

## CHAPTER 1

### MANAGERIAL ACCOUNTING

#### SUMMARY OF QUESTIONS BY LEARNING OBJECTIVES AND BLOOM'S TAXONOMY

Item	LO	BT	Item	LO	BT	Item	LO	BT	Item	LO	BT	Item	LO	BT
<b>True-False Statements</b>														
1.	1	C	9.	1	K	17.	2	C	25.	3	C	33.	2	C
2.	1	K	10.	2	K	18.	2	K	26.	3	C	34.	2	K
3.	1	K	11.	2	K	19.	2	K	27.	3	K	35.	2	K
4.	1	K	12.	2	K	20.	2	K	28.	4	K	36.	3	K
5.	1	K	13.	2	K	21.	3	K	29.	4	K	37.	3	K
6.	1	K	14.	2	C	22.	3	K	30.	4	K			
7.	1	C	15.	2	C	23.	3	K	31.	1	K			
8.	1	K	16.	2	K	24.	3	K	32.	1	K			
<b>Multiple Choice Questions</b>														
38.	1	K	61.	1	C	84.	2	AP	107.	3	AP	130.	3	AP
39.	1	C	62.	1	K	85.	2	C	108.	3	AP	131.	3	AP
40.	1	K	63.	1	C	86.	2	C	109.	3	AP	132.	3	AP
41.	1	C	64.	2	C	87.	2	C	110.	3	AP	133.	3	AP
42.	1	K	65.	2	K	88.	2	C	111.	3	AP	134.	3	C
43.	1	C	66.	2	C	89.	2	K	112.	3	AP	135.	3	C
44.	1	K	67.	2	K	90.	2	C	113.	3	AP	136.	4	C
45.	1	C	68.	2	K	91.	2	K	114.	3	AP	137.	4	K
46.	1	C	69.	2	K	92.	3	K	115.	3	AP	138.	4	K
47.	1	K	70.	2	C	93.	3	C	116.	3	AP	139.	4	C
48.	1	K	71.	2	C	94.	3	C	117.	3	AP	140.	4	K
49.	1	K	72.	2	K	95.	3	C	118.	3	AP	141.	4	K
50.	1	K	73.	2	K	96.	3	C	119.	3	AP	142.	1	C
51.	1	C	74.	2	C	97.	3	AP	120.	3	AP	143.	1	K
52.	1	C	75.	2	K	98.	3	K	121.	3	AP	144.	2	K
53.	1	K	76.	2	C	99.	3	C	122.	3	AP	145.	2	K
54.	1	K	77.	2	K	100.	3	C	123.	3	AP	<sup>st</sup> 146.	3	K
55.	1	K	78.	2	K	101.	3	K	124.	3	AP	147.	3	C
56.	1	K	79.	2	C	102.	3	AP	125.	3	AP	<sup>st</sup> 148.	3	K
57.	1	C	80.	2	K	103.	3	AP	126.	3	AP	149.	3	K
58.	1	K	81.	2	K	104.	3	AP	127.	3	AP	<sup>st</sup> 150.	3	K
59.	1	C	82.	2	C	105.	3	K	128.	3	AP	151.	3	K
60.	1	K	83.	2	C	106.	3	AP	129.	3	AP			
<b>Brief Exercises</b>														
152.	2	K	154.	2	K	156.	2	C	158.	3	AP	160.	3	AP
153.	2	K	155.	2	K	157.	3	AP	159.	3	AP	161.	3	AP
<b>Exercises</b>														
162.	1	C	167.	2	AP	172.	3	AP	177.	3	AP	182.	3	AP
163.	2	C	168.	2	C	173.	3	AP	178.	3	AP	183.	3	AP
164.	2	C	169.	2	C	174.	3	AP	179.	3	AP	184.	3	C
165.	2	C	170.	3	AP	175.	2,3	AP	180.	3	AN	185.	3	AP
166.	2	AP	171.	3	C	176.	3	AN	181.	3	AN			

Completion Statements														
186.	1	K	189.	1	K	192.	2	K	195.	2	K	198.	3	K
187.	1	K	190.	1	K	193.	2	K	196.	3	K	199.	3	K
188.	1	K	191.	1	K	194.	2	K	197.	3	K	200.	3	K
Matching Statements														
201.	1	K												
Short-Answer Essay														
202.	1	K	204.	2	K	206.	2	K	208.	2	K			
203.	1	K	205.	2	K	207.	4	K						

<sup>st</sup> This question also appears in a self-test at the student companion website.

**SUMMARY OF LEARNING OBJECTIVES BY QUESTION TYPE**

Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type	Item	Type
Learning Objective 1													
1.	TF	8.	TF	41.	MC	48.	MC	55.	MC	62.	MC	188.	C
2.	TF	9.	TF	42.	MC	49.	MC	56.	MC	63.	MC	189.	C
3.	TF	31.	TF	43.	MC	50.	MC	57.	MC	142.	MC	190.	C
4.	TF	32.	TF	44.	MC	51.	MC	58.	MC	143.	MC	191.	C
5.	TF	38.	MC	45.	MC	52.	MC	59.	MC	162.	Ex	201.	MA
6.	TF	39.	MC	46.	MC	53.	MC	60.	MC	186.	C	202.	SA
7.	TF	40.	MC	47.	MC	54.	MC	61.	MC	187.	C	203.	SA
Learning Objective 2													
10.	TF	20.	TF	71.	MC	81.	MC	91.	MC	165.	Ex	204.	SA
11.	TF	33.	TF	72.	MC	82.	MC	144.	MC	166.	Ex	205.	SA
12.	TF	34.	TF	73.	MC	83.	MC	145.	MC	167.	Ex	206.	SA
13.	TF	64.	MC	74.	MC	84.	MC	152.	BE	168.	Ex	208.	SA
14.	TF	65.	MC	75.	MC	85.	MC	153.	BE	169.	Ex		
15.	TF	66.	MC	76.	MC	86.	MC	154.	BE	175.	Ex		
16.	TF	67.	MC	77.	MC	87.	MC	155.	BE	192.	C		
17.	TF	68.	MC	78.	MC	88.	MC	156.	BE	193.	C		
18.	TF	69.	MC	79.	MC	89.	MC	163.	Ex	194.	C		
19.	TF	70.	MC	80.	MC	90.	MC	164.	Ex	195.	C		
Learning Objective 3													
21.	TF	95.	MC	108.	MC	121.	MC	134.	MC	170.	Ex	183.	Ex
22.	TF	96.	MC	109.	MC	122.	MC	135.	MC	171.	Ex	184.	Ex
23.	TF	97.	MC	110.	MC	123.	MC	146.	MC	172.	Ex	185.	Ex
24.	TF	98.	MC	111.	MC	124.	MC	147.	MC	173.	Ex	196.	C
25.	TF	99.	MC	112.	MC	125.	MC	148.	MC	174.	Ex	197.	C
26.	TF	100.	MC	113.	MC	126.	MC	149.	MC	175.	Ex	198.	C
27.	TF	101.	MC	114.	MC	127.	MC	150.	MC	176.	Ex	199.	C
35.	TF	102.	MC	115.	MC	128.	MC	151.	MC	177.	Ex	200.	C
36.	TF	103.	MC	116.	MC	129.	MC	157.	BE	178.	Ex		
37.	TF	104.	MC	117.	MC	130.	MC	158.	BE	179.	Ex		
92.	MC	105.	MC	118.	MC	131.	MC	159.	BE	180.	Ex		
93.	MC	106.	MC	119.	MC	132.	MC	160.	BE	181.	Ex		
94.	MC	107.	MC	120.	MC	133.	MC	161.	BE	182.	Ex		

Learning Objective 4					
28. TF	30. TF	137. MC	139. MC	141. MC	
29. TF	136. MC	138. MC	140. MC	207. SA	

Note: TF = True-False  
MC = Multiple Choice

BE = Brief Exercise  
Ex = Exercise

C = Completion

## CHAPTER LEARNING OBJECTIVES

1. **Identify the features of managerial accounting and the functions of management.** The primary users of managerial accounting reports issued as frequently as needed, are internal users, who are officers, department heads, managers, and supervisors in the company. The purpose of these reports is to provide special-purpose information for a particular user for a specific decision. The content of managerial accounting reports pertains to subunits of the business. It may be very detailed, and may extend beyond the double-entry accounting system. The reporting standard is relevance to the decision being made. No independent audits are required in managerial accounting. The functions of management are planning, directing, and controlling. Planning requires management to look ahead and to establish objectives. Directing involves coordinating the diverse activities and human resources of a company to produce a smooth-running operation. Controlling is the process of keeping the activities on track.
2. **Describe the classes of manufacturing costs and the differences between product and period costs.** Manufacturing costs are typically classified as either (1) direct materials, (2) direct labor, or (3) manufacturing overhead. Raw materials that can be physically and directly associated with the finished product during the manufacturing process are called direct materials. The work of factory employees that can be physically and directly associated with converting raw materials into finished goods is considered direct labor. Manufacturing overhead consists of costs that are indirectly associated with the manufacture of the finished product. Product costs are costs that are a necessary and integral part of producing the finished product. Product costs are also called inventoriable costs. These costs do not become expenses until the company sells the finished goods inventory. Period costs are costs that are identified with a specific time period rather than with a salable product. These costs relate to nonmanufacturing costs and therefore are not inventoriable costs.
3. **Demonstrate how to compute cost of goods manufactured and prepare financial statements for a manufacturer.** Companies add the cost of the beginning work in process to the total manufacturing costs for the current year to arrive at the total cost of work in process for the year. They then subtract the ending work in process from the total cost of work in process to arrive at the cost of goods manufactured. The difference between a merchandising and a manufacturing income statement is in the cost of goods sold section. A manufacturing cost of goods sold section shows beginning and ending finished goods inventories and the cost of goods manufactured. The difference between a merchandising and a manufacturing balance sheet is in the current assets section. The current assets section of a manufacturing company's balance sheet presents three inventory accounts: finished goods inventory, work in process inventory, and raw materials inventory.
4. **Discuss trends in managerial accounting.** Managerial accounting has experienced many changes in recent years, including a shift toward service companies as well as emphasis on ethical behavior. Improved practices include a focus on managing the value chain through techniques such as just-in-time inventory, total quality management, activity-based costing, and theory of constraints. The balanced scorecard is now used by many companies in order

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to attain a more comprehensive view of the company's operations. Finally, companies are now evaluating their performance with regard to their corporate social responsibility.

### TRUE-FALSE STATEMENTS

1. Reports prepared in financial accounting are general-purpose reports, whereas reports prepared in managerial accounting are usually special-purpose reports.

Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

2. Managerial accounting information generally pertains to an entity as a whole and is highly aggregated.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

3. Managerial accounting applies to all forms of business organizations.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

4. Determining the unit cost of manufacturing a product is an output of financial accounting.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

5. Managerial accounting internal reports are prepared more frequently than are classified financial statements.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

6. The management function of organizing and directing is mainly concerned with setting goals and objectives for the entity.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Leadership, IMA: Decision Analysis

7. The controller of a company is responsible for all of the accounting and finance issues a company faces..

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: Ethics, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

8. Controlling is the process of determining whether planned goals are being met.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Leadership, IMA: Internal Controls

9. Decision-making is an integral part of the planning, directing, and controlling functions.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Strategic/Critical Thinking, AICPA FN: Decision Modeling, AICPA PC: Leadership, IMA: Decision Analysis

10. Direct materials costs and indirect materials costs are manufacturing overhead.

Ans: F, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management

11. Manufacturing costs that cannot be classified as direct materials or direct labor are classified as manufacturing overhead.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management

12. Raw materials are equal to direct materials minus indirect materials.

Ans: F, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management

13. Raw materials that can be conveniently and directly associated with a finished product are called materials overhead.

Ans: F, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management

14. The total cost of a finished product does not generally contain equal amounts of materials, labor, and overhead costs.

Ans: T, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management

15. Both direct labor cost and indirect labor cost are product costs.

Ans: T, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management

16. Period costs include selling and administrative expenses.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management

17. Indirect materials and indirect labor are both inventoriable costs.

Ans: T, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management

18. Direct materials and direct labor are the only product costs.

Ans: F, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management

19. Total period costs are deducted from total cost of work in process to calculate cost of goods manufactured.

Ans: F, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management

20. Period costs are not inventoriable costs.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

21. Ending finished goods inventory appears on both the balance sheet and the income statement of a manufacturing company.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

22. The beginning work in process inventory appears on both the balance sheet and the cost of goods manufactured schedule of a manufacturing company.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

23. In calculating gross profit for a manufacturing company, the cost of goods manufactured is deducted from net sales.

Ans: F, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

24. Finished goods inventory does not appear on a cost of goods manufactured schedule.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

25. If the ending work in process inventory is greater than the beginning work in process inventory, then the cost of goods manufactured will be less than total manufacturing costs for the period.

Ans: T, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Cost Management



1.	T	7.	F	13.	F	19.	F	25.	T	31.	F	37.	F
2.	F	8.	T	14.	T	20.	T	26.	T	32.	F		
3.	T	9.	T	15.	T	21.	T	27.	F	33.	T		
4.	F	10.	F	16.	T	22.	F	28.	F	34.	T		
5.	T	11.	T	17.	T	23.	F	29.	F	35.	F		
6.	F	12.	F	18.	F	24.	T	30.	T	36.	F		

## MULTIPLE CHOICE QUESTIONS

38. Managerial accounting applies to each of the following types of businesses *except*
- service firms.
  - merchandising firms.
  - manufacturing firms.
  - Managerial accounting applies to all types of firms.

Ans: d, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

39. Managerial accounting information is generally prepared for
- stockholders.
  - creditors.
  - managers.
  - regulatory agencies.

Ans: c, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

40. Managerial accounting information
- pertains to the entity as a whole and is highly aggregated.
  - pertains to subunits of the entity and may be very detailed.
  - is prepared only once a year.
  - is constrained by the requirements of generally accepted accounting principles.

Ans: b, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

41. The major reporting standard for presenting managerial accounting information is
- relevance.
  - generally accepted accounting principles.
  - the cost principle.
  - the current tax law.

Ans: a, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

42. Managerial accounting is also called
- management accounting.
  - controlling.
  - analytical accounting.
  - inside reporting.

Ans: a, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

43. Which of the following is not an internal user?
- Creditor
  - Department manager
  - Controller
  - Treasurer

Ans: a, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Professional Demeanor, IMA: Business Economics

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44. Managerial accounting does not encompass
- a. calculating product cost.
  - b. calculating earnings per share.
  - c. determining cost behavior.
  - d. profit planning.

Ans: b, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Professional Demeanor, IMA: Business Economics



45. Managerial accounting is applicable to
- service entities.
  - manufacturing entities.
  - not-for-profit entities.
  - all of these.

Ans: d, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Professional Demeanor, IMA: Business Economics

46. Management accountants would *not*
- assist in budget planning.
  - prepare reports primarily for external users.
  - determine cost behavior.
  - be concerned with the impact of cost and volume on profits.

Ans: b, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

47. Internal reports must be communicated
- daily.
  - monthly.
  - annually.
  - as needed.

Ans: d, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

48. Financial statements for external users can be described as
- user-specific.
  - general-purpose.
  - special-purpose.
  - managerial reports.

Ans: b, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

49. Managerial accounting reports can be described as
- general-purpose.
  - macro-reports.
  - special-purpose.
  - classified financial statements.

Ans: c, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

50. The reporting standard for external financial reports is
- industry-specific.
  - company-specific.
  - generally accepted accounting principles.
  - department-specific.

Ans: c, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

51. Which of the following statements about internal reports is *not* true?
- The content of internal reports may extend beyond the double-entry accounting system.
  - Internal reports may show all amounts at market values.
  - Internal reports may discuss prospective events.
  - Most internal reports are summarized rather than detailed.

Ans: d, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

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52. In an analogous sense, external user is to internal user as generally accepted accounting principles are to
- timely.
  - special-purpose.
  - relevance to decision.
  - SEC.

Ans: c, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Professional Demeanor, IMA: Reporting

53. Internal reports are generally
- aggregated.
  - detailed.
  - regulated.
  - unreliable.

Ans: b, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

54. A distinguishing feature of managerial accounting is
- external users.
  - general-purpose reports.
  - very detailed reports.
  - quarterly and annual reports.

Ans: c, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

55. What activities and responsibilities are *not* associated with management's functions?
- Planning
  - Accountability
  - Controlling
  - Directing

Ans: b, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Professional Demeanor, IMA: Reporting

56. Planning is a function that involves
- hiring the right people for a particular job.
  - coordinating the accounting information system.
  - setting goals and objectives for an entity.
  - analyzing financial statements.

Ans: c, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Professional Demeanor, IMA: Decision Analysis

57. The managerial function of controlling
- is performed only by the controller of a company.
  - is only applicable when the company sustains a loss.
  - is concerned mainly with operating a manufacturing segment.
  - includes performance evaluation by management.

Ans: d, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Professional Demeanor, IMA: Decision Analysis

58. Which of the following is *not* a management function?
- Constraining
  - Planning
  - Controlling
  - Directing

Ans: a, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Professional Demeanor, IMA: Decision Analysis

59. A manager that is establishing objectives is performing which management function?
- Controlling
  - Directing
  - Planning
  - Constraining

Ans: c, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Problem Solving, IMA: Decision Analysis

60. The management function that requires managers to look ahead and establish objectives is
- controlling.
  - directing.
  - planning.
  - constraining.

Ans: c, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: None, IMA: Decision Analysis

61. In determining whether planned goals are being met, a manager is performing the function of
- planning.
  - follow-up.
  - directing.
  - controlling.

Ans: d, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: None, IMA: Decision Analysis

62. Which of the following is not a separate management function?
- Planning
  - Directing
  - Decision-making
  - Controlling

Ans: c, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: None, IMA: Decision Analysis

63. Directing includes
- providing a framework for management to have criteria to terminate employees when needed.
  - running a department under quality control standards universally accepted.
  - coordinating a company's diverse activities and human resources to produce a smooth-running operation.
  - developing a complex performance ranking system to give certain high performers good raises.

Ans: c, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: None, IMA: Decision Analysis

64. Both direct materials and indirect materials are
- raw materials.
  - manufacturing overhead.
  - merchandise inventory.
  - sold directly to customers by a manufacturing company.

Ans: a, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

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65. The work of factory employees that can be physically and directly associated with converting raw materials into finished goods is
- manufacturing overhead.
  - indirect materials.
  - indirect labor.
  - direct labor.

Ans: d, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

66. Which one of the following would *not* be classified as manufacturing overhead?
- Indirect labor
  - Direct materials
  - Insurance on factory building
  - Indirect materials

Ans: b, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

67. Manufacturing costs include
- direct materials and direct labor only.
  - direct materials and manufacturing overhead only.
  - direct labor and manufacturing overhead only.
  - direct materials, direct labor, and manufacturing overhead.

Ans: d, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

68. Which one of the following is *not* a direct material?
- A tire used for a lawn mower
  - Plastic used in the covered case for a home PC
  - Steel used in the manufacturing of steel-radial tires
  - Lubricant for a ball-bearing joint for a large crane

Ans: d, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

69. Which one of the following is *not* a cost element in manufacturing a product?
- Manufacturing overhead
  - Direct materials
  - Office salaries
  - Direct labor

Ans: c, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

70. A manufacturing process requires small amounts of glue. The glue used in the production process is classified as a(n)
- period cost.
  - indirect material.
  - direct material.
  - miscellaneous expense.

Ans: b, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

71. The wages of a timekeeper in the factory would be classified as
- a period cost.
  - direct labor.
  - indirect labor.
  - compliance costs.

Ans: c, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

72. Which one of the following is not considered as material costs?
- Partially completed motor engines for a motorcycle plant
  - Bolts used in manufacturing the compressor of an engine
  - Rivets for the wings of a new commercial jet aircraft
  - Lumber used to build tables

Ans: a, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

73. Which of the following is *not* a manufacturing cost category?
- Cost of goods sold
  - Direct materials
  - Direct labor
  - Manufacturing overhead

Ans: a, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

74. As current technology changes manufacturing processes, it is likely that direct
- labor will increase.
  - labor will decrease.
  - materials will increase.
  - materials will decrease.

Ans: b, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Economics

75. For the work of factory employees to be considered as direct labor, the work must be conveniently and
- materially associated with raw materials conversion.
  - periodically associated with raw materials conversion.
  - physically associated with raw materials conversion.
  - promptly associated with raw materials conversion.

Ans: c, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

76. Which of the following is *not* classified as direct labor?
- Bottlers of beer in a brewery
  - Copy machine operators at a copy shop
  - Wages of supervisors
  - Bakers in a bakery

Ans: c, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

77. Cotter pins and lubricants used irregularly in a production process are classified as
- miscellaneous expense.
  - direct materials.
  - indirect materials.
  - nonmaterial materials.

Ans: c, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

78. Which of the following is *not* another name for the term manufacturing overhead?
- Factory overhead
  - Pervasive costs
  - Burden
  - Indirect manufacturing costs

Ans: b, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

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79. Because of automation, which component of product cost is declining?
- Direct labor
  - Direct materials
  - Manufacturing overhead
  - Advertising

Ans: a, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Economics

80. The product cost that is most difficult to associate with a product is
- direct materials.
  - direct labor.
  - manufacturing overhead.
  - advertising.

Ans: c, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Economics

81. Manufacturing costs that cannot be classified as either direct materials or direct labor are known as
- period costs.
  - nonmanufacturing costs.
  - selling and administrative expenses.
  - manufacturing overhead.

Ans: d, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

82. Which one of the following is an example of a period cost?
- A change in benefits for the union workers who work in the New York plant of a Fortune 1000 manufacturer
  - Workers' compensation insurance on factory workers' wages allocated to the factory
  - A box cost associated with computers
  - A manager's salary for work that is done in the corporate head office

Ans: d, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

83. Which one of the following costs would *not* be inventoriable?
- Period costs
  - Factory insurance costs
  - Indirect materials
  - Indirect labor costs

Ans: a, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

84. Direct materials and direct labor of a company total \$8,000,000. If manufacturing overhead is \$4,000,000, what is direct labor cost?
- \$4,000,000
  - \$8,000,000
  - \$0
  - Cannot be determined from the information provided

Ans: d, LO: 2, Bloom: AP, Difficulty: Medium, Min: 2, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

85. Which of the following are period costs?
- Raw materials
  - Direct materials and direct labor
  - Direct labor and manufacturing overhead
  - Selling expenses

Ans: d, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting



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86. Sales commissions are classified as
- overhead costs
  - period costs.
  - product costs.
  - indirect labor.

Ans: b, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

87. Product costs consist of
- direct materials and direct labor only.
  - direct materials, direct labor, and manufacturing overhead.
  - selling and administrative expenses.
  - period costs.

Ans: b, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

88. Which one of the following represents a period cost?
- The VP of Sales' salary and benefits
  - Overhead allocated to the manufacturing operations
  - Labor costs associated with quality control
  - Fringe benefits associated with factory workers

Ans: a, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

89. Product costs are also called
- direct costs.
  - overhead costs.
  - inventoriable costs.
  - capitalizable costs.

Ans: c, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

90. For inventoriable costs to become expenses under the matching principle,
- the product must be finished and in stock.
  - the product must be expensed based on its percentage-of-completion.
  - the product to which they attach must be sold.
  - all accounts payable must be settled.

Ans: c, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

91. As inventoriable costs expire, they become
- selling expenses.
  - gross profit.
  - cost of goods sold.
  - sales revenue.

Ans: c, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

92. A manufacturing company calculates cost of goods sold as follows:
- Beginning FG inventory + cost of goods purchased – ending FG inventory.
  - Ending FG inventory – cost of goods manufactured + beginning FG inventory.
  - Beginning FG inventory – cost of goods manufactured – ending FG inventory.
  - Beginning FG inventory + cost of goods manufactured – ending FG inventory.

Ans: d, LO: 3, Bloom: K, Difficulty: Medium, Min: 1, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA



93. A manufacturing company reports cost of goods manufactured as a(n)
- current asset on the balance sheet.
  - administrative expense on the income statement.
  - component in the calculation of cost of goods sold on the income statement.
  - component of the raw materials inventory on the balance sheet.

Ans: c, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

94. The subtotal, "Cost of goods manufactured" appears on
- a merchandising company's income statement.
  - a manufacturing company's income statement.
  - both a manufacturing and a merchandising company's income statement.
  - neither a merchandising nor a manufacturing company's income statement.

Ans: b, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

95. Cost of goods manufactured in a manufacturing company is analogous to
- ending inventory in a merchandising company.
  - beginning inventory in a merchandising company.
  - cost of goods available for sale in a merchandising company.
  - cost of goods purchased in a merchandising company.

Ans: d, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

96. Cost of goods sold
- only appears on merchandising companies' income statements.
  - only appears on manufacturing companies' income statements.
  - appears on both manufacturing and merchandising companies' income statements.
  - is calculated exactly the same for merchandising and manufacturing companies.

Ans: c, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

97. Kushman Combines, Inc. has \$20,000 of ending finished goods inventory as of December 31, 2019. If beginning finished goods inventory was \$10,000 and cost of goods sold was \$50,000, how much would Kushman report for cost of goods manufactured?
- \$70,000
  - \$10,000
  - \$60,000
  - \$40,000

Ans: c, LO: 3, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution:  $\$50,000 - \$10,000 + \$20,000 = \$60,000$

(Cost of goods sold – Beginning finished goods inventory + Ending finished goods inventory = Cost of goods manufactured)

98. Cost of goods manufactured is calculated as follows:
- Beginning WIP + direct materials used + direct labor + manufacturing overhead + ending WIP.
  - Direct materials used + direct labor + manufacturing overhead – beginning WIP + ending WIP.
  - Beginning WIP + direct materials used + direct labor + manufacturing overhead – ending WIP.
  - Direct materials used + direct labor + manufacturing overhead – ending WIP – beginning WIP.

Ans: c, LO: 3, Bloom: K, Difficulty: Medium, Min: 2, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

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99. If the amount of "Cost of goods manufactured" during a period exceeds the amount of "Total manufacturing costs" for the period, then
- ending work in process inventory is greater than or equal to the amount of the beginning work in process inventory.
  - ending work in process is greater than the amount of the beginning work in process inventory.
  - ending work in process is equal to the cost of goods manufactured.
  - ending work in process is less than the amount of the beginning work in process inventory.

Ans: d, LO: 3, Bloom: C, Difficulty: Medium, Min: 2, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

100. On the costs of goods manufactured schedule, depreciation on factory equipment
- is not listed because it is included with Depreciation Expense on the income statement.
  - appears in the manufacturing overhead section.
  - is not listed because it is not a product cost.
  - is not an inventoriable cost.

Ans: b, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

101. On the costs of goods manufactured schedule, the item raw materials inventory (ending) appears as a(n)
- addition to raw materials purchases.
  - addition to raw materials available for use.
  - subtraction from raw materials available for use.
  - subtraction from raw materials purchases.

Ans: c, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

102. Dolan Company's accounting records reflect the following inventories:

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Raw materials inventory	\$310,000	\$260,000
Work in process inventory	300,000	160,000
Finished goods inventory	190,000	150,000

During 2020, \$800,000 of raw materials were purchased, direct labor costs amounted to \$670,000, and manufacturing overhead incurred was \$640,000.

The total raw materials available for use during 2020 for Dolan Company is

- \$1,110,000.
- \$660,000.
- \$750,000.
- \$1,060,000.

Ans: d, LO: 3, Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

Solution:  $\$260,000 + \$800,000 = \$1,060,000$

(Beginning raw materials inventory + Purchases = Raw materials available)

103. Dolan Company's accounting records reflect the following inventories:

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Raw materials inventory	\$310,000	\$260,000
Work in process inventory	300,000	160,000
Finished goods inventory	190,000	150,000

During 2020, \$800,000 of raw materials were purchased, direct labor costs amounted to \$670,000, and manufacturing overhead incurred was \$640,000.

Dolan Company's total manufacturing costs incurred in 2020 amounted to

- a. \$2,060,000.
- b. \$2,020,000.
- c. \$1,920,000.
- d. \$2,110,000.

Ans: a, LO: 3, Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

Solution:  $\$260,000 + \$800,000 - \$310,000 = \$750,000$ ;  $\$750,000 + \$670,000 + \$640,000 = \$2,060,000$

(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials used; Raw materials used + Direct labor + Manufacturing overhead incurred = Total manufacturing costs)

104. Dolan Company's accounting records reflect the following inventories:

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Raw materials inventory	\$310,000	\$260,000
Work in process inventory	300,000	160,000
Finished goods inventory	190,000	150,000

During 2020, \$800,000 of raw materials were purchased, direct labor costs amounted to \$670,000, and manufacturing overhead incurred was \$640,000.

If Dolan Company's cost of goods manufactured for 2020 amounted to \$1,890,000, its cost of goods sold for the year is

- a. \$2,000,000.
- b. \$1,750,000.
- c. \$1,850,000.
- d. \$1,930,000.

Ans: c, LO: 3, Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

Solution:  $\$150,000 + \$1,890,000 - \$190,000 = \$1,850,000$

(Beginning finished goods inventory + Cost of goods manufactured – Ending finished goods inventory = Cost of goods sold)

105. What is work in process inventory generally described as?

- a. Costs applicable to units that have been started in production but are only partially completed
- b. Costs associated with the end stage of manufacturing that are almost always complete and ready for customers
- c. Costs strictly associated with direct labor
- d. Beginning stage production costs associated with labor costs dealing with bringing in raw materials from the shipping docks

Ans: a, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

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106. Worth Company reported the following year-end information: beginning work in process inventory, \$180,000; cost of goods manufactured, \$866,000; beginning finished goods inventory, \$252,000; ending work in process inventory, \$220,000; and ending finished goods inventory, \$264,000. Worth Company's cost of goods sold for the year is
- \$854,000.
  - \$878,000.
  - \$826,000.
  - \$602,000.

Ans: a, LO: 3, Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

Solution:  $\$252,000 + \$866,000 - \$264,000 = \$854,000$

(Beginning finished goods inventory + Cost of goods manufactured – Ending finished goods inventory = Cost of goods sold)

107. Laflin Company reported the following year-end information:

Beginning work in process inventory	\$1,080,000
Beginning raw materials inventory	300,000
Ending work in process inventory	900,000
Ending raw materials inventory	480,000
Raw materials purchased	960,000
Direct labor	900,000
Manufacturing overhead	720,000

Laflin Company's cost of goods manufactured for the year is

- \$2,400,000.
- \$2,580,000.
- \$2,220,000.
- \$2,760,000.

Ans: b, LO: 3, Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

Solution:  $\$300,000 + \$960,000 - \$480,000 = \$780,000$ ;  $\$1,080,000 + \$780,000 + \$900,000 + \$720,000 - \$900,000 = \$2,580,000$

(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials used; Beginning work in process inventory + Raw materials used + Direct labor + Manufacturing overhead incurred – Ending work in process inventory = Cost of goods manufactured)

108. Benson Inc.'s accounting records reflect the following inventories:

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2020</u>
Raw materials inventory	\$ 80,000	\$ 64,000
Work in process inventory	104,000	116,000
Finished goods inventory	100,000	92,000

During 2020, Benson purchased \$1,450,000 of raw materials, incurred direct labor costs of \$250,000, and incurred manufacturing overhead totaling \$160,000.

How much raw materials were transferred to production during 2020 for Benson?

- \$1,386,000
- \$1,466,000
- \$1,450,000
- \$1,434,000

Ans: b, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$80,000 + \$1,450,000 - \$64,000 = \$1,466,000$

(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials used)

109. Benson Inc.'s accounting records reflect the following inventories:

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2020</u>
Raw materials inventory	\$ 80,000	\$ 64,000
Work in process inventory	104,000	116,000
Finished goods inventory	100,000	92,000

During 2020, Benson purchased \$1,450,000 of raw materials, incurred direct labor costs of \$250,000, and incurred manufacturing overhead totaling \$160,000.

How much is total manufacturing costs incurred during 2020 for Benson?

- \$1,864,000
- \$1,876,000
- \$1,860,000
- \$1,872,000

Ans: b, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$80,000 + \$1,450,000 - \$64,000 = \$1,466,000$ ;  $\$1,466,000 + \$250,000 + \$160,000 = \$1,876,000$

(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials used; Raw materials used + Direct labor + Manufacturing overhead incurred = Total manufacturing costs)

110. Benson Inc.'s accounting records reflect the following inventories:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2017</u>
Raw materials inventory	\$ 80,000	\$ 64,000
Work in process inventory	104,000	116,000
Finished goods inventory	100,000	92,000

During 2017, Benson purchased \$1,450,000 of raw materials, incurred direct labor costs of \$250,000, and incurred manufacturing overhead totaling \$160,000.

Assume Benson's cost of goods manufactured for 2017 amounted to \$1,660,000. How much would it report as cost of goods sold for the year?

- \$1,668,000
- \$1,568,000
- \$1,760,000
- \$1,652,000

Ans: a, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution:  $\$100,000 + \$1,660,000 - \$92,000 = \$1,668,000$

(Beginning finished goods inventory + Cost of goods manufactured – Ending finished goods inventory = Cost of goods sold)

111. Walker Company reported the following year-end information:

Beginning work in process inventory	\$ 46,000
Beginning raw materials inventory	24,000
Ending work in process inventory	50,000
Ending raw materials inventory	20,000
Raw materials purchased	830,000
Direct labor	440,000
Manufacturing overhead	100,000

How much is Walker's cost of goods manufactured for the year?

- \$834,000
- \$1,374,000
- \$1,370,000
- \$1,378,000

Ans: c, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$24,000 + \$830,000 - \$20,000 = \$834,000$ ;  $\$46,000 + \$834,000 + \$440,000 + \$100,000 - \$50,000 = \$1,370,000$

(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials used; Beginning work in process inventory + Raw materials used + Direct labor + Manufacturing overhead incurred – Ending work in process inventory = Cost of goods manufactured)

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112. Ogleby Inc.'s accounting records reflect the following inventories:

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2020</u>
Raw materials inventory	\$120,000	\$ 96,000
Work in process inventory	156,000	174,000
Finished goods inventory	150,000	138,000

During 2020, Ogleby purchased \$980,000 of raw materials, incurred direct labor costs of \$175,000, and incurred manufacturing overhead totaling \$224,000.

How much is total manufacturing costs incurred during 2020 for Ogleby?

- a. \$1,385,000
- b. \$1,403,000
- c. \$1,379,000
- d. \$1,415,000

Ans: b, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$120,000 + \$980,000 - \$96,000 = \$1,004,000$ ;  $\$1,004,000 + \$175,000 + \$224,000 = \$1,403,000$

(Beginning raw materials inventory + Purchases - Ending raw materials inventory = Raw materials used; Raw materials used + Direct labor + Manufacturing overhead incurred = Total manufacturing costs)

113. Ogleby Inc.'s accounting records reflect the following inventories:

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2020</u>
Raw materials inventory	\$120,000	\$ 96,000
Work in process inventory	156,000	174,000
Finished goods inventory	150,000	138,000

During 2020, Ogleby purchased \$980,000 of raw materials, incurred direct labor costs of \$175,000, and incurred manufacturing overhead totaling \$224,000.

How much would Ogleby Manufacturing report as cost of goods manufactured for 2020?

- a. \$1,229,000
- b. \$1,397,000
- c. \$1,391,000
- d. \$1,385,000

Ans: d, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution:  $\$120,000 + \$980,000 - \$96,000 = \$1,004,000$ ;  $\$156,000 + \$1,004,000 + \$175,000 + \$224,000 - \$174,000 = \$1,385,000$

(Beginning raw materials inventory + Purchases - Ending raw materials inventory = Raw materials used; Beginning work in process inventory + Raw materials used + Direct labor + Manufacturing overhead incurred - Ending work in process inventory = Cost of goods manufactured)

114. Wasson Company reported the following year-end information:

Beginning work in process inventory	\$ 35,000
Beginning raw materials inventory	18,000
Ending work in process inventory	38,000
Ending raw materials inventory	15,000
Raw materials purchased	560,000
Direct labor	210,000
Manufacturing overhead	120,000

How much is Wasson's total cost of work in process for the year?

- a. \$925,000
- b. \$893,000
- c. \$890,000
- d. \$928,000

Ans: d, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution:  $\$18,000 + \$560,000 - \$15,000 = \$563,000$ ;  $\$35,000 + \$563,000 + \$210,000 + \$120,000 = \$928,000$

(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials used; Beginning work in process inventory + Raw materials used + Direct labor + Manufacturing overhead incurred = Total cost of work in process)

115. Edmiston Company reported the following year-end information: beginning work in process inventory, \$80,000; cost of goods manufactured, \$750,000; beginning finished goods inventory, \$50,000; ending work in process inventory, \$70,000; and ending finished goods inventory, \$40,000. How much is Edmiston's cost of goods sold for the year?
- \$750,000
  - \$760,000
  - \$740,000
  - \$770,000

Ans: b, LO: 3, Bloom: AP, Difficulty: Medium, Min: 5, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution:  $\$50,000 + \$750,000 - \$40,000 = \$760,000$

(Beginning finished goods inventory + Cost of goods manufactured – Ending finished goods inventory = Cost of goods sold)

116. Using the following information, compute the direct materials used.

Raw materials inventory, January 1	\$ 20,000
Raw materials inventory, December 31	40,000
Work in process, January 1	18,000
Work in process, December 31	12,000
Finished goods, January 1	40,000
Finished goods, December 31	32,000
Raw materials purchases	1,700,000
Direct labor	760,000
Factory utilities	150,000
Indirect labor	50,000
Factory depreciation	400,000
Operating expenses	420,000

- \$1,760,000.
- \$1,720,000.
- \$1,700,000.
- \$1,680,000.

Ans: d, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$20,000 + \$1,700,000 - \$40,000 = \$1,680,000$

(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials used)

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117. Assuming that the direct materials used are \$1,700,000, compute the total manufacturing costs using the following information.

Raw materials inventory, January 1	\$ 20,000
Raw materials inventory, December 31	40,000
Work in process, January 1	18,000
Work in process, December 31	12,000
Finished goods, January 1	40,000
Finished goods, December 31	32,000
Raw materials purchases	1,700,000
Direct labor	760,000
Factory utilities	150,000
Indirect labor	50,000
Factory depreciation	400,000
Operating expenses	420,000

- a. \$3,060,000.
- b. \$3,066,000.
- c. \$2,860,000.
- d. \$3,480,000.

Ans: a, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$1,700,000 + \$760,000 + \$150,000 + \$50,000 + \$400,000 = \$3,060,000$

(Direct materials used + Direct labor + Factory utilities + Indirect labor + Factory depreciation = Total manufacturing costs)

118. Using \$3,000,000 as the total manufacturing costs, compute the cost of goods manufactured using the following information.

Raw materials inventory, January 1	\$ 20,000
Raw materials inventory, December 31	40,000
Work in process, January 1	18,000
Work in process, December 31	12,000
Finished goods, January 1	40,000
Finished goods, December 31	32,000
Raw materials purchases	1,700,000
Direct labor	760,000
Factory utilities	150,000
Indirect labor	50,000
Factory depreciation	400,000
Operating expenses	420,000

- a. \$3,014,000.
- b. \$2,994,000.
- c. \$3,006,000.
- d. \$3,008,000.

Ans: c, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$18,000 + \$3,000,000 - \$12,000 = \$3,006,000$

(Beginning work in process inventory + Total manufacturing costs – Ending work in process inventory = Cost of goods manufactured)



119. Using **\$3,040,000 as the cost of goods manufactured**, compute the cost of goods sold using the following information.

Raw materials inventory, January 1	\$ 20,000
Raw materials inventory, December 31	40,000
Work in process, January 1	18,000
Work in process, December 31	12,000
Finished goods, January 1	40,000
Finished goods, December 31	32,000
Raw materials purchases	1,700,000
Direct labor	760,000
Factory utilities	150,000
Indirect labor	50,000
Factory depreciation	400,000
Operating expenses	420,000

- a. \$3,046,000.
- b. \$3,008,000.
- c. \$3,032,000.
- d. \$3,048,000.

Ans: d, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$40,000 + \$3,040,000 - \$32,000 = \$3,048,000$

(Beginning finished goods inventory + Cost of goods manufactured – Ending finished goods inventory = Cost of goods sold)

120. Using the following information, compute the cost of direct materials used.

Raw materials inventory, January 1	\$ 30,000
Raw materials inventory, December 31	60,000
Work in process, January 1	27,000
Work in process, December 31	18,000
Finished goods, January 1	60,000
Finished goods, December 31	48,000
Raw materials purchases	1,800,000
Direct labor	890,000
Factory utilities	225,000
Indirect labor	75,000
Factory depreciation	500,000
Operating expenses	630,000

- a. \$1,740,000.
- b. \$1,830,000.
- c. \$1,800,000.
- d. \$1,770,000.

Ans: d, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$30,000 + \$1,800,000 - \$60,000 = \$1,770,000$

(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials used)

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121. **Assuming the cost of direct materials used is \$1,800,000**, compute the total manufacturing costs using the information below.

Raw materials inventory, January 1	\$ 30,000
Raw materials inventory, December 31	60,000
Work in process, January 1	27,000
Work in process, December 31	18,000
Finished goods, January 1	60,000
Finished goods, December 31	48,000
Raw materials purchases	1,800,000
Direct labor	890,000
Factory utilities	225,000
Indirect labor	75,000
Factory depreciation	500,000
Operating expenses	630,000

- a. \$3,490,000.
- b. \$3,499,000.
- c. \$3,190,000.
- d. \$4,120,000.

Ans: a, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$1,800,000 + \$890,000 + \$225,000 + \$75,000 + \$500,000 = \$3,490,000$

(Direct materials used + Direct labor + Factory utilities + Indirect labor + Factory depreciation = Total manufacturing costs)

122. **Assuming that the total manufacturing costs are \$3,400,000**, compute the cost of goods manufactured using the information below.

Raw materials inventory, January 1	\$ 30,000
Raw materials inventory, December 31	60,000
Work in process, January 1	27,000
Work in process, December 31	18,000
Finished goods, January 1	60,000
Finished goods, December 31	48,000
Raw materials purchases	1,800,000
Direct labor	890,000
Factory utilities	225,000
Indirect labor	75,000
Factory depreciation	500,000
Operating expenses	630,000

- a. \$3,421,000.
- b. \$3,391,000.
- c. \$3,409,000.
- d. \$3,142,000.

Ans: c, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$27,000 + \$3,400,000 - \$18,000 = \$3,409,000$

(Beginning work in process inventory + Total manufacturing costs – Ending work in process inventory = Cost of goods manufactured)

123. Assuming that the cost of goods manufactured is \$3,460,000 compute the cost of goods sold using the following information.

Raw materials inventory, January 1	\$ 30,000
Raw materials inventory, December 31	60,000
Work in process, January 1	27,000
Work in process, December 31	18,000
Finished goods, January 1	60,000
Finished goods, December 31	48,000
Raw materials purchases	1,800,000
Direct labor	890,000
Factory utilities	225,000
Indirect labor	75,000
Factory depreciation	500,000
Operating expenses	630,000

- a. \$3,469,000.
- b. \$3,412,000.
- c. \$3,448,000.
- d. \$3,472,000.

Ans: d, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$60,000 + \$3,460,000 - \$48,000 = \$3,472,000$

(Beginning finished goods inventory + Cost of goods manufactured – Ending finished goods inventory = Cost of goods sold)

124. Samson Company reported total manufacturing costs of \$320,000, manufacturing overhead totaling \$52,000, and direct materials totaling \$64,000. How much is direct labor cost?

- a. Cannot be determined from the information provided.
- b. \$268,000
- c. \$256,000
- d. \$204,000

Ans: d, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$320,000 - \$64,000 - \$52,000 = \$204,000$

(Total manufacturing costs – Direct materials – Manufacturing overhead = Direct labor cost)

125. Given the following data for Mehring Company, compute (A) total manufacturing costs and (B) cost of goods manufactured:

Direct materials used	\$230,000	Beginning work in process	\$30,000
Direct labor	150,000	Ending work in process	15,000
Manufacturing overhead	255,000	Beginning finished goods	38,000
Operating expenses	263,000	Ending finished goods	23,000

	<u>(A)</u>	<u>(B)</u>
a.	\$620,000	\$650,000
b.	\$635,000	\$620,000
c.	\$635,000	\$650,000
d.	\$650,000	\$665,000

Ans: c, LO: 3, Bloom: AP, Difficulty: Hard, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$230,000 + \$150,000 + \$255,000 = \$635,000$ ;  $\$30,000 + \$635,000 - \$15,000 = \$650,000$

(Direct materials + Direct labor + Manufacturing overhead = Total manufacturing costs; Beginning work in process + Total manufacturing costs – Ending work in process = Cost of goods manufactured)

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126. Penner Company reported total manufacturing costs of \$450,000, manufacturing overhead totaling \$78,000, and direct materials totaling \$96,000. How much is direct labor cost?
- Cannot be determined from the information provided.
  - \$624,000
  - \$354,000
  - \$276,000

Ans: d, LO: 3, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$450,000 - \$96,000 - \$78,000 = \$276,000$

(Total manufacturing costs – Direct materials – Manufacturing overhead = Direct labor cost)

127. Given the following data for Glennon Company, compute (A) total manufacturing costs and (B) costs of goods manufactured:

Direct materials used	\$270,000	Beginning work in process	\$40,000
Direct labor	200,000	Ending work in process	20,000
Manufacturing overhead	250,000	Beginning finished goods	50,000
Operating expenses	350,000	Ending finished goods	30,000
	<u>(A)</u>	<u>(B)</u>	
a.	\$700,000	\$740,000	
b.	\$720,000	\$700,000	
c.	\$720,000	\$740,000	
d.	\$740,000	\$760,000	

Ans: c, LO: 3, Bloom: AP, Difficulty: Medium, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$270,000 + \$200,000 + \$250,000 = \$720,000$ ;  $\$40,000 + \$720,000 - \$20,000 = \$740,000$

(Direct materials + Direct labor + Manufacturing overhead = Total manufacturing costs; Beginning work in process + Total manufacturing costs – Ending work in process = Cost of goods manufactured)

128. Barton Company has beginning work in process inventory of \$144,000 and total manufacturing costs of \$686,000. If cost of goods manufactured is \$660,000, what is the cost of the ending work in process inventory?
- \$150,000.
  - \$118,000.
  - \$190,000.
  - \$170,000.

Ans: d, LO: 3, Bloom: AP, Difficulty: Medium, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$144,000 + \$686,000 - X = \$660,000$ ;  $X = \$170,000$

(Beginning work in process + Total manufacturing costs – Ending work in process = Cost of goods manufactured)

129. Gammil Company has beginning and ending raw materials inventories of \$96,000 and \$120,000, respectively. If direct materials used were \$490,000, what was the cost of raw materials purchased?
- \$490,000.
  - \$520,000.
  - \$466,000.
  - \$514,000.

Ans: d, LO: 3, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$96,000 + X - \$120,000 = \$490,000$ ;  $X = \$514,000$

(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials used)

130. Molina Company has beginning and ending work in process inventories of \$130,000 and \$145,000 respectively. If total manufacturing costs are \$680,000, what is the total cost of goods manufactured?
- \$810,000.
  - \$825,000.
  - \$665,000.
  - \$695,000.

Ans: c, LO: 3, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

Solution:  $\$130,000 + \$680,000 - \$145,000 = \$665,000$

(Beginning work in process inventory + Total manufacturing costs – Ending work in process inventory = Cost of goods manufactured)

131. Costas Company has beginning and ending raw materials inventories of \$64,000 and \$80,000, respectively. If direct materials used were \$310,000, what was the cost of raw materials purchased?
- \$310,000.
  - \$330,000.
  - \$294,000.
  - \$326,000.

Ans: d, LO: 3, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$64,000 + X - \$80,000 = \$310,000$ ;  $X = \$326,000$

(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Direct materials used)

132. Wood Company has beginning work in process inventory of \$138,000 and total manufacturing costs of \$477,000. If cost of goods manufactured is \$480,000, what is the cost of the ending work in process inventory?
- \$120,000.
  - \$141,000.
  - \$150,000.
  - \$135,000.

Ans: d, LO: 3, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$138,000 + \$477,000 - X = \$480,000$ ;  $X = \$135,000$

(Beginning work in process inventory + Total manufacturing cost – Ending work in process inventory = Cost of goods manufactured)

133. Given the following data for Harder Company, compute cost of goods manufactured:

Direct materials used	\$120,000	Beginning work in process	\$20,000
Direct labor	200,000	Ending work in process	10,000
Manufacturing overhead	180,000	Beginning finished goods	25,000
Operating expenses	175,000	Ending finished goods	15,000

- \$490,000
- \$500,000
- \$510,000
- \$520,000

Ans: c, LO: 3, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: FSA

Solution:  $\$20,000 + \$120,000 + \$200,000 + \$180,000 - \$10,000 = \$510,000$

(Beginning work in process inventory + Direct materials used + Direct labor + Manufacturing overhead – Ending work in process inventory = Cost of goods manufactured)

134. Which one of the following does *not* appear on the balance sheet of a manufacturing company?
- Finished goods inventory
  - Work in process inventory
  - Cost of goods manufactured

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d. Raw materials inventory

Ans: c, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

135. The equivalent of finished goods inventory for a merchandising firm is referred to as

- a. purchases.
- b. cost of goods purchased.
- c. inventory.
- d. raw materials inventory.

Ans: c, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

136. How have many companies significantly lowered inventory levels and costs?

- a. They use activity-based costing.
- b. They utilize a balanced scorecard system.
- c. They have a just-in-time method.
- d. They focus on total quality management.

Ans: c, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

137. What term describes all business processes associated with providing a product or service?

- a. The manufacturing chain
- b. The product chain
- c. The supply chain
- d. The value chain

Ans: d, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

138. Which one of the following managerial accounting approaches attempts to allocate manufacturing overhead in a more meaningful fashion?

- a. Balanced scorecard
- b. Just-in-time inventory
- c. Activity-based costing
- d. Total quality management

Ans: c, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: None, IMA: Performance Measurement

139. What is "balanced" in the balanced scorecard approach?

- a. The number of products produced
- b. The emphasis on financial and non-financial performance measurements
- c. The amount of costs allocated to products
- d. The number of defects found on each product

Ans: b, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: None, IMA: Performance Measurement

140. Which one of the following characteristics would likely be associated with a just-in-time inventory method?

- a. Ending inventory of work in process that would allow several production runs
- b. A backlog of inventory orders not yet shipped
- c. Minimal finished goods inventory on hand
- d. An understanding with customers that they may come to the showroom and select from inventory on hand

Ans: c, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Economics

141. Many companies now focus on reducing defects in finished products with the goal of zero defects. This is called
- Activity-based costing.
  - Balanced scorecard.
  - Value chain.
  - Total quality management.

Ans: d, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Business Economics

142. Financial and managerial accounting are similar in that both
- have the same primary users.
  - produce general-purpose reports.
  - have reports that are prepared quarterly and annually.
  - deal with the economic events of an enterprise.

Ans: d, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

143. The function that pertains to keeping the activities of the enterprise on track is
- planning.
  - directing.
  - controlling.
  - accounting.

Ans: c, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Resource Management, AICPA FN: Decision Modeling, AICPA PC: Project Management, IMA: Performance Measurement

144. Property taxes on a manufacturing plant are an element of a

	<u>Product Cost</u>	<u>Period Cost</u>
a.	Yes	No
b.	Yes	Yes
c.	No	Yes
d.	No	No

Ans: a, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

145. For a manufacturing company, which of the following is an example of a period cost rather than a product cost?
- Depreciation on factory equipment
  - Wages of salespersons
  - Wages of machine operators
  - Insurance on factory equipment

Ans: b, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

146. For a manufacturing firm, cost of goods available for sale is computed by adding the beginning finished goods inventory to
- cost of goods purchased.
  - cost of goods manufactured.
  - net purchases.
  - total manufacturing costs.

Ans: b, SO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

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147. If the cost of goods manufactured is less than the cost of goods sold, which of the following is correct?
- Finished Goods Inventory has increased.
  - Work in Process Inventory has increased.
  - Finished Goods Inventory has decreased.
  - Work in Process Inventory has decreased.

Ans: c, SO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

148. The principal difference between a merchandising and a manufacturing income statement is the
- cost of goods sold section.
  - extraordinary item section.
  - operating expense section.
  - revenue section.

Ans: a, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

149. If the total manufacturing costs are greater than the cost of goods manufactured, which of the following is correct?
- Work in Process Inventory has increased.
  - Finished Goods Inventory has increased.
  - Work in Process Inventory has decreased.
  - Finished Goods Inventory has decreased.

Ans: a, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

150. The sum of the direct materials costs, direct labor costs, and manufacturing overhead incurred is the
- cost of goods manufactured.
  - total manufacturing overhead.
  - total manufacturing costs.
  - total cost of work in process.

Ans: c, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

151. The inventory accounts that show the cost of completed goods on hand and the costs applicable to production that is only partially completed are, respectively
- Work in Process Inventory and Raw Materials Inventory.
  - Finished Goods Inventory and Raw Materials Inventory.
  - Finished Goods Inventory and Work in Process Inventory.
  - Raw Materials Inventory and Work in Process Inventory.

Ans: c, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting



**Answers to Multiple Choice Questions**

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
38.	d	55.	b	72.	a	89.	c	106.	a	123.	d	140.	c
39.	c	56.	c	73.	a	90.	c	107.	b	124.	d	141.	d
40.	b	57.	d	74.	b	91.	c	108.	b	125.	c	142.	d
41.	a	58.	a	75.	c	92.	d	109.	b	126.	d	143.	c
42.	a	59.	c	76.	c	93.	c	110.	a	127.	c	144.	a
43.	a	60.	c	77.	c	94.	b	111.	c	128.	d	145.	b
44.	b	61.	d	78.	b	95.	d	112.	b	129.	d	146.	b
45.	d	62.	c	79.	a	96.	c	113.	d	130.	c	147.	c
46.	b	63.	c	80.	c	97.	c	114.	d	131.	d	148.	a
47.	d	64.	a	81.	d	98.	c	115.	b	132.	d	149.	a
48.	b	65.	d	82.	d	99.	d	116.	d	133.	c	150.	c
49.	c	66.	b	83.	a	100.	b	117.	a	134.	c	151.	c
50.	c	67.	d	84.	d	101.	c	118.	c	135.	c		
51.	d	68.	d	85.	d	102.	d	119.	d	136.	c		
52.	c	69.	c	86.	b	103.	a	120.	d	137.	d		
53.	b	70.	b	87.	b	104.	c	121.	a	138.	c		
54.	c	71.	c	88.	a	105.	a	122.	c	139.	b		

**BRIEF EXERCISES**

**BE 152**

Presented below are Truck Company’s monthly manufacturing cost data related to its personal computer products.

- (a) Taxes on factory building \$820,000
- (b) Raw materials 66,000
- (c) Depreciation on manufacturing equip. 210,000
- (d) Wages for assembly line workers 340,000

**Instructions**

Enter each cost item in the following table, placing an “X” under the appropriate headings.

	Product Costs		
	Direct Materials	Direct Labor	Manufacturing Overhead
(a)			
(b)			
(c)			
(d)			

Ans: N/A, LO: 2, Bloom: K, Difficulty: Medium, Min: 3, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

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### Solution 152 (3 min.)

	Product Costs		
	<u>Direct Materials</u>	<u>Direct Labor</u>	<u>Manufacturing Overhead</u>
(a)			X
(b)	X		
(c)			X
(d)		X	

### BE 153

Determine whether each of the following costs should be classified as direct materials (DM), direct labor (DL), or manufacturing overhead (MO).

- \_\_\_ Depreciation on factory equipment
- \_\_\_ Table legs used in manufacturing tables
- \_\_\_ Wages paid to assembly line workers
- \_\_\_ Factory rent

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 2, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

### Solution 153 (2 min.)

- MO
- DM
- DL
- MO

### BE 154

Indicate whether each of the following costs of a pencil manufacturer would be classified as direct materials (DM), direct labor (DL), or manufacturing overhead (MO).

- \_\_\_ Depreciation of pencil painting machinery
- \_\_\_ Lead inserted into pencils
- \_\_\_ Factory utilities
- \_\_\_ Wages of assembly line worker
- \_\_\_ Salary of supervisor
- \_\_\_ Factory machinery maintenance
- \_\_\_ Wood
- \_\_\_ Eraser compound

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 4, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

**Solution 154** (4 min.)

- a. MO
- b. DM
- c. MO
- d. DL
- e. MO
- f. MO
- g. DM
- h. DM

**BE 155**

Presented below are Cricket Company's monthly manufacturing cost data related to its personal computer products.

- a. Hard drives and memory sticks \$30,000
- b. Wages to assemble equipment \$65,000
- c. Insurance on manufacturing building \$41,000
- d. Wages for factory supervisors \$64,000

**Instructions**

Enter each cost item in the following table, placing an 'X' under the appropriate headings.

	Product Costs		
	Direct Materials	Direct Labor	Manufacturing Overhead
a.			
b.			
c.			
d.			

Ans: N/A, LO: 2, Bloom: K, Difficulty: Medium, Min: 2, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

**Solution 155** (2 min.)

	Product Costs		
	Direct Materials	Direct Labor	Manufacturing Overhead
a.	X		
b.		X	
c.			X
d.			X

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**BE 156**

Identify whether each of the following is classified as a product cost or a period cost.

- \_\_\_\_\_ 1. Direct labor
- \_\_\_\_\_ 2. Direct materials
- \_\_\_\_\_ 3. Factory utilities
- \_\_\_\_\_ 4. Repairs to office equipment
- \_\_\_\_\_ 5. Property taxes on factory building
- \_\_\_\_\_ 6. Sales salaries

Ans: N/A, LO: 2, Bloom: C, Difficulty: Easy, Min: 5, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

**Solution 156 (5 min.)**

- 1. Product cost
- 2. Product cost
- 3. Product cost
- 4. Period cost
- 5. Product cost
- 6. Period cost

**BE 157**

Criba Company has the following data: direct labor \$560,000, direct materials used \$421,000, total manufacturing overhead \$206,000, and beginning work in process \$47,000.

**Instructions**

Compute (a) total manufacturing costs and (b) total cost of work in process.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 157 (5 min.)**

(a) Direct labor	\$ 560,000
Direct materials used	421,000
Total manufacturing overhead	<u>206,000</u>
Total manufacturing costs	<u>\$1,187,000</u>
(b) Beginning work in process	\$ 47,000
Total manufacturing costs	<u>1,187,000</u>
Total cost of work in process	<u>\$1,234,000</u>

**BE 158**

Presented below are incomplete 2019 manufacturing cost data for Swartnez Corporation.

	Direct Materials Used	Direct Labor	Manufacturing Overhead	Total Manufacturing Costs
(a)	\$ 22,000	\$42,000	?	\$ 88,000
(b)	\$148,000	?	\$112,000	\$460,000

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**BE 158.** (Cont.)

**Instructions**

Determine the missing amounts.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 3, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 158** (3 min.)

(a)	Total manufacturing costs	\$88,000
	Less: Direct materials used	(22,000)
	Less: Direct labor	<u>(42,000)</u>
	Equals: Manufacturing overhead	<u>\$24,000</u>
(b)	Total manufacturing costs	\$460,000
	Less: Direct materials	(148,000)
	Less: Manufacturing overhead	<u>(112,000)</u>
	Equals: Direct labor	<u>\$200,000</u>

**BE 159**

Presented below are incomplete 2019 manufacturing cost data for Supreme Corporation.

	Direct Materials Used	Direct Labor	Manufacturing Overhead	Total Manufacturing Costs
(a)	\$48,000	\$72,000	?	\$194,000
(b)	\$95,000	?	\$80,000	\$305,000
(c)	?	\$80,000	\$120,000	\$260,000

**Instructions**

Determine the missing amounts.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 4, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 159** (4 min.)

	Direct Materials Used	Direct Labor	Manufacturing Overhead	Total Manufacturing Costs
(a)	\$48,000	\$72,000	\$74,000	\$194,000
(b)	\$95,000	\$130,000	\$80,000	\$305,000
(c)	\$60,000	\$80,000	\$120,000	\$260,000

**BE 160**

Raynor Company has the following data:

Direct labor	\$76,000
Direct materials used	84,000
Total manufacturing overhead	65,000
Ending work in process	30,000
Beginning work in process	45,000

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**BE 160.** (Cont.)

### Instructions

Compute (a) total manufacturing costs and (b) cost of goods manufactured.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 160** (5 min.)

(a) Direct labor	\$ 76,000
Direct materials used	84,000
Total manufacturing overhead	<u>65,000</u>
Total manufacturing costs	<u>\$225,000</u>
(b) Beginning work in process	\$ 45,000
Total manufacturing costs	225,000
Less ending work in process	<u>(30,000)</u>
Cost of goods manufactured	<u>\$240,000</u>

**BE 161**

In alphabetical order below are current asset items for Sudler Company as of December 31, 2019. Prepare the current assets section of the company's balance sheet as of the same date.

Accounts receivable	\$41,000
Cash	61,000
Finished goods	26,000
Prepaid expenses	3,000
Raw materials	22,000
Work in process	32,000

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 4, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

**Solution 161** (4 min.)

### Current Assets

Cash	\$ 61,000
Accounts receivable	41,000
Inventories	
Finished goods	\$26,000
Work in process	32,000
Raw materials	<u>22,000</u> 80,000
Prepaid expenses	<u>3,000</u>
Total current assets	<u>\$185,000</u>

## EXERCISES

**Ex. 162**

Financial accounting information and managerial accounting information have a number of distinguishing characteristics. For each of the characteristics listed below, indicate which characteristics are more closely related to financial accounting by placing the letter "F" in the space to the left of the item and indicate those characteristics which are more closely associated with managerial accounting by placing the letter "M" to the left of the item.

**Ex. 162.** (Cont.)

- 1. General-purpose reports
- 2. Reports are used internally
- 3. Prepared in accordance with generally accepted accounting principles
- 4. Special purpose reports
- 5. Limited to historical cost data
- 6. Reporting standard is relevance to the decision to be made
- 7. Financial statements
- 8. Reports generally pertain to the business as a whole
- 9. Reports generally pertain to subunits
- 10. Reports issued quarterly or annually

Ans: N/A, LO: 1, Bloom: C, Difficulty: Easy, Min: 7, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

**Solution 162** (7–11 min.)

- |      |       |
|------|-------|
| 1. F | 6. M  |
| 2. M | 7. F  |
| 3. F | 8. F  |
| 4. M | 9. M  |
| 5. F | 10. F |

**Ex. 163**

Determine whether each of the following is classified as:

- DM: Direct materials
- DL: Direct labor
- MO: Manufacturing overhead

- 1. Assembly line workers' wages.
- 2. Factory supervisors' salaries.
- 3. Steel used in manufacturing product.
- 4. Insurance on factory building.
- 5. Rivets and screws used in production.
- 6. Tires used in manufacturing vehicles.

Ans: N/A, SO: 2, Bloom: C, Difficulty: Easy, Min: 5, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

**Solution 163** (5 min.)

- |       |       |
|-------|-------|
| 1. DL | 4. MO |
| 2. MO | 5. MO |
| 3. DM | 6. DM |

**Ex. 164**

Presented below is a list of costs and expenses incurred in the factory by Nu-Way Corporation, a manufacturer of recreational vehicles.

- \_\_\_\_\_ 1. Property taxes on the factory land
- \_\_\_\_\_ 2. Nails and glue used in production
- \_\_\_\_\_ 3. Cabinet maker's wages
- \_\_\_\_\_ 4. Factory supervisors' salaries
- \_\_\_\_\_ 5. Metal used in manufacturing
- \_\_\_\_\_ 6. Depreciation on factory machines
- \_\_\_\_\_ 7. Factory utilities
- \_\_\_\_\_ 8. Carpeting for the recreational vehicles
- \_\_\_\_\_ 9. Property taxes on the factory building
- \_\_\_\_\_ 10. Insurance on factory equipment

**Instructions**

Classify the above items into the following categories:

- DM — Direct Materials
- DL — Direct Labor
- MO — Manufacturing Overhead

Ans: N/A, LO: 2, Bloom: C, Difficulty: Easy, Min: 8, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

**Solution 164** (8–10 min.)

- |       |        |
|-------|--------|
| 1. MO | 6. MO  |
| 2. MO | 7. MO  |
| 3. DL | 8. DM  |
| 4. MO | 9. MO  |
| 5. DM | 10. MO |

**Ex. 165**

For each item, identify all applicable cost labels. Use the following code in your answer:

- 1 — Product Cost
- 2 — Period Cost

- a. Advertising \_\_\_\_\_
- b. Direct materials used \_\_\_\_\_
- c. Sales salaries \_\_\_\_\_
- d. Indirect factory labor \_\_\_\_\_
- e. Repairs to office equipment \_\_\_\_\_
- f. Factory manager's salary \_\_\_\_\_
- g. Direct labor \_\_\_\_\_
- h. Indirect materials \_\_\_\_\_

Ans: N/A, SO: 2, Bloom: C, Difficulty: Easy, Min: 6, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Measurement, AICPA PC: None, IMA: FSA



**Solution 165 (6–9 min.)**

a. Advertising	2
b. Direct materials used	1
c. Sales salaries	2
d. Indirect factory labor	1
e. Repairs to office equipment	2
f. Factory manager's salary	1
g. Direct labor	1
h. Indirect materials	1

**Ex. 166**

Kennedy Company reports the following costs and expenses in May.

Factory utilities	\$ 16,500	Direct labor	\$79,100
Depreciation on factory equipment	12,650	Sales salaries	48,400
Depreciation on delivery trucks	3,800	Property taxes on factory building	2,500
Indirect factory labor	48,900	Repairs to office equipment	1,300
Indirect materials	70,800	Factory repairs	2,000
Direct materials used	157,600	Advertising	23,000
Factory manager's salary	8,000	Office supplies used	4,640

**Instructions**

From the information, determine the total amount of:

- (a) Manufacturing overhead.
- (b) Product costs.
- (c) Period costs.

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Hard, Min: 12, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 166 (10–12 min.)**

(a) Factory utilities .....	\$ 16,500	
Depreciation on factory equipment .....	12,650	
Indirect factory labor .....	48,900	
Indirect materials .....	70,800	
Factory manager's salary .....	8,000	
Property taxes on factory building .....	2,500	
Factory repairs .....	2,000	
Manufacturing overhead .....	<b>\$161,350</b>	
(b) Direct materials .....	\$157,600	
Direct labor .....	79,100	
Manufacturing overhead .....	161,350	
Product costs .....	<b>\$398,050</b>	

**Solution 166** (Cont.)

(c) Depreciation on delivery trucks.....	\$ 3,800
Sales salaries .....	48,400
Repairs to office equipment .....	1,300
Advertising.....	23,000
Office supplies used .....	<u>4,640</u>
Period costs.....	<u>\$ 81,140</u>

**Ex. 167**

Kwik Delivery Service reports the following costs and expenses in June 2019.

Indirect materials	\$ 8,400	Driver's salaries	\$17,000
Depreciation on delivery equipment	11,200	Advertising	5,100
Dispatcher's salary	5,000	Delivery equipment repairs	300
Property taxes on office building	870	Office supplies	650
CEO's salary	12,000	Office utilities	2,490
Gas and oil for delivery trucks	3,200	Repairs on office equipment	180

**Instructions**

Determine the total amount of (a) delivery service (product) costs and (b) period costs.

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Hard, Min: 10, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 167** (10–12 min.)

(a) Delivery service (product) costs:

Indirect materials	\$ 8,400
Depreciation on delivery equipment	11,200
Dispatcher's salary	5,000
Gas and oil for delivery trucks	3,200
Drivers' salaries	17,000
Delivery equipment repairs	<u>300</u>
Total	<u>\$ 45,100</u>

(b) Period costs:

Property taxes on office building	\$ 870
CEO's salary	12,000
Advertising	5,100
Office supplies	650
Office utilities	2,490
Repairs on office equipment	<u>180</u>
Total	<u>\$21,290</u>

**Ex. 168**

For each item listed below, indicate in the space to the left whether the item would be considered a product cost or a period cost for a manufacturing company. Use the following code:

Pr = Product cost

Pe = Period cost

- \_\_\_ 1. Factory supervisory salaries
- \_\_\_ 2. Sales commissions
- \_\_\_ 3. Income tax expense
- \_\_\_ 4. Indirect materials used
- \_\_\_ 5. Indirect labor
- \_\_\_ 6. Office salaries expense
- \_\_\_ 7. Property taxes on factory building
- \_\_\_ 8. Sales manager's salary
- \_\_\_ 9. Factory wages expense
- \_\_\_ 10. Direct materials used

Ans: N/A, LO: 2, Bloom: C, Difficulty: Easy, Min: 7, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

**Solution 168** (7–10 min.)

- |       |        |
|-------|--------|
| 1. Pr | 6. Pe  |
| 2. Pe | 7. Pr  |
| 3. Pe | 8. Pe  |
| 4. Pr | 9. Pr  |
| 5. Pr | 10. Pr |

**Ex. 169**

Yates Manufacturing Company incurs the following manufacturing costs and expenses during the month of May.

1. Assembly line wages
2. Raw materials used directly in product
3. Depreciation on office equipment
4. Property taxes on factory building
5. Rent on factory building
6. Sales commissions
7. Depreciation on factory equipment
8. Factory utilities
9. Wages for factory maintenance workers
10. Advertising
11. Indirect materials used in production
12. Factory manager's salary

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**Ex. 169.** (Cont.)

**Instructions**

Complete the following matrix by placing an X mark under the appropriate headings.

<u>Cost Item</u>	<u>Direct Materials</u>	<u>Direct Labor</u>	<u>Manufacturing Overhead</u>	<u>Period Costs</u>
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				

Ans: N/A, LO: 2, Bloom: C, Difficulty: Easy, Min: 10, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

**Solution 169** (10–15 min.)

<u>Cost Item</u>	<u>Direct Materials</u>	<u>Direct Labor</u>	<u>Manufacturing Overhead</u>	<u>Period Costs</u>
1.		X		
2.	X			
3.				X
4.			X	
5.			X	
6.				X
7.			X	
8.			X	
9.			X	
10.				X
11.			X	
12.			X	

**Ex. 170**

Presented below are incomplete 2019 manufacturing cost data for Tardy Corporation.

	Direct Materials Used	Direct Labor	Manufacturing Overhead	Total Manufacturing Costs	Work in Process (1/1)	Work in Process (12/31)	Cost of Goods Manufactured
(a)	\$38,000	\$80,000	\$48,000	?	\$120,000	\$96,000	?
(b)	\$149,000	\$53,000	\$90,000	\$292,000	?	\$98,000	\$311,000
(c)	\$53,000	\$116,000	\$121,000	\$290,000	\$403,000	?	\$515,000

**Instructions**

Determine the missing amounts.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 6, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 170** (6 min.)

	Direct Materials Used	Direct Labor	Manufacturing Overhead	Total Manufacturing Costs	Work in Process (1/1)	Work in Process (12/31)	Cost of Goods Manufactured
(a)	\$38,000	\$80,000	\$48,000	\$166,000	\$120,000	\$96,000	\$190,000
(b)	\$149,000	\$53,000	\$90,000	\$292,000	\$117,000	\$98,000	\$311,000
(c)	\$53,000	\$116,000	\$121,000	\$290,000	\$403,000	\$178,000	\$515,000

**Ex. 171**

Among the items that Howard Print Shop accounts for are the following:

1. Direct labor \_\_\_\_\_
2. Office supplies used \_\_\_\_\_
3. Depreciation on printing machines \_\_\_\_\_
4. Finished goods inventory, 12/31 \_\_\_\_\_
5. Raw materials inventory, 1/1 \_\_\_\_\_
6. Cost of goods manufactured \_\_\_\_\_
7. Work in process, 1/1 \_\_\_\_\_
8. Office supplies inventory, 12/31 \_\_\_\_\_
9. Indirect labor \_\_\_\_\_
10. Heat and electricity for the print shop \_\_\_\_\_

Howard Print Shop prepares the following schedule and financial statements on a yearly basis:

- (a) Cost of goods manufactured schedule.
- (b) Income statement.
- (c) Balance sheet.

**Instructions**

For each item, indicate by using the appropriate letter(s) the schedule and/or financial statements in which the item will appear.

Ans: N/A, SO: 3, Bloom: C, Difficulty: Easy, Min: 8, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

**Solution 171** (8–12 min.)

1. Direct labor \_\_\_\_\_ (a)
2. Office supplies used \_\_\_\_\_ (b)
3. Depreciation on printing machines \_\_\_\_\_ (a)
4. Finished goods inventory, 12/31 \_\_\_\_\_ (b), (c)
5. Raw materials inventory, 1/1 \_\_\_\_\_ (a)
6. Cost of goods manufactured \_\_\_\_\_ (a), (b)
7. Work in process, 1/1 \_\_\_\_\_ (a)
8. Office supplies inventory, 12/31 \_\_\_\_\_ (c)
9. Indirect labor \_\_\_\_\_ (a)
10. Heat and electricity for the print shop \_\_\_\_\_ (a)

**Ex. 172**

Klein Company manufactures boats. During September, 2019, the company purchased 100 cellular phones at a cost of \$110 each. Klein withdrew 70 phones from the warehouse during the month. Twenty of these phones were installed in salespersons' cars and the remaining 50 phones were put in boats manufactured during the month.

Of the boats put into production during September, 2019, 80% were completed and transferred to the company's storage lot. Fifty percent of the boats completed during the month were sold by September 30.

**Instructions**

Determine the cost of cellular phones that would appear in each of the following accounts at September 30, 2019:

- Raw materials inventory
- Work in process inventory
- Finished goods inventory
- Cost of goods sold
- Selling expenses

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 12, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

**Solution 172** (12–17 min.)

Raw materials:	$(100 - 70) \times \$110 = \$3,300$
Work in process:	$(50 \times 20\%) \times \$110 = \$1,100$
Finished goods:	$(50 \times 80\% \times 50\%) \times \$110 = \$2,200$
Cost of goods sold:	$(50 \times 80\% \times 50\%) \times \$110 = \$2,200$
Selling expenses:	$20 \times \$110 = \$2,200$

Costs to account for:  $100 \times \$110 = \$11,000$

Raw materials inventory	\$ 3,300
Work in process inventory	1,100
Finished goods inventory	2,200
Cost of goods sold	2,200
Selling expenses	<u>2,200</u>
Total	<u>\$11,000</u>

**Ex. 173**

Peters Manufacturing Company has the following data at June 30, 2019:

Raw materials inventory, June 1	\$ 13,800
Work in process inventory, June 1	18,100
Finished goods inventory, June 1	43,500
Total manufacturing costs	430,000
Sales	580,000
Work in process inventory, June 30	30,400
Finished goods inventory, June 30	55,200
Raw materials inventory, June 30	18,000

**Ex. 173.** (Cont.)

**Instructions**

- (a) Prepare an income statement through gross profit for the month of June.
- (b) Indicate the balance sheet presentation of the June 30 inventories.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 10, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

**Solution 173** (10–15 min.)

(a)

**PETERS COMPANY**  
(Partial) Income Statement  
For the Month Ended June 30, 2019

Sales.....		\$580,000
Cost of goods sold		
Finished goods inventory, June 1 .....	\$ 43,500	
Cost of goods manufactured.....	<u>417,700*</u>	
Cost of goods available for sale.....	461,200	
Finished goods inventory, June 30 .....	<u>55,200</u>	
Cost of goods sold.....		<u>406,000</u>
Gross profit .....		<u>\$ 174,000</u>

\*\$18,100 + \$430,000 – \$30,400 = \$417,700

(b)

**PETERS COMPANY**  
Partial Balance Sheet

Current assets

Cash.....		\$ XXXX
Accounts receivable .....		XXXX
Inventories:		
Finished goods .....	\$55,200	
Work in process .....	30,400	
Raw materials .....	<u>18,000</u>	103,600

**Ex. 174**

Glavine Corporation incurred the following costs while manufacturing its product.

Materials used in product	\$ 125,000	Advertising expense	\$45,000
Depreciation on plant	60,000	Property taxes on plant	19,000
Property taxes on store	7,500	Delivery expense	21,000
Labor costs of assembly-line workers	110,000	Sales commissions	35,000
Factory supplies used	23,000	Salaries paid to sales clerks	50,000

Work-in-process inventory was \$27,000 at January 1 and \$15,500 at December 31. Finished goods inventory was \$65,000 at January 1 and \$50,600 at December 31.

**Instructions**

- (a) Compute cost of goods manufactured.
- (b) Compute cost of goods sold.

Ans: N/A, SO: 3, Bloom: AP, Difficulty: Medium, Min: 10, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

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**Solution 174 (10–12 min.)**

(a) Work-in-process, 1/1 .....		\$ 27,000
Direct materials used .....	\$ 125,000	
Direct labor .....	110,000	
Manufacturing overhead		
Depreciation on plant .....	\$60,000	
Factory supplies used .....	23,000	
Property taxes on plant .....	<u>19,000</u>	
Total manufacturing overhead .....	<u>102,000</u>	
Total manufacturing costs .....		<u>337,000</u>
Total cost of work-in-process .....		<u>364,000</u>
Less:		
Work-in-process, 12/31 .....		<u>15,500</u>
Cost of goods manufactured .....		<u>\$348,500</u>
(b) Finished goods, 1/1 .....		\$ 65,000
Cost of goods manufactured .....		<u>348,500</u>
Cost of goods available for sale .....		<u>413,500</u>
Less: Finished goods, 12/31 .....		<u>50,600</u>
Cost of goods sold .....		<u>\$362,900</u>

**Ex. 175**

The following information is available for Elliot Company.

	<u>January 1, 2019</u>	<u>2019</u>	<u>December 31, 2019</u>
Raw materials inventory	\$ 26,000		\$30,000
Work in process inventory	18,500		22,200
Finished goods inventory	30,000		21,000
Materials purchased		\$170,000	
Direct labor		230,000	
Manufacturing overhead		180,000	
Sales		800,000	

**Instructions**

- (a) Compute cost of goods manufactured.
- (b) Prepare an income statement through gross profit.

Ans: N/A, LO: 2, 3, Bloom: AP, Difficulty: Hard, Min: 12, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

**Solution 175 (12–16 min.)**

(a) Work-in-process, 1/1 .....		\$ 18,500
Direct materials		
Materials inventory, 1/1 .....	\$ 26,000	
Materials purchased .....	<u>170,000</u>	
Materials available for use .....	196,000	
Less: Materials inventory, 12/31 .....	<u>30,000</u>	
Direct materials used .....		\$166,000
Direct labor .....		230,000
Manufacturing overhead .....		<u>180,000</u>
Total manufacturing costs .....		<u>576,000</u>
Total cost of work-in-process .....		<u>594,500</u>
Less: Work-in-process, 12/31 .....		<u>22,200</u>
Cost of goods manufactured .....		<u>\$572,300</u>



**Solution 175 (Cont.)**

(b) Sales.....		\$800,000
Cost of goods sold		
Finished goods, 1/1 .....	\$ 30,000	
Cost of goods manufactured.....	<u>572,300</u>	
Cost of goods available for sale.....	602,300	
Less: Finished goods, 12/31 .....	<u>21,000</u>	
Cost of goods sold.....		<u>581,300</u>
Gross profit .....		<u>\$218,700</u>

**Ex. 176**

Manufacturing cost data for Morton Company are presented below.

	<u>Case A</u>	<u>Case B</u>	<u>Case C</u>
Direct materials used	(a)	\$75,400	\$130,000
Direct labor	\$ 57,000	76,000	(g)
Manufacturing overhead	46,500	81,600	102,000
Total manufacturing costs	195,650	(d)	283,700
Work-in-process, 1/1/19	(b)	16,500	(h)
Total cost of work-in-process	221,500	(e)	327,000
Work-in-process, 12/31/19	(c)	9,000	80,000
Cost of goods manufactured	180,275	(f)	(i)

**Instructions**

Indicate the missing amount for each letter (a) through (i).

Ans: N/A, LO: 3, Bloom: AN, Difficulty: Medium, Min: 12, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 176 (12–16 min.)**

$$A + \$57,000 + \$46,500 = \$195,650$$

$$A = \$92,150$$

$$\$249,500 - \$9,000 = F$$

$$F = \$240,500$$

$$\$195,650 + B = \$221,500$$

$$B = \$25,850$$

$$\$130,000 + G + \$102,000 = \$283,700$$

$$G = \$51,700$$

$$\$221,500 - C = \$180,275$$

$$C = \$41,225$$

$$\$283,700 + H = \$327,000$$

$$H = \$43,300$$

$$\$75,400 + \$76,000 + \$81,600 = D$$

$$D = \$233,000$$

$$\$327,000 - \$80,000 = I$$

$$I = \$247,000$$

$$\$233,000 + \$16,500 = E$$

$$E = \$249,500$$

**1 - 50 Test Bank for Managerial Accounting, Eighth Edition****Ex. 177**

From the account balances listed below, prepare a schedule of cost of goods manufactured for Sampson Manufacturing Company for the month ended December 31, 2019.

	<u>Account Balances</u>
Finished Goods Inventory, December 31	\$42,000
Factory Supervisory Salaries	12,000
Income Tax Expense	18,000
Raw Materials Inventory, December 1	12,000
Work In Process Inventory, December 31	15,000
Sales Salaries Expense	14,000
Factory Depreciation Expense	8,000
Finished Goods Inventory, December 1	35,000
Raw Materials Purchases	105,000
Work In Process Inventory, December 1	25,000
Factory Utilities Expense	6,000
Direct Labor	70,000
Raw Materials Inventory, December 31	19,000
Sales Returns and Allowances	5,000
Indirect Labor	21,000

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 12, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

**Solution 177 (12–16 min.)**

**SAMPSON MANUFACTURING COMPANY**  
**Cost of Goods Manufactured Schedule**  
**For the Month Ended December 31, 2019**

Work in process, December 1		\$ 25,000
Direct materials		
Raw materials inventory, December 1	\$12,000	
Raw materials purchases	<u>105,000</u>	
Total raw materials available for use	117,000	
Less: Raw materials inventory, December 31	<u>19,000</u>	
Direct materials used	98,000	
Direct labor		70,000
Manufacturing overhead		
Indirect labor	\$21,000	
Factory supervisory salaries	12,000	
Factory depreciation expense	8,000	
Factory utilities expense	<u>6,000</u>	
Total manufacturing overhead		<u>47,000</u>
Total manufacturing costs		<u>215,000</u>
Total cost of work in process		240,000
Less: Work in process, December 31		<u>15,000</u>
Cost of goods manufactured		<u><u>\$225,000</u></u>

**Ex. 178**

Rabid Manufacturing Company has the following data:

Direct labor	\$145,000
Direct materials used	151,000
Total manufacturing overhead	208,000
Beginning work in process	<u>26,000</u>

**Instructions**

Compute (a) total manufacturing costs and (b) total cost of work in process.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 6, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 178** (6 min.)

(a) Direct labor	\$145,000
Direct materials used	151,000
Total manufacturing overhead	<u>208,000</u>
Total manufacturing costs	<u>\$504,000</u>
(b) Beginning work in process	\$ 26,000
Total manufacturing costs	<u>504,000</u>
Total cost of work in process	<u>\$530,000</u>

**Ex. 179**

The following costs and inventory data were taken from the accounts of Simon Company for 2019:

	<u>January 1, 2019</u>	<u>December 31, 2019</u>
Inventories:		
Raw materials	\$ 8,000	\$ 7,000
Work in process	15,000	13,000
Finished goods	16,000	12,000
Costs incurred:		
Raw materials purchases		\$98,000
Direct labor		42,000
Factory rent		8,000
Factory utilities		10,000
Indirect materials		6,000
Indirect labor		9,000
Operating expenses		17,000

**Instructions**

- Prepare a schedule showing the amount of direct materials used in production during the year.
- Compute the amount of manufacturing overhead incurred during the year.
- Prepare a schedule of Cost of Goods Manufactured for Simon Company for the year ended December 31, 2019 in good form.
- Prepare the Cost of Goods Sold section of the Income Statement for Simon Company for the year ended December 31, 2019 in good form.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 18, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

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**Solution 179** (18–20 min.)

a. Raw materials inventory, beginning	\$ 8,000
Raw materials purchases	<u>98,000</u>
Raw materials available for use	106,000
Less: Raw materials inventory, ending	<u>7,000</u>
Direct materials used	<u>\$ 99,000</u>
b. Manufacturing overhead:	
Factory rent	\$ 8,000
Factory utilities	10,000
Indirect materials	6,000
Indirect labor	<u>9,000</u>
Total manufacturing overhead	<u>\$33,000</u>

c.			
SIMON COMPANY			
Schedule of Cost of Goods Manufactured			
For the Year Ended December 31, 2019			
Work in processing, beginning			\$ 15,000
Direct materials			
Raw materials inventory, beginning	\$ 8,000		
Raw materials purchases	<u>98,000</u>		
Raw materials available for use	106,000		
Less: Raw materials inventory, ending	<u>7,000</u>		
Direct materials used		\$99,000	
Direct labor		42,000	
Manufacturing overhead		<u>33,000</u>	
Total manufacturing costs			<u>174,000</u>
Total cost of work in process			189,000
Less: Work in process, ending			<u>13,000</u>
Cost of goods manufactured			<u>\$176,000</u>

d.			
SIMON COMPANY			
(Partial) Income Statement			
For the Year Ended December 31, 2019			
Finished goods inventory, January 1			\$ 16,000
Cost of goods manufactured			<u>176,000</u>
Cost of goods available for sale			192,000
Less: Finished goods inventory, December 31			<u>12,000</u>
Cost of goods sold			<u>\$180,000</u>

**Ex. 180**

Manufacturing costs for Carson Company for selected months are as follows:

	<u>April</u>	<u>July</u>	<u>October</u>
Beginning work in process	\$ 80,000	(f)	\$ 88,000
Direct materials used	280,000	\$190,000	155,000
Direct labor	195,000	170,000	(j)
Manufacturing overhead	(a)	150,000	90,000
Total manufacturing costs	860,000	510,000	450,000
Total cost of work in process	(b)	640,000	(k)
Ending work in process	75,000	(g)	(l)
Cost of goods manufactured	(c)	515,000	385,000
Beginning finished goods	(d)	38,000	(m)
Cost of goods available for sale	960,000	(h)	480,000
Ending finished goods	(e)	75,000	(n)
Cost of goods sold	820,000	(i)	355,000

**Instructions**

Indicate the missing amounts. (Show computations.)

Ans: N/A, LO: 3, Bloom: AN, Difficulty: Hard, Min: 12, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 180** (12–17 min.)

- (a) \$385,000 (\$860,000 – \$280,000 – \$195,000).
- (b) \$940,000 (\$860,000 + \$80,000).
- (c) \$865,000 (\$940,000 – \$75,000).
- (d) \$95,000 (\$960,000 – \$865,000).
- (e) \$140,000 (\$960,000 – \$820,000).
- (f) \$130,000 (\$640,000 – \$510,000).
- (g) \$125,000 (\$640,000 – \$515,000).
- (h) \$553,000 (\$515,000 + \$38,000).
- (i) \$478,000 (\$553,000 – \$75,000).
- (j) \$205,000 (\$450,000 – \$90,000 – \$155,000).
- (k) \$538,000 (\$88,000 + \$450,000).
- (l) \$153,000 (\$538,000 – \$385,000).
- (m) \$95,000 (\$480,000 – \$385,000).
- (n) \$125,000 (\$480,000 – \$355,000).

**Ex. 181**

Fill in the missing information on the cost of goods manufactured schedule of Noland Manufacturing Company:

NOLAND MANUFACTURING COMPANY  
Cost of Goods Manufactured Schedule  
For the Year Ended December 31, 2019

Work in process (1/1)			\$340,000
Direct materials			
Raw materials inventory (1/1)	\$ _____ ?		
Raw materials purchases	<u>246,000</u>		
Raw materials available for use	_____ ?		
Raw materials inventory (12/31)	<u>37,000</u>		
Direct materials used		\$255,000	
Direct labor		_____ ?	
Manufacturing overhead			
Indirect labor	19,000		
Factory depreciation	38,000		
Factory utilities	39,000		
Total overhead		_____ ?	
Total manufacturing costs			_____ ?
Total cost of work in process			_____ ?
Less: Work in process (12/31)			<u>322,000</u>
Cost of goods manufactured			<u>\$480,000</u>

Ans: N/A, LO: 3, Bloom: AN, Difficulty: Medium, Min: 6, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting

**Solution 181** (6–9 min.)

NOLAND MANUFACTURING COMPANY  
Cost of Goods Manufactured Schedule  
For the Year Ended December 31, 2019

Work in process (1/1)			\$340,000
Direct materials			
Raw materials inventory (1/1)	\$ 46,000		
Raw materials purchases	<u>246,000</u>		
Raw materials available for use	292,000		
Raw materials inventory (12/31)	<u>37,000</u>		
Direct materials used		\$255,000	
Direct labor		111,000	
Manufacturing overhead			
Indirect labor	19,000		
Factory depreciation	38,000		
Factory utilities	<u>39,000</u>		
Total overhead		<u>96,000</u>	
Total manufacturing costs			<u>462,000</u>
Total cost of work in process			802,000
Less: Work in process (12/31)			<u>322,000</u>
Cost of goods manufactured			<u>\$480,000</u>

**Ex. 182**

Data for the cost of direct materials for the month ended March 31, 2019, are as follows:

Materials inventory, March 1, 2019	\$76,000
Materials inventory, March 31, 2019	70,000

During March, the company purchased \$260,000 of raw materials on account from Reed Company and \$92,000 of raw materials for cash from Frye Company. In addition, \$50,000 was paid on the Reed account balance.

**Instructions**

Compute the cost of direct materials used during March.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Easy, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 182** (5–7 min.)

Raw materials inventory, March 1	\$ 76,000
Raw materials purchases (\$260,000 + \$92,000)	<u>352,000</u>
Total raw materials available for use	428,000
Less: Raw materials inventory, March 31	<u>70,000</u>
Direct materials used during March	<u>\$358,000</u>

Note: Payment on account to Reed is irrelevant to the direct materials used calculation.

**Ex. 183**

Presented below are incomplete 2019 manufacturing cost data for Tardy Corporation.

	Direct Materials Used	Direct Labor	Manufacturing Overhead	Total Manufacturing Costs
(a)	\$61,000	\$72,000	\$54,000	?
(b)	?	\$53,000	\$90,000	\$252,000
(c)	\$53,000	?	\$96,000	\$310,000

**Instructions**

Determine the missing amounts.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 5, AACSB: Analytic, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Problem Solving, IMA: Business Economics

**Solution 183** (5 min.)

	Direct Materials Used	Direct Labor	Manufacturing Overhead	Total Manufacturing Costs
(a)	\$61,000	\$72,000	\$54,000	\$187,000
(b)	\$109,000	\$53,000	\$90,000	\$252,000
(c)	\$53,000	\$161,000	\$96,000	\$310,000

**Ex. 184**

Indicate whether each of the following would appear on the:

- A—Cost of goods manufactured schedule
- B—Income statement
- C—Balance sheet

Note: If it would appear in more than just one, indicate which ones.

- \_\_\_\_\_ 1. Cost of goods sold
- \_\_\_\_\_ 2. Finished goods inventory, 12/31
- \_\_\_\_\_ 3. Direct materials used
- \_\_\_\_\_ 4. Raw materials inventory, 1/1
- \_\_\_\_\_ 5. Insurance on factory equipment
- \_\_\_\_\_ 6. Work in process, 12/31
- \_\_\_\_\_ 7. Indirect labor
- \_\_\_\_\_ 8. Property taxes on office building

Ans: N/A, LO: 3, Bloom: C, Difficulty: Easy, Min: 5, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: FSA

**Solution 184** (5 min.)

- 1. B
- 2. B, C
- 3. A
- 4. A
- 5. A
- 6. A, C
- 7. A
- 8. B

**Ex. 185**

Listed below are current asset items for Lester Company at December 31, 2019.

Finished goods inventory	\$35,000	Short-term investments	\$25,000
Cash	22,000	Raw materials inventory	17,000
Prepaid expenses	2,000	Work in process inventory	23,000
Accounts receivable	4,000	Supplies	500

**Instructions**

Prepare the current assets section of the balance sheet. (Include a complete heading.)

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Medium, Min: 6, AACSB: Analytic, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: Problem Solving, IMA: Reporting



**Solution 185** (6–9 min.)

LESTER COMPANY  
(Partial) Balance Sheet  
December 31, 2019

Current assets		
Cash		\$22,000
Short-term investments		25,000
Accounts receivable		4,000
Inventories:		
Finished goods	\$35,000	
Work in process	23,000	
Raw materials	<u>17,000</u>	75,000
Prepaid expenses		2,000
Supplies		<u>500</u>
Total current assets		<u>\$128,500</u>

### COMPLETION STATEMENTS

186. Financial accounting information is prepared mainly for \_\_\_\_\_ users, while managerial accounting information is prepared primarily for \_\_\_\_\_ users.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

187. The types of reports prepared in managerial accounting are often \_\_\_\_\_ - purpose reports prepared for a specific decision.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

188. Managerial accounting reports generally pertain to \_\_\_\_\_ of a business and may be very detailed.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

189. Three broad managerial functions are: (1) \_\_\_\_\_, (2) \_\_\_\_\_, and (3) \_\_\_\_\_.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

190. The \_\_\_\_\_ function is concerned with setting goals and objectives for the entity.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Problem Solving, IMA: Business Economics

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191. Exercising good judgment in performing the managerial functions and choosing among alternative courses of action is called \_\_\_\_\_.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Problem Solving, IMA: Business Economics

192. The three cost elements in manufacturing a product are (1)\_\_\_\_\_, (2)\_\_\_\_\_, and (3)\_\_\_\_\_.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Problem Solving, IMA: Business Economics

193. The work of factory employees that can be physically and directly associated with converting raw materials into products is classified as \_\_\_\_\_.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

194. Indirect materials and indirect labor are classified as \_\_\_\_\_.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

195. Each of the manufacturing cost components is a \_\_\_\_\_ cost.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

196. A major difference between the income statements of a merchandising company and a manufacturing company is that the cost of goods sold section of a merchandising company shows cost of goods\_\_\_\_\_, whereas a manufacturing company shows cost of goods \_\_\_\_\_.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

197. \_\_\_\_\_ is added to direct labor and manufacturing overhead to get total manufacturing costs for the current period.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: None, IMA: Business Economics

198. The ending work in process inventory is subtracted from the total cost of work in process to calculate \_\_\_\_\_.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

199. A manufacturing company computes cost of goods sold by adding cost of goods manufactured to the \_\_\_\_\_ and subtracting the \_\_\_\_\_.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

200. A manufacturing company usually has three inventory accounts which are (1) \_\_\_\_\_, (2) \_\_\_\_\_, and (3) \_\_\_\_\_.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

### Answers to Completion Statements

- 186. external, internal
- 187. special
- 188. subunits
- 189. planning, directing, controlling
- 190. planning
- 191. decision making
- 192. direct materials, direct labor, manufacturing overhead
- 193. direct labor
- 194. manufacturing overhead
- 195. product
- 196. purchased, manufactured
- 197. Direct materials used
- 198. cost of goods manufactured
- 199. beginning finished goods inventory, ending finished goods inventory
- 200. Finished Goods Inventory, Work in Process Inventory, Raw Materials Inventory

### MATCHING

201. Match the items in the two columns below by entering the appropriate code letter in the space provided.

- |                          |                              |
|--------------------------|------------------------------|
| A. Managerial accounting | F. Work in process inventory |
| B. Financial accounting  | G. Direct materials          |
| C. Planning              | H. Manufacturing overhead    |
| D. Directing             | I. Period costs              |
| E. Controlling           | J. Value chain               |

- \_\_\_\_\_ 1. The cost of products that are partially complete.
- \_\_\_\_\_ 2. The function of keeping activities in accordance with plans.
- \_\_\_\_\_ 3. Primarily concerned with internal users and reports pertain to subunits of the entity.
- \_\_\_\_\_ 4. Materials that can be physically and directly associated with manufacturing a product.
- \_\_\_\_\_ 5. The function of setting goals and objectives.
- \_\_\_\_\_ 6. Indirect costs of manufacturing a product.
- \_\_\_\_\_ 7. Primarily concerned with external users and reports pertain to the entity as a whole.
- \_\_\_\_\_ 8. Costs that are noninventoriable.
- \_\_\_\_\_ 9. All business processes associated with providing a product or service.

### Matching 201 (Cont.)

\_\_\_\_\_ 10. The function of coordinating diverse activities to produce a smooth-running operation.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 3, AACSB: None, AICPA BB: Legal/Regulatory, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

### Answers to Matching

- |      |       |
|------|-------|
| 1. F | 6. H  |
| 2. E | 7. B  |
| 3. A | 8. I  |
| 4. G | 9. J  |
| 5. C | 10. D |

## SHORT-ANSWER ESSAY QUESTIONS

### S-A E 202

Financial and managerial accounting are both concerned with the economic events of an enterprise. Similarities between financial and managerial accounting do exist, but they do have a different focus. Briefly distinguish between financial and managerial accounting as they relate to (1) the primary users, (2) the type and frequency of reports, (3) the purpose of reports, and (4) the content of reports.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Economics

### Solution 202

Financial accounting is primarily concerned with external users such as stockholders and creditors, while the primary users of managerial accounting are those within the company (internal users) such as officers, managers, supervisors, etc. Quarterly and annual classified financial statements are the end product of financial accounting. Internal reports, prepared as often as needed are the result of managerial accounting. The financial statements produced by financial accounting are general-purpose reports which are highly aggregated, pertain to the enterprise as a whole, and are constrained by generally accepted accounting principles. The internal reports prepared by management accountants are special purpose reports which are detailed, pertain to subunits of the enterprise, and may contain any information relevant to the decision at hand.

### S-A E 203

Julie Mills is studying for her accounting mid-term examination. Summarize for Julie what she should know about management functions.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Industry/Sector, AICPA FN: Measurement, AICPA PC: Communication, IMA: Business Economics

**Solution 203**

Julie should know that the management of an organization performs three broad functions:

- (1) **Planning** requires management to look ahead and to establish objectives.
- (2) **Directing** involves coordinating the diverse activities and human resources of a company to produce a smooth-running operation.
- (3) **Controlling** is the process of keeping the company's activities on track.

**S-A E 204**

A manufacturing company makes the products that it sells. Briefly identify and define the cost elements that are incurred in making a product. After product cost elements are identified, how is the cost of goods manufactured for a period determined?

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Economics

**Solution 204**

Costs incurred to manufacture a product include direct materials which can be physically and directly associated with the finished product; direct labor, which is the work of factory employees which can be physically and directly associated with the finished product; and manufacturing overhead, those manufacturing costs which are indirectly associated with production of the finished product. Cost of goods manufactured is computed by adding the cost of direct materials used, direct labor, and manufacturing overhead to the beginning work in process, and subtracting the ending work in process.

**S-A E 205**

Kevin Scott is confused about the differences between a product cost and a period cost. Explain the differences to Kevin.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Economics

**Solution 205**

Product costs, or inventoriable costs, are costs that are a necessary and integral part of producing the finished product. Period costs are costs that are identified with a specific time period rather than with a salable product. These costs relate to nonmanufacturing costs and therefore are not inventoriable costs.

**S-A E 206**

Assume you have just taken a position as controller for a new company that manufactures and sells wrought iron wall hangings. Although the founder of the company, who is the president and CEO, is a great artisan, she has very limited knowledge of accounting.

**Instructions**

To help your new boss better understand accounting for a manufacturing organization, prepare a response to her in which you: (1) identify, (2) describe, and (3) provide examples of the three manufacturing costs and the three inventory accounts used in accounting for a manufacturing company.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Industry/Sector, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Economics

### Solution 206

The three manufacturing costs are: direct materials, direct labor, and manufacturing overhead. Raw materials that can be physically and directly associated with the finished product during the manufacturing process are called direct materials. The iron used in making the wall hangings is an example of direct materials. The work of factory employees that can be physically and directly associated with converting raw materials to finished goods is considered direct labor. Manufacturing overhead consists of costs that are indirectly associated with the manufacture of the finished product. These costs may also be manufacturing costs that cannot be classified as direct materials or direct labor. Manufacturing overhead includes indirect materials, indirect labor, and depreciation on factory buildings, and machinery, utilities, insurance, taxes and maintenance on factory facilities.

The three inventory accounts are: raw materials, work in process, and finished goods. Raw materials inventory represents the cost of the materials and parts that are to be used in the manufacturing process. The iron purchased to make the wall hangings would be considered raw materials until the time it was put into production. Work in process is the cost applicable to units that have been started into production but are only partially complete. Wall hangings on the assembly line that are in various stages of completion would be work in process. The finished goods inventory represents the cost of completed goods that have not been sold. The cost of wall hangings that are completed but have not been sold would be finished goods.

### S-A E 207 (Ethics)

Million Dollar Mills is a textile manufacturing firm located in the southern United States. The company carefully prepares all financial statements in accordance with GAAP, and gives a copy of all financial statements to each department. In addition, the company keeps records on quality control, safety, and environmental pollution by the company. It then prepares "scorecards" for each department indicating their performance. Recently, the financial impact of the second set of information was added, and the information has been used in the evaluation of employees for merit pay and promotions.

At the most recent employee meeting, Tyler Hanes, marketing manager, expressed his discomfort with the system. He said there was no guarantee that the second set of information was fair, since there were no generally accepted principles for this kind of information. He also said that it was kind of like keeping two sets of books—one following all legal requirements, and the other one actually used by the company.

#### Required:

1. Is it ethical to evaluate managers in the way described? Explain briefly.
2. Name at least two safeguards the company could build into its system to ensure the ethical treatment of employees.

Ans: N/A, LO: 4, Bloom: K, Difficulty: Easy, Min: 5, AACSB: Ethics, AICPA BB: Legal/Regulatory, AICPA FN: Decision Modeling, AICPA PC: Communication, IMA: Decision Analysis

### Solution 207

1. It is ethical for a company to use all available data in order to evaluate managers, and even to collect data not routinely available. In fact, such a method seems preferable to one in which the company may only use specified financial data in its evaluation of a manager's performance. It does not imply a departure from GAAP, nor that the company does not actually use the information prepared according to GAAP. It supplements the standard reports, it does not replace them.

**Solution 207 (Cont.)**

2. The company should make certain that the appropriate information is calculated in the same way each period. All the relevant data should be collected and reported each period. New data should be limited. The qualitative information should be complemented, not replaced, by the regular financial information.

**S-A E 208 (Communication)**

Volumetrica, a producer of audio equipment for large computer systems, is reviewing its policies as part of a biannual self-examination of the company. As part of this process, all managers have been asked to carefully examine costs and determine as closely as possible which costs are direct and which are indirect.

Linda Bedard and Sam Hilton, managers of different manufacturing departments in the same building, have been working together. They found the following four costs that could be economically traced to the products, but have historically been a part of overhead:

- Cost of setting up the machinery for a different production run.
- Cost of minor assembly components such as knobs and switches.
- Cost of packaging, which is quite different for each model.
- Cost of inspecting and testing each model.

None of the costs is significant by itself, but together these four costs make up between 10 and 15% of the total cost of the product. Linda favors "leaving well enough alone," as she puts it, and leaving these costs in overhead. She is afraid that her volunteering to trace these costs will result in her having to trace many more costs in the future. Sam, on the other hand, prefers to have the product cost as accurate as possible. He points out that these costs are already known, and the process would require little extra work.

**Required:**

You have been called on in your function as accounting manager to resolve the dispute. Write a memo to Linda and Sam, supporting one or the other position. Be sure to adequately defend your position, but be brief.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Industry/Sector, AICPA FN: Decision Modeling, AICPA PC: Communication, IMA: Decision Analysis

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**Solution 208**

TO: Linda Bedard and Sam Hilton

FROM: Nancy West, Accounting Manager

RE: Tracing overhead

I strongly support the tracing of as much of what is now overhead directly to the products as possible (sorry, Linda). Besides giving more accurate product costs now, as Sam says, it will help us considerably in the future. We can evaluate products better, the more we know about which costs they generate. Otherwise, we just assign them some amount of overhead, which may be either more or less than they actually cost.

Thank you both for your hard work. It is true, as Linda says, that our reviews will (temporarily) cause us more work (sorry, Sam). However, I think you'll both agree that the benefits of knowing the costs of our products better will make the effort well worthwhile.

So, let's start tracing the four costs you mentioned now. Once we have the glitches ironed out, we'll share the results with the other departments.

(signed)