)		
Direct g. _____		\$ h. _____	
Direct i. _____		j. _____	
Manufacturing overhead		40,000	
Total k. _____ costs l. _____			332,000
Total m. _____ costs n. _____			o. _____
Less: Ending p. _____			(50,000)
q. _____			r. _____

Schredlink Manufacturing Company			
s. _____			
t. _____ July 31			
Sales revenue			\$ u. _____
Cost of goods sold:			
Beginning v. _____		\$ 230,000	
w. _____		x. _____	
Cost of goods y. _____		z. _____	
Ending aa. _____		bb. _____	
Cost of goods sold			418,000
Gross Profit			508,000
cc. _____ expenses:			
Marketing expense		198,000	
Administrative expense		dd. _____	308,000
ee. _____ income			\$ ff. _____



319) Certain item descriptions and amounts are missing from the monthly schedule of cost of goods manufactured below and the income statement of HiHoist Manufacturing. Fill in the missing items.

319) \_\_\_\_\_

HiHoist Manufacturing Company			
a. _____			
b. _____ July 31			
Beginning c. _____			\$ 58,000
Add: Direct d. _____			
Beginning raw materials inventory	\$ e. _____		
Purchases of direct materials	116,000		
f. _____	165,000		
Ending raw materials inventory	(51,000)		
Direct g. _____		\$ h. _____	
Direct i. _____		j. _____	
Manufacturing overhead		60,000	
Total k. _____ costs l. _____			359,000
Total m. _____ costs n. _____			o. _____
Less: Ending p. _____			(58,000)
q. _____			r. _____

HiHoist Manufacturing Company			
s. _____			
t. _____ July 31			
Sales revenue			\$ u. _____
Cost of goods sold:			
Beginning v. _____		\$ 263,000	
w. _____		x. _____	
Cost of goods y. _____		z. _____	
Ending aa. _____		bb. _____	
Cost of goods sold			431,000
Gross Profit			527,000
cc. _____ expenses:			
Marketing expense		212,000	
Administrative expense		dd. _____	332,000
ee. _____ income			\$ ff. _____

320) Certain item descriptions and amounts are missing from the monthly schedule of cost of goods manufactured below and the income statement of Redlink Manufacturing. Fill in the missing items.

320) \_\_\_\_\_

Schredlink Manufacturing Company			
a. _____			
b. _____ July 31			
Beginning c. _____			\$ 22,000
Add: Direct d. _____			
Beginning raw materials inventory	\$ e. _____		
Purchases of direct materials	56,000		
f. _____	81,000		
Ending raw materials inventory	(25,000)		
Direct g. _____		\$ h. _____	
Direct i. _____		j. _____	
Manufacturing overhead		21,000	
Total k. _____ costs l. _____			168,000
Total m. _____ costs n. _____			o. _____
Less: Ending p. _____			(27,000)
q. _____			r. _____

Schredlink Manufacturing Company			
s. _____			
t. _____ July 31			
Sales revenue			\$ u. _____
Cost of goods sold:			
Beginning v. _____		\$ 117,000	
w. _____		x. _____	
Cost of goods y. _____		z. _____	
Ending aa. _____		bb. _____	
Cost of goods sold			213,000
Gross Profit			261,000
cc. _____ expenses:			
Marketing expense		101,000	
Administrative expense		dd. _____	157,000
ee. _____ income			\$ ff. _____

- 321) Eschliman Manufacturing Company had the following account balances for the quarter ended September 30, unless otherwise noted: 321) \_\_\_\_\_

Amortization of manufacturing equipment	\$88,000
Amortization of office equipment	41,200
Direct manufacturing labour	160,000
Direct materials used	126,000
Finished goods inventory (July 1)	180,000
Finished goods inventory (September 30)	170,000
General office expenses	101,800
Indirect manufacturing labour	62,000
Indirect materials used	28,000
Marketing distribution costs	10,000
Miscellaneous plant overhead	45,000
Plant utilities	30,800
Property taxes on plant building	9,600
Property taxes on salespersons' company vehicles	4,000
Work-in-process inventory (July 1)	46,800
Work-in-process inventory (September 30)	57,000

Required:

- Prepare a cost of goods manufactured schedule for the quarter.
- Prepare a cost of goods sold schedule for the quarter.

- 322) The following information is taken from the records of Britton Company for March: 322) \_\_\_\_\_

Purchases:	
Direct materials	\$9,000,000
Indirect materials	200,000
Office supplies	420,000
Sales	36,000,000
Salaries and Benefits:	
Selling and administrative	4,000,000
Direct manufacturing labour	6,000,000
Rent*	4,000,000
Utilities*	1,200,000
Advertising	700,000

Inventories:	<u>March 1</u>	<u>March 31</u>
Direct materials	\$4,400,000	\$1,600,000
Indirect materials	500,000	600,000
Office supplies	150,000	180,000
Finished goods	24,000,000	16,000,000

\* Of these costs, 60 percent are assigned to manufacturing and 40 percent to selling and administration.

Required:

- Prepare a schedule of cost of goods manufactured.
- Prepare an income statement for the month.

323) Manitoba Industries Inc. had the following account balances at the end of the current year 323) \_\_\_\_\_

Direct materials:	
Beginning inventory	\$13,000
Purchases	?
Ending inventory	17,000
Direct manufacturing labour	?
Manufacturing overhead	28,000
Cost of goods manufactured	210,000
Beginning work-in-process inventory	11,000
Ending finished goods inventory	17,000
Beginning finished goods inventory	?
Ending work-in-process inventory	?
Manufacturing costs incurred	213,000
Cost of goods sold	215,000
Total manufacturing costs to account for	224,000
Direct materials used	118,000

Required:

Determine the amounts for direct material purchases, direct manufacturing labour, ending work-in-process inventory, and beginning finished goods inventory.

324) In 202x Steve opened Steve's Toys, a retail shop selling toys for children. On December 31, 202x Steve's Toys had the following account balances in its General Ledger. 324) \_\_\_\_\_

Inventory	\$	8,000
Sales Revenue	\$	112,000
Store Rental	\$	12,000
Purchases of merchandise	\$	92,000
Salaries	\$	20,000

Prepare an Income Statement for Steve's Toys for the year ended December 31, 202x. You need to include a statement of cost of goods sold.

325) In 202x Charlie opened Chuck's Toy Factory to manufacture wooden toys for children. At December 31, 202x Chuck's Toy Factory has the following amounts listed in its General Le 325) \_\_\_\_\_

Raw Materials Inventory	\$	5,000
Work In Process Inventory	\$	15,000
Finished Goods Inventory	\$	8,000
Sales Revenue	\$	250,000
Direct Labour	\$	42,000
Rent for Factory	\$	20,000
Equipment Depreciation	\$	22,000
Utilities for Factory	\$	15,000
Purchases of Raw Materials	\$	80,000
Sales Commissions	\$	20,000
Rent for Office Space	\$	12,000

Required:

- 1 Calculate the Cost of Goods Manufactured
- 2 Prepare an Income Statement for Chuck's Toy Factory

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

326) Differential cost is the difference in cost between two alternatives. 326) \_\_\_\_\_

327) Decision making is guided only by differential costs. 327) \_\_\_\_\_

328) Irrelevant factors should be considered when making decisions. 328) \_\_\_\_\_

329) You are trying to decide whether or not to sell back your accounting textbook at the end of the class. The cost you paid for the book is relevant to your decision. 329) \_\_\_\_\_

330) Sunk costs are a major part of the decision making process. 330) \_\_\_\_\_

331) Costs resulting from product design are locked in. 331) \_\_\_\_\_

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

332) \_\_\_\_\_ information is that which differs between alternatives and can affect the future. 332) \_\_\_\_\_  
 A) Irrelevant                      B) Predictable                      C) Historical                      D) Relevant

333) Which of the following represents a sunk cost? 333) \_\_\_\_\_  
 A) A historical cost that is always relevant  
 B) An outlay expected to be incurred in the future  
 C) A cost that is relevant to any decision  
 D) A historical cost that is never relevant

- 334) Subtracting the costs of one alternative from the costs of the other alternative would be called the \_\_\_\_\_ cost. 334) \_\_\_\_\_  
A) alternative B) differential C) sunk D) imported
- 335) When deciding to buy a new computer, the irrelevant cost is the 335) \_\_\_\_\_  
A) cost of the old computer.  
B) warranty on the new computer.  
C) games that come with the new computer.  
D) cost of the new computer.
- 336) When making a decision to buy a new computer, the irrelevant costs are the 336) \_\_\_\_\_  
A) relevant costs. B) sunk costs.  
C) differential costs. D) qualitative characteristics.
- 337) A company is deciding whether to purchase production equipment which can produce units more quickly than the current equipment. Which of the following costs would be relevant to its decision? 337) \_\_\_\_\_  
A) The original purchase price of the current machinery  
B) The cost of raw materials  
C) The cost of the new equipment  
D) The salary of the factory manager
- 338) A restaurant is facing a decision about whether it should bake its own dinner rolls or whether it should continue to purchase the dinner rolls from a local bakery. Which of the following costs would be relevant to its decision? 338) \_\_\_\_\_  
A) The purchase price of the dinner rolls purchased from the local bakery  
B) The price the restaurant sells the dinner rolls for  
C) The salary of the restaurant manager  
D) The original purchase price of the current machinery
- 339) A company is deciding whether to purchase hybrid cars for its salespeople or gasoline-engine cars. Which of the following costs is irrelevant to its decision? 339) \_\_\_\_\_  
A) The purchase price of the gasoline-engine model  
B) The book value of the current fleet of sales vehicles  
C) The purchase price of the hybrid model  
D) The cost per gallon of gasoline
- 340) Which of the following costs would be considered uncontrollable (in the short term) for the management of a company? 340) \_\_\_\_\_  
A) Marketing costs B) A customer service call centre  
C) Property taxes on the plant D) Research and Development costs

341) Jansen Industries is considering replacing a machine that is presently used in its production process. The following information is available:

341) \_\_\_\_\_

	Old Machine	Replacement Machine
Original cost	\$25,000	\$35,000
Remaining useful life in years	1	5
Current age in years	5	0
Book value	\$5,000	
Current disposal value in cash	\$3,000	
Future disposal value in cash (in 5 years)	\$0	\$2,000
Annual cash operating costs	\$7,000	\$4,000

Which of the information provided in the table is irrelevant to the replacement decision?

- A) The annual operating cost of the old machine
- B) The future disposal value of the replacement machine
- C) The remaining useful life of the old machine
- D) The original cost of the old machine
- E) The current disposal value of the old machine

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

342) Hanson Industries is considering replacing a machine that is presently used in the production of an product that it will sell for only the next 5 years. The following information is available:

342) \_\_\_\_\_

	Old Machine	Replacement Machine
Original cost	\$25,000	\$50,000
Remaining useful life in years	5	10
Current age in years	5	0
Book value	\$12,000	
Current disposal value in cash	\$15,000	
Future disposal value in cash (in 5 years)	\$10,000	\$15,000
Annual cash operating costs	\$7,000	\$4,000

What is the differential cost between the two machines over the next 5 years (ignore the time value of money)?

- 343) Hanson Industries is considering replacing a machine that is presently used in the production of an product that it will sell for only the next 5 years. The following information is available:

343) \_\_\_\_\_

	Old Machine	Replacement Machine
Original cost	\$25,000	\$40,000
Remaining useful life in years	5	10
Current age in years	5	0
Book value	\$12,000	
Current disposal value in cash	\$15,000	
Future disposal value in cash (in 5 years)	\$7,000	\$15,000
Annual cash operating costs	\$7,000	\$3,500

What is the differential cost between the two machines over the next 5 years (ignore the time value of money)?

- 344) You have the opportunity to attend a Leafs game either at home in Toronto against the Buffalo Sabres or in Buffalo. You can travel to the Toronto game using your weekly TTC bus pass which cost \$36.00 when purchased to travel to school each week. If you attend the game in Buffalo your share of the cost of travelling with a group of friends by car will be \$23.00. The cost of a ticket in Buffalo is \$45.00. In Toronto you will have to acquire the ticket from a scalper for the cost of \$85.00. The cost of hot dogs and beer at the Toronto game will be \$60.00. The same food and beverages in Buffalo will cost \$38.00. You must decide which game to attend.

344) \_\_\_\_\_

Required:

- Which if any of the listed costs above are not relevant to your decision?
- What are the total relevant costs of attending the game in Toronto?
- What are the total relevant costs of attending the game in Buffalo?
- What is the differential cost involved in your decision?



- 345) You are planning to buy a new car. Based on your market research you have narrowed the decision to a choice between a Honda Civic and a Toyota Corolla. Since you are indifferent between the two vehicles you decide to base your decision on relevant cost only. You will be trading in your current vehicle which you purchased used a year ago. You expect to keep the new vehicle for five years. You have gathered the following data for use in your decision:

VEHICLE	HONDA CIVIC	TOYOTA COROLLA
Purchase Price	\$14,990	\$15,450
Insurance (5 years)	\$21,670	\$19,680
Annual operating costs	\$3,800	\$3,800
Purchase price of current vehicle	\$8,000	\$8,000
Trade-in allowance for current vehicle	\$5,600	\$6,300
Sales tax	\$1,220	\$1,190
Expected sales value of new vehicle at end of five years	\$8,300	\$7,100

Required:

- Which if any of the listed costs above are not relevant to your decision?
- What are the total relevant costs and allowances of purchasing the Civic?
- What are the total relevant costs and allowances of purchasing the Corolla?
- What is the differential cost involved in your decision?

- 346) White Water Tours is considering the purchase of a new tour boat. They are faced with choosing between the Wave Runner and the Split Hull models. The boats are comparable in performance and both meet the company's needs equally. Both boats have an expected useful life of five years at which time they will be sold. The following information has been gathered to assist in making the purchase decision:

	WAVE RUNNER	SPLIT HULL
Purchase price	\$110,350	\$121,900
Fuel cost over useful life	29,680	28,430
Insurance cost over useful life	60,000	60,000
Estimated repairs and maintenance	15,490	17,380
Revenue generated over useful life	575,000	575,000
Estimated selling price at end of useful life	22,750	18,500

Required:

- Which if any of the listed costs above are not relevant to your decision?
- What are the total relevant costs of purchasing the Wave Runner?
- What are the total relevant costs of purchasing the Split Hull?
- What is the differential cost involved in your decision?

347) A student is considering whether to finish their university program in four consecutive years or take a year off and work for some extra cash. 347) \_\_\_\_\_

Required:

- a. Identify at least two revenues or costs that are relevant to making this decision. Explain why each is relevant.
- b. Identify at least two costs that would be considered sunk costs for this decision.
- c. Comment on at least one qualitative consideration for this decision.

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

348) Differentiate between relevant and irrelevant costs and give an example using both.

**MATCHING. Choose the item in column 2 that best matches each item in column 1.**

Match the following:

349) Cost of insurance on a new vehicle when evaluating purchase of new vehicle	A) Relevant	349) _____
	B) Irrelevant	
350) Cost of roof repair made on rental property last year when evaluating sale of rental property		350) _____
351) Original cost of old equipment that is being evaluated for replacement		351) _____
352) Cost of new equipment that is under evaluation to replace used equipment		352) _____
353) Accumulated depreciation on old equipment being evaluated for replacement		353) _____
354) Cost of previous year's insurance policy on old equipment being evaluated for replacement		354) _____

Match the following:

- |   |                      |            |
|---|----------------------|------------|
| 355) The combination of direct materials and direct labour                | A) Sunk cost         | 355) _____ |
|   | B) Average cost      |            |
| 356) Costs that change in total in direct proportion to changes in volume | C) Prime costs       | 356) _____ |
|   | D) Indirect cost     |            |
| 357) A cost that relates to the cost object, but cannot be traced to it   | E) Direct costs      | 357) _____ |
|   | F) Differential cost |            |
| 358) A cost that has already been incurred                                | G) Variable costs    | 358) _____ |
|   | H) Marginal cost     |            |

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

- |  |            |
|--|------------|
| 359) Fixed costs stay constant in total over a wide range of activity levels.                  | 359) _____ |
| 360) All costs contain both a fixed and a variable part.                                       | 360) _____ |
| 361) The total cost of a product equals the total fixed costs plus the average variable costs. | 361) _____ |
| 362) A marginal cost is the cost of making one more unit of a product.                         | 362) _____ |
| 363) Average costing should be used to forecast costs at different levels of production.       | 363) _____ |

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

- |  |                   |
|--|-------------------|
| 364) Total variable costs  | 364) _____        |
| A) go down as production decreases.                                |                   |
| B) remain the same as production increases.                        |                   |
| C) remain the same no matter if production increases or decreases. |                   |
| D) remain the same as production decreases.                        |                   |
| 365) The cost of making one more unit is called                    | 365) _____        |
| A) unit cost.  | B) variable cost. |
| C) fixed cost.   | D) marginal cost. |

- 366) Farm Supply plans to make 10,000 tractors at its plant. Fixed costs are \$1,000,000 and variable costs are \$500 per tractor. What is the average cost per tractor? 366) \_\_\_\_\_  
A) \$600 B) \$1,500 C) \$500 D) \$100
- 367) A(n) \_\_\_\_\_ cost is one whose total amount changes in direct proportion to a change in volume. 367) \_\_\_\_\_  
A) mixed B) variable C) fixed D) irrelevant
- 368) Which of the following is an example of a fixed cost for a manufacturer? 368) \_\_\_\_\_  
A) Delivery costs B) Direct materials  
C) Salary of plant manager D) Sales commissions
- 369) Which of the following describes the way in which variable costs per unit behave? 369) \_\_\_\_\_  
A) They will decrease as production decreases.  
B) They will remain the same as production levels change.  
C) They will decrease as production increases.  
D) They will increase as production decreases.
- 370) Which of the following describes the way in which total variable costs behave? 370) \_\_\_\_\_  
A) They remain the same as production levels change.  
B) They will decrease as production decreases.  
C) They will decrease as production increases.  
D) They will increase as production decreases.
- 371) Which of the following describes the way in which total fixed costs behave? 371) \_\_\_\_\_  
A) They will remain the same as production levels change.  
B) They will decrease as production decreases.  
C) They will decrease as production increases.  
D) They will increase as production decreases.
- 372) Which of the following describes the way fixed costs per unit behave? 372) \_\_\_\_\_  
A) They will remain the same as production levels change.  
B) They will decrease as production decreases.  
C) They will increase as production increases.  
D) They will increase as production decreases.
- 373) Variable costs 373) \_\_\_\_\_  
A) decrease per unit as production volume increases.  
B) are fixed in total as production levels change.  
C) vary per unit of output as production levels change.  
D) are fixed per unit and vary in total as productions levels change.

Use the information below to answer the following question(s).

Sanjay Company has monthly fixed costs of \$112,000. The variable costs are \$5.00 per unit. The sales price per unit is \$20.00 and sold 8,000 units.

- 374) Sanjay Company's average fixed costs per unit will be 374) \_\_\_\_\_  
A) \$5.00 per unit. B) \$14.00 per unit.  
C) \$19.00 per unit. D) \$15.00 per unit.
- 375) Sanjay Company's total variable costs will be 375) \_\_\_\_\_  
A) \$40,000. B) \$160,000. C) \$120,000. D) \$112,000.
- 376) Sanjay Company's total sales revenue will be 376) \_\_\_\_\_  
A) \$160,000. B) \$8,000. C) \$120,000. D) \$112,000.

Use the information below to answer the following question(s).

Paris Plastics has monthly fixed costs of \$90,000, while its variable costs are \$4.00 per unit. The sales price per unit is \$16.00 and Plastics sold 12,000 units.

- 377) Paris Plastics' average fixed costs per unit will be 377) \_\_\_\_\_  
A) \$7.50 per unit. B) \$12.00 per unit.  
C) \$4.00 per unit. D) \$11.50 per unit.
- 378) Paris Plastics' total variable costs will be 378) \_\_\_\_\_  
A) \$192,000. B) \$48,000. C) \$90,000. D) \$144,000.
- 379) Paris Plastics' average cost per unit will be 379) \_\_\_\_\_  
A) \$11.50. B) \$7.50. C) \$4.00. D) \$16.00.
- 380) Paris Plastics' total sales revenue will be 380) \_\_\_\_\_  
A) \$144,000. B) \$90,000. C) \$54,000. D) \$192,000.
- 381) A company has fixed costs of \$75,000 per month. If sales double from 5,000 to 10,000 units during the month, fixed costs will 381) \_\_\_\_\_  
A) be cut in half. B) remain the same.  
C) double. D) increase slightly.
- 382) A company produces toy airplanes. If 6,000 toys are produced at a total variable cost of \$126,000, the total variable cost at 4,000 toys will be 382) \_\_\_\_\_  
A) \$126,000. B) \$86,000. C) \$84,000. D) \$210,000.

- 383) Smythe Manufacturing produces food processors. Their total fixed costs are \$50,000. Its variable costs are \$75.00 per food processor. As production of food processors increases, fixed costs will  
 A) decrease per unit as sales increase. B) increase as sales decrease.  
 C) decrease as sales increase. D) stay the same per unit. 383) \_\_\_\_\_
- 384) Smythe Manufacturing produces food processors. Their total fixed costs are \$50,000. Its variable costs are \$75.00 per food processor. As production of food processors increases, total fixed costs will  
 A) stay the same B) increase  
 C) decrease D) stay the same per unit. 384) \_\_\_\_\_
- 385) A company's total costs are calculated by  
 A) subtracting total variable costs from total fixed costs.  
 B) subtracting total fixed costs from total variable costs.  
 C) adding total fixed costs to total variable costs.  
 D) subtracting total fixed costs and total variable costs from sales. 385) \_\_\_\_\_

Use the information below to answer the following question(s).

Macadamia Co. produced and sold 40,000 units last year. Per unit revenue and costs were as follows:

Revenue		\$100.00
Cost of Goods Sold:		
Direct Materials	\$15.00	
Direct Labour	30.00	
Variable Manufacturing Overhead	20.00	
Fixed Manufacturing Overhead	10.00	
Total Cost of Goods Sold		75.00
Gross Margin		\$25.00
Selling and Administrative Costs:		
Sales Commissions (10% of Sales)	\$10.00	
Administrative Salaries	20.00	
Total Selling and Administrative		30.00
Operating Income<Loss>		<\$5.00>

Fixed manufacturing overhead and administrative salaries are fixed costs. The per unit amounts are based on last year's prod

- 386) Calculate last year's operating income when the company produced and sold 40,000 units. 386) \_\_\_\_\_  
 A) \$(500,000)  
 B) \$(200,000)  
 C) \$0  
 D) \$(800,000)  
 E) \$(1,000,000)

387) Calculate this year's operating income if the company plans to produce and sell 50,000 units. 387) \_\_\_\_\_  
A) \$(550,000)  
B) \$0  
C) \$50,000  
D) \$(250,000)  
E) \$250,000

388) Calculate this year's operating income if the company plans to produce and sell 60,000 units. 388) \_\_\_\_\_  
A) \$(300,000)  
B) \$(650,000)  
C) \$300,000  
D) \$0  
E) \$150,000

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

389) Getting to school for your 8 A.M. class doesn't leave much time for breakfast, and you are quite hungry by the time class ends. It is a long walk to the cafeteria, the lines are long once you get there, and you find yourself having to decide between having breakfast and getting to your next class on time. Many of your friends have expressed the same problem. The administration has agreed to let you set up a table just outside the building where you will sell various snacks for \$2 each. You have agreed to pay the administration \$500 per month and salaries to your friends to run the business will be another \$500 per month. It will cost you \$1 each to buy the pre- packaged snacks. You believe you can sell 2,000 snack packs per month. 389) \_\_\_\_\_

a. What are the total fixed costs per month?  
b. What are the total variable costs per month?  
c. What is the fixed cost per snack pack?  
d. What is the variable cost per snack pack?  
e. What is the average cost per snack pack?  
f. What is the average profit margin per snack pack?  
g. Based on your analysis, should you start the snack pack business?

390) The owner of Willy's Wonderful Burger Stand is concerned because the stand has been averaging only 3,000 burger sales per month, the stand and staff can make 6,000 burgers p month. The variable cost of each burger (buns, meat, etc.) is \$2.50. Monthly fixed costs are (taxes, licenses, space rent and salaries) are \$7,500. The owner (Willy Wonderful) wants co information about different volumes so that he can make some operating decisions.

390) \_\_\_\_\_

Required: Fill in the following chart to provide Willy with the information he wants.

Monthly burger sales	2,500	3,000	5,000
Total fixed Costs	\$ _____	\$ _____	\$ _____
Total variable cost	\$ _____	\$ _____	\$ _____
<u>Total costs</u>	\$ _____	\$ _____	\$ _____
Fixed cost per burger	\$ _____	\$ _____	\$ _____
Variable cost per burger	\$ _____	\$ _____	\$ _____
<u>Average cost per burger</u>	\$ _____	\$ _____	\$ _____
Sales price per burger	\$5.00	\$5.00	\$5.00
Average profit per burger	\$ _____	\$ _____	\$ _____

391) The owner of Willy's Wonderful Burger Stand is concerned because the stand has been averaging only 3,000 burger sales per month, the stand and staff can make 6,000 burgers per month. The variable cost of each burger (buns, meat, etc.) is \$2.50. Monthly fixed costs are (taxes, licenses, space rent and salaries) are \$7,500. The owner (Willy Wonderful) believes he could sell 5,000 burgers per month if he cuts the sales price from \$5.00 to \$4.75 per burger. How much extra profit ( above the current level) would he generate if he decreased the sales price?

391) \_\_\_\_\_



- 392) The owner of Fat Man's Sausage Cart is concerned because the stand has been averaging only 5,500 sausage sales per month, the stand and staff can make 7,000 sausages on a bun per month. The variable cost of each sausage (buns, meat, etc.) is \$3.50. Monthly fixed costs are (taxes, licenses, space rent and salaries) are \$10,000. The owner (Big Bob) wants cost information at different volumes so that he can make some operating decisions. 392) \_\_\_\_\_

Required: Fill in the following chart to provide Bob with the information he wants.

Monthly sausage sales	3,000	5,000	7,000
Total fixed Costs	\$ _____	\$ _____	\$ _____
Total variable cost	\$ _____	\$ _____	\$ _____
<u>Total costs</u>	\$ _____	\$ _____	\$ _____
Fixed cost per sausage	\$ _____	\$ _____	\$ _____
Variable cost per sausage	\$ _____	\$ _____	\$ _____
<u>Average cost per sausage</u>	\$ _____	\$ _____	\$ _____
Sales price per sausage	\$7.50	\$7.50	\$7.50
Average profit per sausage	\$ _____	\$ _____	\$ _____

- 393) The owner of Fat Man's Sausage Cart is concerned because the stand has been averaging only 5,500 sausage sales per month, the stand and staff can make 7,000 sausages on a bun per month. The variable cost of each sausage (buns, meat, etc.) is \$3.50. Monthly fixed costs are (taxes, licenses, space rent and salaries) are \$10,000. The owner (Big Bob) believes he could sell 7,000 sausages per month if he cuts the sales price from \$7.50 to \$7.00 per sausage. How much extra profit (above the current level) would he generate if he decreased the sales price? 393) \_\_\_\_\_

- 394) The owner of Spicy's Gourmet Popcorn is concerned because the stand has been averaging sales of only 7,500 cartons per month, the stand and staff can make 15,000 cartons of popcorn per month. The variable cost of each carton is \$1.50. The owner has determined that average fixed costs are (taxes, licenses, space rent and salaries) are \$1.30 per carton at the current level of sales. The owner wants cost information about different volumes so that he can make some operating decisions.

Required: Fill in the following chart to provide Bob with the information he wants.

Monthly carton sales	7,500	10,000	15,000
Total fixed Costs	\$ _____	\$ _____	\$ _____
<u>Total variable cost</u>	\$ _____	\$ _____	\$ _____
<u>Total costs</u>	\$ _____	\$ _____	\$ _____
Fixed cost per carton	\$ _____	\$ _____	\$ _____
<u>Variable cost per carton</u>	\$ _____	\$ _____	\$ _____
<u>Average cost per carton</u>	\$ _____	\$ _____	\$ _____
Sales price per carton	\$5.50	\$5.50	\$5.50
Average profit per carton	\$ _____	\$ _____	\$ _____

- 395) The owner of Spicy's Gourmet Popcorn is concerned because the stand has been averaging sales of only 7,500 cartons per month, the stand and staff can make 15,000 cartons of popcorn per month. The variable cost of each carton is \$1.50. Monthly fixed costs are (taxes, licenses, space rent and salaries) are \$10,000. The owner believes he could sell 15,000 cartons per month if he cuts the sales price from \$5.50 to \$5.00 per carton. How much extra profit (above the current level) would he generate if he decreased the sales price?

396) Big Island Coffee Co. produced and sold 120,000 units last year. Per unit revenue and costs were as follows:

396) \_\_\_\_\_

Revenue		\$35.00
Cost of Goods Sold:		
Direct Materials	\$20.00	
Direct Labour	3.00	
Variable Manufacturing Overhead	2.00	
Fixed Manufacturing Overhead	1.00	
Total Cost of Goods Sold		<u>26.00</u>
Gross Margin		\$9.00
Selling and Administrative Costs:		
Sales Commissions (10% of sales)	\$3.50	
Administrative Salaries	6.00	
Total Selling and Administrative		<u>9.50</u>
Operating Income<Loss>		<\$0.50>

Fixed manufacturing overhead and administrative salaries are fixed costs. The per unit amounts are based on last year's production.

Required:

- 1 Calculate this year's operating income if the company plans to produce and sell 200,000 units.
- 2 Calculate this year's operating income if the company plans to produce and sell 150,000 units.

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

397) Differentiate between fixed and variable costs and give an example of each.

398) Explain the behaviour of fixed and variable costs in terms of cost per unit and in total with respect to changes in volume.

399) How are average cost and marginal cost computed?

**MATCHING. Choose the item in column 2 that best matches each item in column 1.**

Match the following:

400) The total cost divided by the total volume	A) Direct costs	400) _____
401) The difference in cost between two alternative courses of action	B) Variable costs	401) _____
402) The combination of direct labour and manufacturing overhead costs	C) Conversion costs	402) _____
403) The cost of producing one more unit	D) Average cost	403) _____
404) Costs that can be traced to the cost object	E) Indirect cost	404) _____
	F) Sunk cost	_____
	G) Marginal cost	
	H) Differential cost	

## Answer Key

Testname: UNTITLED2

- 1) FALSE
- 2) A
- 3) B
- 4) A
- 5) A
- 6) A
- 7) A
- 8) C
- 9) B
- 10) D
- 11) B
- 12) B
- 13) B
- 14) A
- 15) D
- 16) D
- 17) B
- 18) C
- 19) D
- 20) C
- 21) Service companies sell intangible services such as insurance, consulting and health care. Salaries and wages often are the largest part of their costs. They usually do not have inventory or cost of goods sold accounts, although some service companies will have a small amount of supplies inventory which is used for their own use and not for sale to customers. Merchandising companies resell tangible products they buy from suppliers. Retailers and wholesalers are both types of merchandising companies. Retailers sell to end user consumers, while wholesalers sell to other resellers. Merchandisers have inventory. Manufacturing companies use labour, plant and equipment to convert raw materials into finished products which they sell to other companies. They have three types of inventory - raw materials, work in process, and finished goods.
- 22) Raw materials inventory includes all materials used to make a product including materials that become a part of the product as well as other physical materials used in a plant such as machine lubricants and janitorial supplies. Work in process inventory includes goods that are partway through the manufacturing process but not yet complete. Finished goods inventory includes completed goods that have not yet been sold.
- 23) Many restaurants fall into this category. They are a service company since they serve hungry customers. They are a manufacturer since they convert raw ingredients into finished meals and they are a merchandiser since they sell ready-to-serve bottles of beer and wine.
- 24) Service firms do not have inventory costs because services cannot be produced today and stored up to sell later. They usually do not have inventory. They generally have period costs that are expensed.
- 25) This is a manufacturing company as it has work in process and raw materials inventory.
- 26) This is a merchandising company as it has a fairly large investment in only one type of inventory.
- 27) This is a service company as it has no inventory on its balance sheet.
- 28) C
- 29) B
- 30) A
- 31) C
- 32) A

Answer Key

Testname: UNTITLED2

- 33) C
- 34) C
- 35) D
- 36) A
- 37) A
- 38) G
- 39) B
- 40) TRUE
- 41) FALSE
- 42) FALSE
- 43) TRUE
- 44) TRUE
- 45) TRUE
- 46) TRUE
- 47) TRUE
- 48) A
- 49) C
- 50) C
- 51) A
- 52) A
- 53) B
- 54) B
- 55) C
- 56) B
- 57) D
- 58) A
- 59) C
- 60) B
- 61) D
- 62) D
- 63) B
- 64) C
- 65) C
- 66) C
- 67) C
- 68) B
- 69) D
- 70) A
- 71) B
- 72) A
- 73) C
- 74) C

## Answer Key

Testname: UNTITLED2

75) C

76) D

77) C

78) 2 Design  
6 Customer Service  
4 Marketing  
1 Research and Development  
5 Distribution  
3 Production or Purchases

79) a. Distribution  
b. Research and Development  
c. Design  
d. Customer Service  
e. Marketing  
f. Production

80) a. Distribution  
b. Research and Development  
c. Design  
d. Customer Service  
e. Marketing  
f. Production

81) The value chain consists of research and development, design, production or purchase, marketing, distribution, and customer service. Research and development refers to researching and developing new or improved products or services and the processes for producing them. Design involves the detailed engineering of products and services and the processes for producing them. Production or purchases refers to the resources used to produce a product or service or to purchase finished merchandise intended for resale. Marketing is the promotion and advertising of products or services. Distribution is the delivery of products or services to customers and customer service provides support for customers after the sale.

82) Examples from the text include:  
Researching & Developing environmentally safe packaging.  
Designing the product using life cycle assessment and biomimicry practices.  
Adopting sustainable purchasing practices.  
Marketing with integrity.  
Distributing using fossil-fuel alternatives and carbon offsets.  
Providing customer service past the warranty date.

83) B

84) A

85) C

86) E

87) F

88) D

89) F

90) E

91) C

92) D

93) A

94) B

Answer Key

Testname: UNTITLED2

- 95) D
- 96) C
- 97) F
- 98) D
- 99) F
- 100) A
- 101) B
- 102) C
- 103) A
- 104) C
- 105) A
- 106) A
- 107) E
- 108) B
- 109) D
- 110) F
- 111) E
- 112) A
- 113) C
- 114) A
- 115) C
- 116) B
- 117) D
- 118) E
- 119) C
- 120) FALSE
- 121) TRUE
- 122) FALSE
- 123) TRUE
- 124) FALSE
- 125) B
- 126) B
- 127) A
- 128) A
- 129) A cost object is anything for which a measurement of costs is desired. An example of a cost object for a manufacturing company might be the cost of manufacturing a particular product. An example of a cost object for a merchandising company might be a particular department of a retail store. An example of a cost object for a service sector company might be the cost to serve or supply a particular customer.
- 130) Assigning costs can be thought of as attaching costs to a particular cost objects. Direct costs are traced to the cost object and indirect costs are allocated to the object.



## Answer Key

Testname: UNTITLED2

- 131) a. Indirect
  - b. Direct
  - c. Direct
  - d. Indirect
  - e. Indirect
- 132) *Direct* costs are costs that can be traced easily and economically to the product manufactured or the service rendered. Examples of direct costs include direct materials and direct manufacturing labour used in a product. *Indirect* costs cannot be easily identified in a cost efficient manner (economically) with individual products or services rendered, and are usually assigned using allocation formulas. In a plant that manufactures multiple products, examples of indirect costs include the plant supervisor's salary and the cost of machines used to produce more than one type of product.
- 133) A
- 134) A
- 135) B
- 136) B
- 137) B
- 138) B
- 139) A
- 140) A
- 141) B
- 142) A
- 143) A
- 144) B
- 145) C
- 146) D
- 147) D
- 148) C
- 149) C
- 150) C
- 151) D
- 152) C
- 153) B
- 154) C
- 155) D
- 156) B
- 157) C
- 158) FALSE
- 159) TRUE
- 160) TRUE
- 161) TRUE
- 162) FALSE
- 163) FALSE
- 164) A
- 165) D

Answer Key

Testname: UNTITLED2

- 166) C
- 167) C
- 168) A
- 169) B
- 170) C
- 171) D
- 172) A
- 173) C
- 174) C
- 175) C
- 176) D
- 177) A
- 178) A
- 179) D
- 180) B
- 181) C
- 182) A
- 183) B
- 184) D
- 185) C
- 186) B
- 187) B
- 188) C
- 189) B
- 190) C
- 191) C
- 192) D
- 193) D
- 194) C
- 195) A
- 196) C
- 197) D
- 198) D
- 199) A
- 200) B
- 201) B
- 202) C
- 203) A
- 204) D
- 205) B
- 206) C
- 207) C

Answer Key

Testname: UNTITLED2

208) D

209) D

210) D

211) D

212) C

213) B

214) A

215) B

216) B

217) B

218) Student responses will vary but should include the following points:

A. Direct materials must become a physical part of the finished product and their costs must be separately and conveniently traceable through the manufacturing process to specific units of the finished product. Examples for a furniture manufacturer include wood, leather, steel, etc. Indirect materials become part of the finished product, but their minor costs cannot conveniently be traced directly to individual units of the finished products. They are included as part of manufacturing overhead. Examples for a furniture manufacturer include thread, glue, snaps, etc.

B. Direct labour cost is the compensation of employees who physically convert raw materials into the company's products and whose efforts can be traced directly to specific units of finished goods. Examples for a furniture manufacturer include machine operators and assemblers. Indirect labour is factory labour that is difficult to trace to individual units of specific products. Instead, the cost is included in manufacturing overhead. Examples for a furniture manufacturer include costs for forklift operators, janitors, and plant managers.

219) D

220) C

221) B

222) D

223) C

224) A

225) C

226) D

227) B

228) B

229) A

230) B

231) B

232) A

233) B

234) A

235) B

236) B

237) B

238) A

239) B

240) D

241) B

Answer Key

Testname: UNTITLED2

- 242) D
- 243) D
- 244) A
- 245) C
- 246) B
- 247) B
- 248) D
- 249) B
- 250) B
- 251) D
- 252) FALSE
- 253) FALSE
- 254) TRUE
- 255) FALSE
- 256) TRUE
- 257) FALSE
- 258) TRUE
- 259) C
- 260) D
- 261) B
- 262) B
- 263) C
- 264) A
- 265) B
- 266) A
- 267) B
- 268) D
- 269) C
- 270) D
- 271) B
- 272) C
- 273) A
- 274) A
- 275) B
- 276) B
- 277) C
- 278) C
- 279) A
- 280) A
- 281) D
- 282) A
- 283) C

## Answer Key

Testname: UNTITLED2

284) B

285) B

286) B

287) D

288) A

289) C

290) B

291) A

292) C

293) B

294) D

295) C

296) D

297) A

298) D

299) C

300) A

301) C

302) D

303) A

304) B

305) A

306) C

307) A, B, C Revenue  
A, B, C Salaries expense  
A, B, C Customer service expense  
C Cost of goods manufactured  
B, C Cost of goods sold

308) A) 6,000       $124,000 - 118,000 = 6,000$   
B) 124,000       $120,000 + 4,000 = 124,000$   
C) 56,000       $80,000 - 24,000 = 56,000$   
D) 400,000       $224,000 + 176,000 = 400,000$   
E) 120,000       $180,000 - 60,000 = 120,000$   
F) 176,000       $180,000 - 4,000 = 176,000$   
G) 54,000       $224,000 - 170,000 = 54,000$

Answer Key

Testname: UNTITLED2

309)

Dino Company		
Income Statement		
Year Ended December 31		
Sales revenue		\$180,000
Cost of good sold:		
Beginning inventory	\$10,000	
Purchases	95,000	
Cost of goods available for sale	105,000	
Ending inventory	7,000	
Cost of good sold:		98,000
Gross profit		\$82,000
Selling and administrative expenses		65,000
Operating income		\$17,000

310)

Swirzoff Company		
Income Statement		
Year Ended December 31		
Sales revenue		\$108,000
Cost of goods sold:		
Beginning inventory	\$30,000	
Purchases of merchandise	54,000	
Cost of goods available for sale	84,000	
Ending inventory	20,500	
Cost of goods sold:		63,500
Gross profit		\$44,500
Operating expenses:		
Utilities expense	\$6,000	
Rent expense	8,000	
Sales commissions expense	4,500	18,500
Operating income		\$26,000

Answer Key

Testname: UNTITLED2

311)

South State Company			
Schedule of Cost of Goods Manufactured			
Year Ended December 31			
Beginning work in process inventory			\$ 5,500
Add:			
Direct materials used		\$ 71,000	
Direct labor		37,000	
Manufacturing overhead:			
Indirect labor	\$ 2,700		
Indirect materials	1,600		
Utilities	3,100		
Maintenance	4,500		
Supplies	1,800		
Depreciation expense	7,900		
Property taxes	2,600	24,200	
Total manufacturing costs incurred during the year			132,200
Total manufacturing costs to account for			137,700
Less: Ending work in process inventory			(7,500)
Cost of goods manufactured			<u>\$130,200</u>

- 312) a)  $\text{Cost of goods sold} = \$246,400 + \$156,000 = \$402,400$   
 $\$402,400 + \$65,000 - \$308,000 = \$159,400$
- b)  $\text{Cost of goods manufactured} = \$246,400 / .80 = \$308,000$   
 $\$246,400 + \$145,000 - \$308,000 = \$83,400$
- c)  $\$158,700 + X + 0.5X = \$246,400$   
 $1.5X = \$87,700$   
 $X = \$58,467$
- d)  $\$58,467 \times .5 = \$29,233$
- e)  $\$8,000 + \$154,700 - \$4,000 = \$158,700$
- f)  $X = \text{January 1 materials inventory}$   
 $\$4,000 = .5X$   
 $X = \$8,000$
- g)  $\$8,000 - \$4,000 = \$4,000$

Answer Key

Testname: UNTITLED2

313)

Excellent Manufacturing Company			
Schedule of Cost of Goods Manufactured			
Beginning work in process inventory			\$ 100,000
Add: Direct materials used			
Beginning raw materials inventory	\$ 50,000		
Purchase of direct materials	30,000		
Available for use	80,000		
Ending raw materials inventory	(56,000)		
Direct materials used		\$ 24,000	
Direct labor		164,000	
Manufacturing overhead:			
Indirect labor	\$ 30,000		
Insurance on plant	18,000		
Depreciation - plant & equipment	26,000		
Repairs and maintenance - plant	8,000	82,000	
Total manufacturing costs incurred during the year			270,000
Total manufacturing costs to account for			370,000
Less: Ending work in process inventory			(70,000)
Cost of goods manufactured			\$ 300,000

Excellent Manufacturing Company	
Schedule of Cost of Goods Sold	
Beginning finished goods inventory	\$ 36,000
Cost of goods manufactured*	300,000
Cost of goods available for sale	336,000
Ending finished goods inventory	(50,000)
Cost of good sold	\$ 286,000
*From schedule of cost of goods manufactured	



Answer Key

Testname: UNTITLED2

- 314) A. \$30,000  
B. \$4,000  
C. \$10,200

Calculations:

Beginning work in process inventory			0
Add: Direct materials used			
Beginning raw materials inventory	\$4,000		
Purchase of direct materials	<u>18,000</u>		
Available for use	22,000		
Ending raw materials inventory	(6,000)		
Direct materials used		\$16,000	
Direct labour		6,000	
Manufacturing overhead		<u>12,600</u>	
Total manufacturing costs for the month			<u>34,600</u>
Total manufacturing costs to account for			34,600
Less: ending work in process inventory			<u>(3,000)</u>
Cost of goods manufactured			31,600

Beginning finished goods inventory	\$8,600
+ Cost of goods manufactured	<u>31,600</u>
= Cost of goods available for sale	40,200
- Ending finished goods inventory	<u>(10,200)</u>
= Cost of goods sold	30,000

Answer Key

Testname: UNTITLED2

- 315) A. \$23,000  
B. \$6,500  
C. \$10,300

Calculations:

Beginning work in process inventory			1,000
Add: Direct materials used			
Beginning raw materials inventory	\$6,500		
Purchase of direct materials	<u>12,000</u>		
Available for use	18,500		
Ending raw materials inventory	(4,500)		
Direct materials used		\$14,000	
Direct labour		5,000	
Manufacturing overhead		<u>8,200</u>	
Total manufacturing costs for the month			<u>27,200</u>
Total manufacturing costs to account for			28,200
Less: ending work in process inventory			<u>(4,200)</u>
Cost of goods manufactured			24,000

Beginning finished goods inventory	\$9,300
+ Cost of goods manufactured	<u>24,000</u>
= Cost of goods available for sale	33,300
- Ending finished goods inventory	<u>(10,300)</u>
= Cost of goods sold	\$23,000

Answer Key

Testname: UNTITLED2

- 316) A. \$33,500  
B. \$14,500  
C. \$34,400

Calculations:

Beginning work in process inventory			\$3,200
Add: Direct materials used			
Beginning raw materials inventory	\$14,500		
Purchase of direct materials	<u>26,900</u>		
Available for use		41,400	
Ending raw materials inventory		<u>9,800</u>	
Direct materials used		\$31,600	
Direct labour		13,100	
Manufacturing overhead		<u>17,300</u>	
Total manufacturing costs for the month			<u>62,000</u>
Total manufacturing costs to account for			65,200
Less: ending work in process inventory			<u>(9,300)</u>
Cost of goods manufactured			55,900

Beginning finished goods inventory	\$12,000
+ Cost of goods manufactured	<u>55,900</u>
= Cost of goods available for sale	67,900
- Ending finished goods inventory	<u>(34,400)</u>
= Cost of goods sold	\$33,500

Answer Key

Testname: UNTITLED2

- 317) A. \$41,000  
B. \$8,300  
C. \$15,800

Calculations:

Beginning work in process inventory			\$2,900
Add: Direct materials used			
Beginning raw materials inventory	\$8,300		
Purchase of direct materials	<u>14,600</u>		
Available for use	22,900		
Ending raw materials inventory		<u>5,600</u>	
Direct materials used		17,300	
Direct labour		11,000	
Manufacturing overhead		<u>19,400</u>	
Total manufacturing costs for the month			<u>47,700</u>
Total manufacturing costs to account for			50,600
Less: ending work in process inventory			<u>6,400</u>
Cost of goods manufactured			44,200

Beginning finished goods inventory	\$12,600
+ Cost of goods manufactured	<u>44,200</u>
= Cost of goods available for sale	56,800
- Ending finished goods inventory	<u>15,800</u>
= Cost of goods sold	\$41,000

Answer Key

Testname: UNTITLED2

318)

Schredlink Manufacturing Company a. <i>Schedule of Cost of Goods manufactured</i> b. <i>Month Ended, July 31</i>			
Beginning c. <i>work in progress inventory</i>			\$ 42,000
Add: Direct d. <i>materials used</i>			
Beginning raw materials inventory	\$e. <b>54,000</b>		
Purchases of direct materials	<u>102,000</u>		
f. <i>Available for use</i>	156,000		
Ending raw materials inventory	<u>(46,000)</u>		
Direct g. <i>materials used</i>		\$ h. <b>112,000</b>	
Direct i. <i>labour</i>		j. <b>180,000</b>	
Manufacturing overhead		<u>40,000</u>	
Total k. <i>manufacturing costs l. incurred during the month</i>			<u>332,000</u>
Total m. <i>manufacturing costs n. to account for</i>			o. <b>374,000</b>
Less: Ending p. <i>work in process</i>			(50,000)
q. <i>Cost of goods manufactured</i>			r. <b>\$ 324,000</b>

Schredlink Manufacturing Company s. <i>Income Statement</i> t. <i>Month July 31</i>			
Sales revenue			\$ u. <b>926,000</b>
Cost of goods sold:			
Beginning v. <i>finished goods inventory</i>		\$ 230,000	
w. <i>Cost of goods manufactured</i>		<u>x. 324,000</u>	
Cost of goods y. available for sale		z. <b>554,000</b>	
Ending aa. <i>Finished goods inventory</i>		<u>bb. (136,000)</u>	
Cost of goods sold			<u>418,000</u>
Gross Profit			508,000
cc. <i>Operating expenses:</i>			
Marketing expense		198,000	
Administrative expense		dd. <b>110,000</b>	308,000
ee. <i>Operating income</i>			\$ ff. <b>\$ 200,000</b>

Answer Key

Testname: UNTITLED2

319)

HiHoist Manufacturing Company a. <i>Schedule of Cost of Goods manufactured</i> b. <i>Month Ended, July 31</i>			
Beginning c. <i>work in progress inventory</i>			\$ 58,000
Add: Direct d. <i>materials used</i>			
Beginning raw materials inventory	\$e. <u>49,000</u>		
Purchases of direct materials	<u>116,000</u>		
f. <i>Available for use</i>	165,000		
Ending raw materials inventory	(51,000)		
Direct g. <i>materials used</i>		\$ h. <u>114,000</u>	
Direct i. <i>labour</i>		j. <u>185,000</u>	
Manufacturing overhead		<u>60,000</u>	
Total k. <i>manufacturing costs l. incurred during the month</i>			<u>359,000</u>
Total m. <i>manufacturing costs n. to account for</i>			o. <u>417,000</u>
Less: Ending p. <i>work in process</i>			(58,000)
q. <i>Cost of goods manufactured</i>			r. <u>\$359,000</u>

HiHoist Manufacturing Company s. <i>Income Statement</i> t. <i>Month July 31</i>			
Sales revenue			\$ u. <u>958,000</u>
Cost of goods sold:			
Beginning v. <i>finished goods inventory</i>		\$ 263,000	
w. <i>Cost of goods manufactured</i>		<u>x. 359,000</u>	
Cost of goods y. <i>available for sale</i>		<u>z. 622,000</u>	
Ending aa. <i>Finished goods inventory</i>		bb. <u>(191,000)</u>	
Cost of goods sold			<u>431,000</u>
Gross Profit			527,000
cc. <i>Operating expenses:</i>			
Marketing expense		212,000	
Administrative expense		dd. <u>120,000</u>	332,000
ee. <i>Operating income</i>			\$ ff. <u>\$195,000</u>

Answer Key

Testname: UNTITLED2

320)

Schredlink Manufacturing Company a. <i>Schedule of Cost of Goods manufactured</i> b. <i>Month Ended, July 31</i>			
Beginning c. <i>work in progress inventory</i>			\$ 22,000
Add: Direct d. <i>materials used</i>			
Beginning raw materials inventory	\$e. <u>137,000</u>		
Purchases of direct materials	56,000		
f. <i>Available for use</i>	81,000		
Ending raw materials inventory	(25,000)		
Direct g. <i>materials used</i>		\$ h. <u>56,000</u>	
Direct i. <i>labour</i>		j. <u>91,000</u>	
Manufacturing overhead		21,000	
Total k. <i>manufacturing costs l. incurred during the month</i>			168,000
Total m. <i>manufacturing costs n. to account for</i>			o. <u>190,000</u>
Less: Ending p. <i>work in process</i>			(27,000)
q. <i>Cost of goods manufactured</i>			r. <u>\$163,000</u>

Schredlink Manufacturing Company s. <i>Income Statement</i> t. <i>Month July 31</i>			
Sales revenue			\$ u. <u>474,000</u>
Cost of goods sold:			
Beginning v. <i>finished goods inventory</i>		\$ 117,000	
w. <i>Cost of goods manufactured</i>		x. <u>163,000</u>	
Cost of goods y. available for sale		z. <u>280,000</u>	
Ending aa. <i>Finished goods inventory</i>		bb. <u>(67,000)</u>	
Cost of goods sold			213,000
Gross Profit			261,000
cc. <i>Operating expenses:</i>			
Marketing expense		101,000	
Administrative expense		dd. <u>56,000</u>	157,000
ee. <i>Operating income</i>			\$ ff. <u>\$104,000</u>

Answer Key

Testname: UNTITLED2

321) a.

Eschliman Manufacturing Company  
Cost of Goods Manufactured Schedule  
For the Quarter Ending September 30

Direct materials used		\$126,000
Direct manufacturing labour		160,000
Manufacturing overhead		
Amortization of mfg. equip.	\$88,000	
Indirect mfg. labour	62,000	
Indirect materials	28,000	
Miscellaneous plant overhead	45,000	
Plant utilities	30,800	
Property taxes on building	<u>9,600</u>	<u>263,400</u>
Manufacturing costs incurred		\$549,400
Add beginning work-in-process inventory		46,800
Total manufacturing costs		\$596,200
Less: ending work-in-process inventory		<u>57,000</u>
Cost of goods manufactured		<u><u>\$539,200</u></u>

b.

Eschliman Manufacturing Company  
Cost of Goods Sold Schedule  
For the Quarter Ending September 30

Beginning finished goods inventory	\$180,000
Cost of goods manufactured	<u>539,200</u>
Cost of goods available for sale	\$719,200
Ending finished goods inventory	<u>170,000</u>
Cost of goods sold	<u><u>\$549,200</u></u>



Answer Key

Testname: UNTITLED2

322) a.

Britton Company  
Cost of Goods Manufactured Schedule  
For March

Direct materials:		
Beginning inventory	\$4,400,000	
Purchases of direct materials	<u>9,000,000</u>	
Cost of direct materials available	\$13,400,000	
Ending inventory	<u>1,600,000</u>	
Direct materials used		\$11,800,000
Direct manufacturing labour		6,000,000
Manufacturing overhead:		
Rent (60%)	\$2,400,000	
Utilities (60%)	720,000	
Indirect materials		
(\$200,000 + \$500,000 - \$600,000)	<u>100,000</u>	<u>3,220,000</u>
Cost of goods manufactured		<u><u>\$21,020,000</u></u>

b.

Britton Company  
Income Statement  
For the Month of March

Sales		\$36,000,000
Cost of goods sold		
Beginning inventory	\$24,000,000	
Cost of goods manufactured	<u>21,020,000</u>	
Cost of goods available for sale	\$45,020,000	
Ending inventory	<u>16,000,000</u>	<u>29,020,000</u>
Gross margin		\$6,980,000
Other costs		
Supplies		
(\$420,000 + \$150,000 - \$180,000)	\$390,000	
Selling and administrative salaries	4,000,000	
Rent (40%)	1,600,000	
Utilities (40%)	480,000	
Advertising	<u>700,000</u>	<u>7,170,000</u>
Operating Income <Loss>		<u><u>\$(190,000)</u></u>

# Answer Key

Testname: UNTITLED2

323)	Direct materials:	
	Beginning inventory	\$13,000
	Purchases	122,000
	Ending inventory	17,000
	Direct materials used	\$118,000
	Direct manufacturing labour	67,000
	Manufacturing overhead	28,000
	Manufacturing costs incurred	\$213,000
	Beginning work-in-process inventory	11,000
	Total manufacturing cost to account for	\$224,000
	Ending work-in-process inventory	14,000
	Cost of goods manufactured	<u>\$210,000</u>
	Beginning finished goods inventory	\$22,000
	Cost of goods manufactured	210,000
	Ending finished goods inventory	17,000
	Cost of goods sold	<u>\$215,000</u>

324) Steve's Toys  
Income Statement  
For the year Ending December  
31, 202x

Revenue		\$	112,000
Cost of Goods Sold			
Beginning Inventory	\$	-	
Purchases	\$	92,000	
Goods Available	\$	92,000	
Ending Inventory	\$	8,000	
Cost of Goods Sold		\$	84,000
Gross Profit		\$	28,000
Operating Expenses			
Rent	\$	12,000	
Salaries	\$	20,000	
Total Operating Expenses		\$	32,000
Operating Income (Loss)			<u>-\$4,000</u>

## Answer Key

Testname: UNTITLED2

325) 1	Cost of Goods Manufactured		
	Beginning Work In Process Inventory		\$ -
	Direct Materials Used		
	Beginning Inventory- Raw Materials	\$ -	
	Purchases	\$ 80,000	
	Available for Use	<u>\$ 80,000</u>	
	Ending Raw Materials	<u>\$ 5,000</u>	
	Direct Materials Used		<u>\$ 75,000</u>
	Direct Labour		<u>\$ 42,000</u>
	Manufacturing Overhead		
	Factory Rent	\$ 20,000	
	Equipment Depreciation	\$ 22,000	
	Factory Utilities	\$ 15,000	
	Total Manufacturing Overhead		<u>\$ 57,000</u>
	Total Manufacturing Costs Incurred		<u>\$ 174,000</u>
	Total Manu Costs to Account For		\$ 174,000
	Less Ending Work in Process		<u>\$ 15,000</u>
	Cost of Goods Manufactured		<u>\$ 159,000</u>

2

### Chuck's Toy Factory Income Statement For the year Ending December 31, 202x

Revenue		\$ 250,000
Cost of Goods Sold		
Beginning Finished Goods Inventory	\$ -	
Cost of Goods Manufactured	<u>\$ 159,000</u>	
Goods Available	<u>\$ 159,000</u>	
Ending Inventory	<u>\$ 8,000</u>	
Cost of Goods Sold		<u>\$ 151,000</u>
Gross Profit		\$ 99,000
Operating Expenses		
Rent	\$ 12,000	
Sales Commissions	<u>\$ 20,000</u>	
Total Operating Expenses		<u>\$ 32,000</u>
Operating Income (Loss)		<u><u>\$67,000</u></u>

326) TRUE

327) FALSE

328) FALSE

329) FALSE

330) FALSE

331) TRUE

332) D

333) D

# Answer Key

Testname: UNTITLED2

334) B

335) A

336) B

337) C

338) A

339) B

340) C

341) D

342)

	Old Machine	Replacement Machine
Purchase	\$ -	\$ 50,000
Current Disposal Value	\$ 15,000	\$ -
Future Disposal Value	-\$ 10,000	-\$ 15,000
Annual Costs over 5 years	<u>\$ 35,000</u>	<u>\$ 20,000</u>
Total Costs over 5 years	\$ 40,000	\$ 55,000

Differential of \$15,000  
favouring using the old  
machine

343)

	Old Machine	Replacement Machine
Purchase	\$ -	\$ 40,000
Current Disposal Value	\$ 15,000	\$ -
Future Disposal Value	-\$ 7,000	-\$ 15,000
Annual Costs over 5 years	<u>\$ 35,000</u>	<u>\$ 17,500</u>
Total Costs over 5 years	\$ 43,000	\$ 42,500

Differential of \$500 favouring the purchase and use of the Replacement machine

344) A. The cost of the bus pass.

B.  $\$85 + \$60 = \$145$

C.  $\$45 + \$38 + \$23 = \$106$

D.  $\$145 - \$106 = \$39$

345) A. Purchase price of current vehicle - \$8,000 and annual operating costs

B.  $\$14,990 - 5,600 + 1,220 + 21,670 - 8,300 = \$23,980$

C.  $\$15,450 - 6,300 + 1,190 + 19,680 - 7,100 = \$22,920$

D.  $\$23,980 - \$22,920 = \$1,060$

346) A. Insurance cost (\$60,000) and Revenue Generated (\$575,000)

B.  $\$110,350 + 29,680 + 15,490 - 22,750 = \$132,770$

C.  $\$121,900 + 28,430 + 17,380 - 18,500 = \$149,210$

D.  $\$142,910 - 132,770 = \$16,440$

## Answer Key

Testname: UNTITLED2

- 347) a. Relevant revenues/costs are those that differ between the alternatives of continuing with university or taking a year off from university and working. Relevant costs for continuing your college education without a break include:
1. Earnings lost next year due to the hours you are not able to work because of classes and homework.
  2. As a result of graduating a year earlier, higher wages will be earned a year earlier as well.
- b. Sunk costs for this decision include:
1. Amounts paid for university tuition and books during the past two years.
  2. Amounts committed for university tuition and books for the remaining two years.
- c. A qualitative consideration would include having different activities and priorities than your friends who are still in school, graduating later than students who started university the same time you did, and retaining information over the year from school.
- 348) When making a decision, those costs that differ between alternatives are relevant costs. Costs that do not differ between alternatives are irrelevant. For example, when deciding to buy a new car, the cost of the cars under consideration is relevant as is the insurance cost for each car. If they both have the same fuel economy ratings, then the cost of gasoline is irrelevant to the decision.
- 349) A
- 350) B
- 351) B
- 352) A
- 353) B
- 354) B
- 355) C
- 356) G
- 357) D
- 358) A
- 359) TRUE
- 360) FALSE
- 361) FALSE
- 362) TRUE
- 363) FALSE
- 364) A
- 365) D
- 366) A
- 367) B
- 368) C
- 369) B
- 370) B
- 371) A
- 372) D
- 373) D
- 374) B
- 375) A
- 376) A

# Answer Key

Testname: UNTITLED2

377) A

378) B

379) A

380) D

381) B

382) C

383) A

384) A

385) C

386) B

387) C

388) C

389) a. \$1,000 (\$500 + \$500)

b. \$2,000 (\$1 × 2,000 snack packs)

c. 50 cents (\$1,000/2,000 snack packs)

d. \$1.00 (given in the problem)

e. \$1.50

f. 50 cents (\$2 - \$1 - 50 cents)

g. Yes - based on the estimates it will generate \$1,000 in profit and there are other reasons to start the business such as learning about running a business, helping out your friends, and generating good will among the other students.

390) Monthly burger sales	2,500	3,000	5,000
Total fixed Costs	\$7,500	\$7,500	\$7,500
<u>Total variable cost</u>	<u>\$6,250</u>	<u>\$7,500</u>	<u>\$12,500</u>
<u>Total costs</u>	<u>\$13,750</u>	<u>\$15,000</u>	<u>\$20,000</u>
Fixed cost per burger	\$3.00	\$2.50	\$1.50
<u>Variable cost per burger</u>	<u>\$2.50</u>	<u>\$2.50</u>	<u>\$2.50</u>
<u>Average cost per burger</u>	<u>\$5.50</u>	<u>\$5.00</u>	<u>\$4.00</u>
Sales price per burger	\$5.00	\$5.00	\$5.00
Average profit per burger	<u>(\$0.50)</u>	<u>\$0.00</u>	<u>\$1.00</u>

391) New profit = (5,000 × \$4.75) - (5,000 × \$2.50) - \$7,500 = \$3,750

Current profit = (3,000 × \$5.00) - (3,000 × \$2.50) - \$7,500 = \$0

Increased profit = \$3,750 - \$0 = \$3,750

# Answer Key

Testname: UNTITLED2

392) Monthly sausage sales	3,000	5,000	7,000
Total fixed Costs	\$10,000	\$10,000	\$10,000
Total variable cost	<u>\$10,500</u>	<u>\$17,500</u>	<u>\$24,500</u>
Total costs	<u>\$20,500</u>	<u>\$27,500</u>	<u>\$34,500</u>
Fixed cost per sausage	\$3.33	\$2.00	\$1.43
Variable cost per sausage	<u>\$3.50</u>	<u>\$3.50</u>	<u>\$3.50</u>
Average cost per sausage	<u>\$6.83</u>	<u>\$5.50</u>	<u>\$4.93</u>
Sales price per sausage	\$7.50	\$7.50	\$7.50
Average profit per sausage	<u>\$0.67</u>	<u>\$2.00</u>	<u>\$2.57</u>

- 393) New profit =  $(7,000 \times \$7.00) - (7,000 \times \$3.50) - \$10,000 = \$14,500$   
 Current profit =  $(5,500 \times \$7.50) - (5,500 \times \$3.50) - \$10,000 = \$12,000$   
 Increased profit =  $\$14,500 - \$12,000 = \$2,500$

- 394) Step 1 - determine the total Fixed Costs  $\$1.30 \times 7,500 \text{ cartons} = \$9,750$

Monthly carton sales	7,500	10,000	15,000
Total fixed Costs	\$ 9,750	\$ 9,750	\$ 9,750
Total variable cost	<u>\$11,500</u>	<u>\$15,000</u>	<u>\$22,500</u>
Total costs	<u>\$20,750</u>	<u>\$24,750</u>	<u>\$31,750</u>
Fixed cost per carton	\$1.30	\$0.975	\$0.65
Variable cost per carton	<u>\$1.50</u>	<u>\$1.50</u>	<u>\$1.50</u>
Average cost per carton	<u>\$2.80</u>	<u>\$2.475</u>	<u>\$2.15</u>
Sales price per carton	\$5.50	\$5.50	\$5.50
Average profit per carton	<u>\$2.70</u>	<u>\$3.025</u>	<u>\$3.35</u>

- 395) New profit =  $(15,000 \times \$5.00) - (15,000 \times \$1.50) - \$10,000 = \$42,500$   
 Current profit =  $(7,500 \times \$5.50) - (7,500 \times \$1.50) - \$10,000 = \$20,000$   
 Increased profit =  $\$42,500 - \$20,000 = \$22,500$

- 396) First step - determine total fixed costs. At 120,000 units the fixed costs per unit are \$1.00 Fixed Manufacturing and \$6.00 Administrative Salaries. Therefore total fixed costs are  $120,000 \times (1 + 6) = \$840,000$ .

- 1  $200,000 \times [35 - (20 + 3 + 2 + 3.50)] - \$840,000 = \$460,000$
- 2  $150,000 \times [35 - (20 + 3 + 2 + 3.5)] - \$840,000 = \$135,000$

- 397) Fixed costs stay constant in total over a wide range of activity levels. For instance, the rent on a factory is the same whether 10,000 products are produced each month or 1,000 products are produced. Variable costs change in total in direct proportion to changes in volume. If the variable cost of producing one item is \$1, and if 10,000 units are produced, the cost will be \$10,000 and if only 1,000 units are produced, the cost will be only \$1,000.
- 398) Variable costs remain constant on a per unit basis. They change in total with changes in volume. As activity increases, costs increase in total. As activity decreases, variable costs decrease in total. Fixed costs remain constant in total. They do not change in total with changes in volume. Fixed costs per unit do change inversely with changes in volume. As activity decreases the fixed cost per unit increase. As activity increases, the fixed per unit decreases.

## Answer Key

Testname: UNTITLED2

399) The average cost is the total cost divided by the number of units produced. Marginal cost is the cost of making one more unit.

400) D

401) H

402) C

403) G

404) A