Cornerstones of Managerial Accounting (Canadian) 3rd edition Mowen Test Bank

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TRUE/FALSE

1 : Cost is a dollar measure of the resources used to achieve a given benefit.
A : true
B : false

Correct Answer : A

2 : Expired costs are called assets.
A : true
B : false

Correct Answer : B

3 : Reducing the cost required to achieve a given benefit means that a company is becoming less efficient.
A : true
B : false

Correct Answer : B

4 : Costs incurred to produce future benefits would generally be categorized as liabilities.
A : true
B : false

Correct Answer : B

5 : As costs are used up in the production of revenues, they are said to expire. Expired costs are called expenses.
A : true
B : false

Correct Answer : A

6 : The revenue per unit is called sales price.
A : true
B : false

Correct Answer : A

7 : Sales price must be greater than cost in order for the firm to generate a profit.
A : true
B : false

Correct Answer : A

8 : Accumulating costs is the way that costs are measured and recorded.
A : true
B : false

Correct Answer : A

9 : A fixed cost decreases in total as output decreases.
A : true
B : false

Correct Answer : B

10 : If a cost is classified as a variable cost in one situation, it may be appropriate to instead classify the same cost as a fixed cost in another situation.
A : true
B : false

Correct Answer : A

11 : Assigning costs involves the way that a cost is linked to some cost object.
A : true
B : false

Correct Answer : A

12 : Assigning costs tells the accountant who spent the money.
A : true
B : false

Correct Answer : B

13 : A cost object is any item, such as products, customers, departments, regions, and so on, for which costs are measured and assigned.
A : true
B : false

Correct Answer : A

14 : An opportunity cost is the benefit given up or sacrificed when one alternative is chosen over another.
A : true
B : false

Correct Answer : A

15 : While it is necessary to assign direct costs to cost objects, it is NOT necessary to assign indirect costs.
A : true
B : false

Correct Answer : B

16 : Costs may be directly or indirectly associated with cost objects.
A : true
B : false

Correct Answer : A

17 : Direct costs are those costs that can be easily and accurately traced to a cost object.

A : true
B : false

Correct Answer : A

18 : Indirect costs are costs that are easily and accurately traced to a cost object.
A : true
B : false

Correct Answer : B

19 : Allocation means that an indirect cost is assigned to a cost object using a reasonable and convenient method.
A : true
B : false

Correct Answer : A

20 : A variable cost is one that decreases in total as output increases and increases in total as output decreases.
A : true
B : false

Correct Answer : B

21 : A fixed cost is a cost that increases in total as output increases and decreases in total as output decreases.
A : true
B : false

Correct Answer : B

22 : Denim used when making jeans would normally be classified as a variable cost.
A : true
B : false

Correct Answer : A

23 : Screws used in the manufacture of cabinets would normally be classified as a variable cost.
A : true
B : false

Correct Answer : A

24 : Services are most appropriately classified as intangible and perishable.
A : true
B : false

Correct Answer : A

25 : Product costs are carried in inventory only until production of the goods is completed.
A : true
B : false

Correct Answer : B

26 : A manufacturing business generally reports three types of inventory on its balance sheet.
A : true
B : false

Correct Answer : A

27 : Indirect materials can be directly traced to the goods or services being produced.
A : true
B : false

Correct Answer : B

28 : All product costs other than direct materials and indirect labour are called manufacturing overhead.
A : true
B : false

Correct Answer : B

29 : Direct materials, direct labour, and manufacturing overhead are the three classifications of manufacturing costs.
A : true
B : false

Correct Answer : A

30 : Employees who convert direct materials into a product or who provide a service to customers are classified as indirect labour.
A : true
B : false

Correct Answer : B

31 : The cost of maintenance personnel in a factory building would be classified as direct labour.
A : true
B : false

Correct Answer : B

32 : Prime cost is the sum of direct materials and direct labour.
A : true
B : false

Correct Answer : A

33 : Period costs are those costs associated with the manufacture of goods or the providing of services over a period of time.
A : true
B : false

Correct Answer : B

34 : Any costs associated with storing, selling, and delivering a product are generally classified as period costs.
A : true
B : false

Correct Answer : A

35 : Production costs include direct materials, direct labour, and manufacturing overhead.
A : true
B : false

Correct Answer : A

36 : Research and development costs would generally be classified as period costs.
A : true
B : false

Correct Answer : A

37 : Research and development costs would generally be classified as manufacturing costs.
A : true
B : false

Correct Answer : B

38 : Cost of goods manufactured represents the cost of direct materials, direct labour, and manufacturing overhead incurred relating to goods sold during the current accounting period.
A : true
B : false

Correct Answer : B

39 : Cost of goods sold is the total product cost of the units manufactured during a period.
A : true
B : false

Correct Answer : B

40 : Sales revenue equals the sales price per unit times the number of units in inventory.
A : true
B : false

Correct Answer : B

41 : Gross margin equals revenue minus cost of goods manufactured.
A : true
B : false

Correct Answer : B

SHORT RESPONSE

42 : The T & T Company makes fishing rods. During the current month, direct materials costing $126,000 were put into production. Direct labour costs of $110,000 were incurred and manufacturing overhead equalled $100,000. Selling and administrative expenses totalled $66,000 for the month, and the company manufactured 3,500 fishing rods. Assume there was no beginning inventory and that 3,000 fishing rods were sold.Required:A. Calculate the per-unit product cost.B. Calculate the per-unit prime cost.C. Calculate the per-unit conversion cost.D. Calculate cost of goods sold for the month?E. Calculate the cost of ending finished goods for the month?

Correct Answer : A. $126,000 (DM) + $110,000 (DL) + $100,000 (MOH) = $336,000 / 3,500 units = $96B. $126,000 (DM) + $110,000 (DL) = $236,000 Prime Costs / 3,500 units = $67.43C. $110,000 (DL) + $100,000 (MOH) = $210,000 Conversion Costs / 3,500 units = $60D. ($96 × 3,000) = $288,000 COGSE. 3,500 units produced – 3,000 units sold = 500 units FG Inventory (end) @ $96 = $48,000 FG Inventory (end)

43 : Explain the difference between a period cost and a product cost.

Correct Answer : A period cost is a nonmanufacturing cost that is expensed during the current period rather than inventoried. Examples of period costs would be selling and administrative costs. A product cost is a manufacturing cost that is inventoried and later expensed as cost of goods sold only when the goods have been sold. Product costs are classified as direct materials, direct labour, or manufacturing overhead.

44 : Describe the purpose of the three inventory accounts used by a manufacturer.

Correct Answer : The materials inventory is used to keep track of materials that have not yet been used in production. The work-in-process inventory is used to account for the costs of goods that were partially completed at the end of the accounting period. The finished goods inventory is used to account for the cost of goods that were finished at the end of the current period but have not yet been sold.

45 : List and describe the three categories of manufacturing costs.

Correct Answer : Direct materials consist of the cost of materials requisitioned and used in production during the current period. Direct materials are materials that can be accurately and conveniently traced to the product. Direct labour consists of labour costs of workers directly involved in the manufacture of the product. Manufacturing overhead consists of all the manufacturing costs that do not fall into the direct material or direct labour category. Examples of manufacturing overhead costs include insurance on the factory, machinery deprecation, indirect labour, indirect materials, factory supplies, etc.

46 : Explain the difference between an inventoriable cost and a non-inventoriable cost.

Correct Answer : An inventoriable cost is a cost of manufacturing the product. Inventoriable costs are also referred to as product costs and manufacturing costs. They include direct materials, direct labour, and manufacturing overhead. Inventoriable costs are not expensed until the goods are sold. A non-inventoriable cost is a selling or administrative cost that is expensed immediately in the accounting period that it is incurred. Non-inventoriable costs are also referred

to as period costs or non-manufacturing costs.

47 : List the types of inventory accounts that a service business, retailer, and manufacturer would have in their accounting records.

Correct Answer : Service businesses would have no inventory account to record the items they would sell because they have intangible products that are not inventoried. They may have a supplies inventory account only. A retailer or merchandiser would have a merchandise inventory account recording the cost of the items they have available for resale. A manufacturer would have a raw or direct material inventory account, a WIP (work in progress) inventory account, and a finished goods inventory account.ANS: c

48 : Owen Sound CompanyOwen Sound Company manufactures fishing rods. Last year, direct materials costing $516,000 were put into production. Direct labour costs of $430,000 were incurred, and manufacturing overhead equalled $645,000. The company had operating income for the year of $58,000 and manufactured and sold 86,000 fishing rods at a sales price of $21 per unit. Assume that there were no beginning or ending inventory balances in the work-in-process and no finished goods inventory accounts.Refer to Owen Sound Company. Calculate the per-unit product cost.

Correct Answer : $516,000 (DM) + $430,000 (DL) + $645,000 (MOH) = $1,591,000 Mfg Costs / 86,000 = $18.50

49 : Owen Sound CompanyOwen Sound Company manufactures fishing rods. Last year, direct materials costing $516,000 were put into production. Direct labour costs of $430,000 were incurred, and manufacturing overhead equalled $645,000. The company had operating income for the year of $58,000 and manufactured and sold 86,000 fishing rods at a sales price of $21 per unit. Assume that there were no beginning or ending inventory balances in the work-in-process and no finished goods inventory accounts.Refer to Owen Sound Company. Calculate the per-unit prime cost.

Correct Answer : $516,000 (DM) + $430,000 (DL) = $946,000 Prime Costs / 86,000 = $11.00

50 : Owen Sound CompanyOwen Sound Company manufactures fishing rods. Last year, direct materials costing $516,000 were put into production. Direct labour costs of $430,000 were incurred, and manufacturing overhead equalled $645,000. The company had operating income for the year of $58,000 and manufactured and sold 86,000 fishing rods at a sales price of $21 per unit. Assume that there were no beginning or ending inventory balances in the work-in-process and no finished goods inventory accounts.Refer to Owen Sound Company. Calculate the per-unit conversion cost.

Correct Answer : $430,000 (DL) + $645,000 (MOH) = $1,075,000 Conversion Costs / 86,000 = $12.50

51 : Owen Sound CompanyOwen Sound Company manufactures fishing rods. Last year, direct materials costing $516,000 were put into production. Direct labour costs of $430,000 were incurred, and manufacturing overhead equalled $645,000. The company had operating income for the year of $58,000 and manufactured and sold 86,000 fishing rods at a sales price of $21 per unit. Assume that there were no beginning or ending inventory balances in the work-in-process and no finished goods inventory accounts.Refer to Owen Sound Company. Calculate the selling and administrative expenses for the year.

Correct Answer : Gross margin $215,000Less: sell and admin. $157,000Operating income $

58,000

52 : Owen Sound CompanyOwen Sound Company manufactures fishing rods. Last year, direct materials costing $516,000 were put into production. Direct labour costs of $430,000 were incurred, and manufacturing overhead equalled $645,000. The company had operating income for the year of $58,000 and manufactured and sold 86,000 fishing rods at a sales price of $21 per unit. Assume that there were no beginning or ending inventory balances in the work-in-process and no finished goods inventory accounts.Refer to Owen Sound Company. Assume production amounted to 86,000 fishing rods and 80,000 were sold. Calculate cost of goods sold.

Correct Answer : (80,000 × $18.50) = $1,480,000

53 : Owen Sound CompanyOwen Sound Company manufactures fishing rods. Last year, direct materials costing $516,000 were put into production. Direct labour costs of $430,000 were incurred, and manufacturing overhead equalled $645,000. The company had operating income for the year of $58,000 and manufactured and sold 86,000 fishing rods at a sales price of $21 per unit. Assume that there were no beginning or ending inventory balances in the work-in-process and no finished goods inventory accounts.Refer to Owen Sound Company. Assume production amounted to 86,000 fishing rods and 80,000 were sold. Calculate the balance in ending finished goods inventory.

Correct Answer : 86,000 units produced – 80,000 units sold = 6,000 units FG Inventory (end)6,000 units x $18.50 = $111,000

54 : Refer to Owen Sound Company. Calculate the gross margin for the year.

Correct Answer : Sales (86,000 × $21) $1,806,000COGS (86,000 × $18.50) 1,591,000Gross margin $ 215,000

55 : The Stelco Company manufactures microwave ovens. Last year, the per-unit product cost was $56, the per-unit prime cost was $34, and the per-unit conversion cost was $42. Cost of goods sold for the year was $560,000, and the sale price per unit was $100. In addition, direct labour costs of $200,000 and selling and administrative expenses of $240,000 were incurred.Required:A. Calculate how many units were sold last year.B. Calculate the cost of direct materials used.C. Calculate the cost of manufacturing overhead.D. Calculate the gross margin for the year.E. Calculate operating income.

Correct Answer : A. Cost of goods sold $560,000/$56 = 10,000 units B. 10,000 × $34 - ($200,000 of direct labour cost) = $140,000C. 10,000 × $42 - ($200,000 of direct labour cost) = $220,000D. Sales revenue (10,000 × $100) $1,000,000Cost of goods sold $ 560,000Gross margin $ 440,000E. Gross margin $ 440,000Less: sell and admin. $ 240,000Operating income $ 200,000

56 : Tamarack Company, a manufacturing firm, has supplied the following information from its accounting records for the month of June.Direct labour cost $12,000Purchases of raw materials 17,000Factory insurance 4,000Research and development 7,500Factory property taxes 3,000Sales commissions paid 4,500Work-in-process, June 1 2,000Work-in-process, June 30 2,800Materials inventory, June 1 1,475Materials Inventory, June 30 1,200Finished goods inventory, June 1 2,250Finished goods inventory, June 30 750Required: Prepare a statement of cost of goods manufactured

Correct Answer : Tamarack CompanyStatement of Cost of Goods ManufacturedFor the month ended June 30Materials inventory, June 1 $ 1,475Materials purchased 17,000Materials

available for use 18,475Materials inventory, June 30 (1,200)Materials used $17,275Direct labour 12,000Manufacturing overhead 7,000Total manufacturing costs 36,275Work-in-process, June 1 2,000Work-in-process, June 30 (2,800)Cost of goods manufactured $35,475

57 : n June, Olympic Company purchased materials costing $38,000, and incurred direct labour costs of $42,000. Manufacturing overhead totalled $27,000 for the month. Information on inventories was as follows.June 1 June 30Materials $3,000 $2,700Work-in-process 1,000 1,275Finished goods 2,500 1,775Required:A. Calculate the cost of direct materials used during June.B. Calculate the total manufacturing cost for June.C. Calculate the cost of goods manufactured for June.D. Calculate cost of goods sold for June.

Correct Answer : A. Materials, 6/1 $ 3,000Purchases 38,000Materials, 6/30 (2,700)Materials used $ 38,300B. ($38,300 + $42,000 + $27,000) = $107,300C. Total manufacturing costs $107,300Work-in-process, 6/1 1,000Work-in-process, 6/30 (1,275)Cost of goods manufactured $107,025D. Cost of goods manufactured $107,025Finished goods, 6/1 2,500Finished goods, 6/30 (1,775)Cost of goods sold $107,750

58 : Thompson Company, a manufacturing firm, has supplied the following information from its accounting records for the month of November:Factory supplies used $18,000Depreciation on factory building 17,000Salary of company controller 6,000Factory janitorial costs 5,000Marketing and promotion 4,500Direct labour cost 22,000Purchases of raw materials 10,000Finished goods inventory, Nov. 1 2,250Finished goods inventory, Nov. 30 3,750Work-in-process inventory, Nov. 1 4,200Work-in-process inventory, Nov. 30 2,750Materials inventory, Nov. 1 3,500Materials inventory, Nov. 30 5,100Required:A. Prepare a statement of cost of goods manufactured.B. Prepare a statement of cost of goods sold.

Correct Answer : Thompson CompanyStatement of Cost of Goods ManufacturedFor the month of NovemberMaterials inventory, Nov. 1 $ 3,500Purchases of materials 10,000Materials inventory, Nov. 30 (5,100)Materials used $ 8,400Direct labour 22,000Manufacturing overhead 40,000Total manufacturing costs 70,400Work-in-process inventory, Nov. 1 4,200Work-in-process inventory, Nov. 30 (2,750)Cost of goods manufactured $71,850Templar CompanyStatement of Cost of Goods SoldFor the month of NovemberCost of goods manufactured $71,850Finished goods inventory, Nov. 1 2,250Finished goods inventory, Nov. 30 (3,750)Cost of goods sold $70,350

59 : Nelvana Company makes tablets. During the year, Nelvana manufactured and sold 75,000 tablets at a sales price of $600 per unit. Nelvana's per-unit product cost was $540, and selling and administrative expenses totalled $3,200,000.Required:A. Calculate the total sales revenue.B. Calculate the gross margin.C. Calculate the operating income.D. Calculate the operating income if 75,000 tablets were produced and 69,000 were sold.

Correct Answer : A. 75,000 × $600 = $45,000,000 B. Sales revenue $45,000,000Cost of goods sold(75,000 × $540) 40,500,000Gross margin $ 4,500,000C. Gross margin $ 4,500,000Selling and adm. expenses 3,200,000Operating income $ 1,300,000D. Sales revenue (69,000 x $600) $41,400,000Cost of goods sold (69,000 x $540) $37,260,000Gross margin $ 4,140,000Selling and adm. expenses $ 3,200,000Operating income $ 940,000

60 : Prairie Plant Company supplied the following data at the end of the current year:Sales commissions $ 15,000Sales revenue 150,000Research and development 17,000Finished goods inventory, Jan. 1 7,500Work-in-process inventory, Jan 1 9,000Finished goods inventory, Dec. 31 6,000Work-in-process inventory, Dec. 31 11,000Cost of goods manufactured 50,000Required: Prepare an income statement for Prairie Plant Company.

Correct Answer : Prairie Plant CompanyIncome StatementFor the year ended December 31Sales revenue $150,000Cost of goods sold* 51,500Gross margin 98,500Less:Selling expense 15,000Administrative expense 17,000 Operating income $ 66,500*Cost of goods manufactured $ 50,000Finished goods inventory, Jan. 1 7,500Finished Goods inventory, Dec. 31 (6,000)

61 : Nexient Company supplied the following data and information on inventories at the end of the current year.J January 1 December 31Materials $21,000 $23,500Work-in-process 17,500 8,500Finished goods 26,000 27,000Direct labour $ 40,000Selling expenses 31,000Sales revenue 400,000Administrative expenses 14,500Purchases of raw materials 62,000Factory supervision 50,000Factory supplies used 25,000Required: Prepare an income statement of Nexient Company for the current year

Correct Answer : Nexient CompanyIncome StatementFor the year ended December 31Sales revenue $ 400,000Cost of goods sold* 182,500Gross margin 217,500Less:Selling expenses 31,000Administrative expenses 14,500 Operating income $172,000*Cost of goods manufactured** $183,500Finished goods inventory, Jan. 1 26,000Finished goods inventory, Dec. 31 (27,000)Cost of goods sold $182,500 **Purchases of raw materials $ 62,000 Materials inventory, 1/1 21,000 Materials inventory, 12/31 (23,500) Materials used 59,500 Direct labour 40,000 Manufacturing overhead ($50,000 + $25,000) 75,000 Total manufacturing costs 174,500 Work-in-process inventory, Jan. 1 17,500 Work-in-process inventory, Dec. 31 (8,500) Cost of goods manufactured $183,500

62 : Jackson Grills has supplied the following information from its accounting records for the month of August.Direct labour cost $11,500Purchases of raw materials 20,000Factory depreciation 7,500Advertising 10,000Factory property taxes 6,500Materials inventory, 8/1 1,250Materials inventory, 8/31 2,500Work-in-process inventory, 8/1 ?Work-in-process inventory, 8/31 1,500Cost of goods manufactured 45,850Sales revenue ?Executive salary cost 25,000Finished goods inventory, 8/1 5,500Finished goods inventory, 8/31 4,250Operating income 67,900Gross margin ?Required: Solve for the missing amounts (?).

Correct Answer : Jackson GrillsSchedule of Cost of Goods ManufacturedFor the month of AugustMaterials inventory, 8/1 $ 1,250Purchases of materials 20,000Materials inventory, 8/31 (2,500)Materials used $18,750Direct labour 11,500Manufacturing overhead (7,500 + 6,500) 14,000Total manufacturing costs 44,250Work-in-process, 8/1 3,100Work-in-process, 8/31 (1,500)Cost of goods manufactured $45,850Jackson GrillsIncome StatementFor the month of AugustSales revenue $150,000Cost of goods sold* 47,100Gross margin 102,900Less:Selling expense 10,000Administrative expense 25,000Operating income $ 67,900*Cost of goods manufactured $ 45,850Finished goods inventory, 8/1 5,500Finished goods inventory, 8/31 (4,250)Cost of goods sold $ 47,100

63 : See the following separate cases.Case #1 Case #2Sales $1,000 $1,300Cost of goods manufactured A 500Finished goods inventory (beginning balance) 100 DFinished goods inventory (ending balance) 150 200Cost of goods sold B 600Gross margin 300 ESelling expenses C 75Administrative expenses 50 40Operating income 200 FRequired: Solve for the missing amounts (A, B, C, D, E, and F).

Correct Answer : Case #1 Case #2Sales $1,000 $1,300Cost of goods manufactured 750 500Finished goods inventory (beginning balance) 100 300Finished goods inventory (ending balance) (150) (200)Cost of goods sold 700 600Gross margin 300 700Selling expenses 50 75Administrative expenses 50 40Operating income $200 $585

64 : See the following separate cases.Case #1 Case #2Purchase of materials $ 5,000

CMaterials inventory (beginning balance) A 220Materials inventory (ending balance) 1,000 350Direct labour 7,000 4,250Factory supervision 1,500 1,100Factory supplies 1,250 900Total manufacturing costs 14,500 DWork-in-process inventory (beginning balance) 1,200 1,230Work-in-process inventory (ending balance) B 650Cost of goods manufactured 14,600 10,200Required: Solve for the missing amounts (A, B, C, and D).

Correct Answer : Case #1 Case #2Purchases of materials $ 5,000 $ 3,500Materials inventory (beginning balance) 750 220Materials inventory (ending balance) (1,000) (350)Materials used 4,750 3,370Direct labour 7,000 4,250Manufacturing overhead 2,750 2,000Total manufacturing costs 14,500 9,620Work-in-process inventory, (beginning balance) 1,200 1,230Work-in-process inventory, (ending balance) (1,100) (650)Cost of goods manufactured $14,600 $10,200

65 : Rizzuto Company supplied the following information for the month of January.Cost of goods sold percentage 62%Selling expense percentage 6%Administrative expense 13%Required: Reconstruct Rizzuto's Income Statement for January assuming that the total sales revenue for the month equalled $500,000.

Correct Answer : Rizzuto CompanyIncome StatementFor the month of JanuarySales revenue $500,000Cost of goods sold (500,000 × 62%) 310,000Gross margin (500,000 × 38%) $190,000Less:Selling expense (500,000 × 6%) 30,000Administrative expense (500,000 × 13%) 65,000Operating income $ 95,000

66 : Fairchild Group’s accountant prepared the following Income Statement for the month of August.Fairchild GroupIncome StatementFor the month of AugustSales revenue $912,200Cost of goods sold 601,920Gross margin 310,080Less:Selling expense 164,160Administrative expense 63,840 Operating income $ 82,080Required:A. Calculate the sales revenue percent.B. Calculate the cost of goods sold percent.C. Calculate the gross margin percent.D. Calculate the selling expense percent.E. Calculate the administrative expense percent.F. Calculate the operating income percent.

Correct Answer : A. 912,000 (Sales) / 912,000 (Sales) = 100%B. 601,920 (COGS) / 912,000 (Sales) = 66%C. 310,080 (GM) / 912,000 (Sales) = 34%D. 164,160 (Selling) / 912,000 (Sales) = 18%E. 63,840 (Admin) / 912,000 (Sales) = 7%F. 82,080 (Operating Income) / 912,000 (Sales) = 9%

67 : Corby Distilleries supplied the following data at the end of the current year.Finished goods inventory, Jan 1. $12,000Finished goods inventory, Dec. 31 7,500Cost of goods manufactured 152,380Sales revenue 212,000Sales commissions 19,080Research and development costs 15,900Required:A. Calculate the cost of goods sold percent.B. Calculate the gross margin percent.C. Calculate the selling expense percent.D. Calculate the administrative expense percent.E. Calculate the operating income percent.

Correct Answer : A. Cost of goods manufactured $152,380Finished goods inventory, 1/1 12,000Finished goods inventory, 12/31 (7,500)Cost of goods sold $156,880$156,880 (COGS) / $212,000 (Sales) = 74%B.Sales revenue $212,000Cost of goods sold 156,880Gross margin $ 55,120$55,120 (GM) / 212,000 (Sales) = 26%C. 19,080 (Selling) / 212,000 (Sales) = 9%D. 15,900 (Admin) / 212,000 (Sales) = 7.5%E.Gross margin $ 55,120Less:Selling expense 19,080Administrative expense 15,900Operating income $ 20,140 $20,140 (Operating Income) / 212,000 (Sales) = 9.5%

68 : Pigeon Company supplied the following information for the month of December.Operating income percentage 10.5%Gross margin percentage 30%Required: Solve for the following

amounts assuming that Pigeon Company's operating income in December was $44,100.A. sales revenueB. cost of goods soldC. total selling and administrative expenses

Correct Answer : A. Sales revenue = $44,100/.105 = 420,000B. Cost of goods sold = 420,000 × .70 = $294,000C. Gross margin ($420,000 × .30) 126,000Less: selling and administrative exp. 81,900Operating income $44,100

69 : Arche produces a product with the following per unit costs.Direct materials $17Direct labour 11Manufacturing overhead 12Last year, Arche produced and sold 3,000 units at a sales price of $80 each. Total selling and administrative expenses were $25,000.Required: Solve for the following:A. total cost of goods sold for last yearB. operating income for last yearC. total gross margin for last yearD. prime cost per unit

Correct Answer : A. (17 + 11 + 12) × 3,000 = $120,000B. & C. Sales revenue (3,000 × 80) $240,000Cost of goods sold 120,000Gross margin 120,000Less:Selling and administrative expenses 25,000Operating income $ 95,000D. 17 + 11 = $28

70 : Allied Company showed the following costs for last month.Direct materials $40,000Direct labour 35,000Manufacturing overhead 52,000Selling expense 17,000Administrative expense 12,000Last month, Allied produced and sold 20,000 units at a sales price per unit of $18. Assume no beginning or ending inventory balances for work-in-process and finished goods inventory.Required: Solve for the following amounts.A. total product cost for last monthB. unit product cost for last monthC. total period costsD. gross margin for last monthE. operating income for last month

Correct Answer : A. 40,000 + 35,000 + 52,000 = $127,000B. 127,000/20,000 = $6.35C. 17,000 + 12,000 = $29,000D & E. Sales revenue (20,000 × $18) $360,000Cost of goods sold 127,000Gross margin 233,000Less:Selling expense 17,000Administrative expense 12,000Operating income $204,000

71 : Explain the difference between total manufacturing costs and cost of goods manufactured.

Correct Answer : Total manufacturing costs would consist of the cost of materials used, the direct labour costs incurred and the manufacturing overhead costs incurred during the current period. Cost of goods manufactured would be calculated by adding the beginning balance of work-in-process to, and subtracting the ending balance of work-in-process from, the total manufacturing costs.

MULTIPLE CHOICE

72 : What are expired costs?
A : assets
B : profit
C : expenses
D : revenues

Correct Answer : C

73 : In terms of managerial accounting, what is the best definition of cost?
A : the equivalent of the cost of goods sold
B : the asset incurred to produce future benefits

C : a dollar measure of the cash used to achieve a given benefit
D : the amount sacrificed for goods expected to bring future benefit to the organization

Correct Answer : D

74 : Which statement best describes sales price per unit?
A : It is equal to the revenue.
B : It is the same as total cost.
C : It is the same as cost per unit plus income per unit.
D : It must be less than cost for the firm to earn income.

Correct Answer : C

75 : Which of the following best describes the term assigning costs?
A : the way costs are measured and recorded
B : the way companies can tell what money was spent
C : the benefit given up when one choice is made over another
D : the allocation applied to a cost object using a reasonable method

Correct Answer : D

76 : Which statement best describes a main purpose of assigning costs to cost objects?
A : It provides information on why money was spent.
B : It records the historical events of the organization.
C : It allows management to incorporate products in marketing.
D : It facilitates service businesses in following financial regulations.

Correct Answer : A

77 : Which statement best describes indirect costs?
A : Indirect costs include all labour.
B : Indirect costs should always be assigned to a cost object.
C : Indirect costs can be easily and accurately traced to a cost object.
D : Indirect costs are shared between or among more than one cost object.

Correct Answer : D

78 : What is the behaviour pattern of a variable cost?
A : It increases in total as output increases.
B : It increases per unit as output increases.
C : It decreases per unit as output increases.
D : It remains constant in total at all levels of output.

Correct Answer : A

79 : What is opportunity cost?
A : a benefit that is difficult to accurately trace to a cost object
B : a cost that increases as output increases and decreases as output decreases
C : a cost that decreases as output increases and increases as output decreases
D : a benefit given up or sacrificed when one alternative is chosen over another

Correct Answer : D

80 : Which of the following is included in nonmanufacturing costs?
A : marketing
B : direct materials
C : indirect materials
D : manufacturing overhead

Correct Answer : A

81 : Which of the following describes cost of goods manufactured?
A : the cost of direct materials used in production
B : the product cost of goods sold during the current period
C : the cost remaining in ending work-in-process inventory
D : the product cost of goods completed during the current period

Correct Answer : D

82 : What is an example of an intangible product?
A : computers
B : dental care
C : hamburgers
D : automobiles

Correct Answer : B

83 : What is an example of a tangible product?
A : furniture
B : funeral care
C : legal services
D : video rental

Correct Answer : A

84 : What type of organization is the Hudson Bay Company?
A : service organization
B : production organization
C : manufacturing organization
D : merchandising organization

Correct Answer : D

85 : Into which two major functional categories are costs subdivided?
A : prime and conversion
B : opportunity and direct
C : selling and administration
D : production and nonproduction

Correct Answer : D

86 : Which statement best describes product costs?
A : Product costs are manufacturing costs.
B : Product costs do not include direct materials.
C : Product costs do not include manufacturing overhead.
D : Product costs are direct materials and direct labour costs only.

Correct Answer : A

87 : Which of the following are production costs?
A : direct materials, direct labour, and selling costs
B : selling costs, administrative costs, and period costs
C : indirect materials, indirect labour, and administrative costs
D : direct materials, direct labour, and manufacturing overhead

Correct Answer : D

88 : Which of the following is an example of a direct materials cost?
A : glue used to build furniture
B : wood used to make furniture
C : nails used to construct furniture
D : screws used to manufacture furniture

Correct Answer : B

89 : Which of the following is an example of a direct materials cost?
A : the engine in an airplane
B : the paint on a new bicycle
C : the nails in a dining room table
D : the glue used to manufacture furniture

Correct Answer : A

90 : When do materials in the raw materials account become direct materials?
A : when they are put into production
B : when they are returned to the supplier
C : when the production process is complete
D : when they are received from the supplier

Correct Answer : A

91 : Which job position is an example of direct labour?
A : security guard
B : maintenance person
C : production line worker
D : management accountant

Correct Answer : C

92 : What type of cost is direct labour?
A : period cost
B : inventoriable cost
C : nonproduction cost
D : nonmanufacturing cost

Correct Answer : B

93 : Which expense is included in manufacturing overhead?

A : advertising for the product
B : production line worker wages
C : steel used to manufacture a car
D : production line supervisor salary

Correct Answer : D

94 : Which expense is included in manufacturing overhead?
A : property taxes on the factory
B : utility costs at the head office
C : advertising and marketing costs
D : computers used at the head office

Correct Answer : A

95 : Which labour cost is included in indirect labour?
A : the salary of the CEO
B : the salary of the factory supervisor
C : the wages of the production line worker
D : the salary of the vice-president of marketing

Correct Answer : B

96 : How is per-unit cost of goods manufactured calculated?
A : total prime costs divided by the number of units produced
B : period costs divided by the total number of units produced
C : total product costs divided by the number of units produced
D : total conversion costs divided by the number of units produced

Correct Answer : C

97 : How is prime cost calculated?
A : direct materials cost plus direct labour cost
B : indirect materials cost plus indirect labour cost
C : direct labour cost plus manufacturing overhead cost
D : direct material cost plus manufacturing overhead cost

Correct Answer : A

98 : How is conversion cost calculated?
A : product costs plus period costs
B : direct materials cost plus prime costs
C : indirect labour cost plus opportunity costs
D : direct labour cost plus manufacturing overhead cost

Correct Answer : D

99 : Which of the following is a period cost?
A : indirect labour
B : direct materials
C : indirect materials
D : depreciation on an office building

Correct Answer : D

100 : Which statement best describes a period cost?
A : It is used to calculate product cost.
B : It includes selling costs and administrative costs.
C : It is carried in inventory until the goods are sold.
D : It can be included in manufacturing overhead costs.

Correct Answer : B

101 : Which of the following is an example of a period cost?
A : marketing
B : direct labour
C : direct materials
D : manufacturing overhead

Correct Answer : A

102 : HaulAll Inc. had a per-unit conversion cost of $4.00 during May and incurred a direct materials cost of $100,000, direct labour costs of $110,000, and manufacturing overhead costs of $50,000. How many units did HaulAll manufacture during May?
A : 18,000
B : 30,000
C : 40,000
D : 70,000

Correct Answer : C

103 : Global Inc. manufactured 6,000 units during the month of April and incurred a direct materials cost of $110,000 and a manufacturing overhead cost of $50,000. Suppose the per-unit prime cost was $30.00 per unit. How much direct labour cost did Global incur during April?
A : $20,000
B : $70,000
C : $85,000
D : $90,000

Correct Answer : B

104 : A company's beginning work-in-process inventory is $120,000, its ending work-in-process inventory is $160,000, its cost of goods manufactured is $400,000, and its direct materials used are $100,000. What are the conversion costs?
A : $140,000
B : $280,000
C : $300,000
D : $340,000

Correct Answer : D

105 : During the month of March, Cara, Inc. had total manufacturing costs of $130,000 and incurred $40,000 in direct labour costs and $30,000 in manufacturing overhead costs. The materials inventory on March 1 was $3,000 less than the materials inventory on March 31. What was the cost of materials purchased during the month?
A : $37,000

B : $40,000
C : $63,000
D : $70,000

Correct Answer : C

106 : When are product costs expensed?
A : when the product is sold
B : when the product is finished
C : when the product begins production
D : when the product unit cost is calculated

Correct Answer : A

107 : Ganz, Inc. had materials inventory at July 1 of $12,000. The materials inventory at July 31 was $15,000, and the cost of direct materials used in production was $20,000. What was the cost of materials purchased during the month?
A : $17,000
B : $20,000
C : $23,000
D : $35,000

Correct Answer : C

108 : Selected data concerning the past year's operations of the Intelligent Creatures Corporation are as follows:Selling and administrative expenses $225,000Direct materials used 397,500Direct labour 450,000InventoriesDec. 1 Dec. 31Direct materials $36,000 $42,000Work-in-process 75,000 84,000Finished goods 69,000 57,000What is the cost of direct materials purchased?
A : $367,500
B : $397,500
C : $403,500
D : $405,000

Correct Answer : C

109 : How is the cost of goods manufactured calculated?
A : sales - cost of goods sold
B : gross margin – other expenses
C : direct materials cost + direct labour cost + manufacturing overhead cost
D : total product costs incurred during the current period + beginning work-in-process - ending work-in-process

Correct Answer : D

110 : Book City had cost of goods sold of $140,000 for the year ended December 31. The finished goods inventory on January 1 was $35,000 and the finished goods inventory on December 31 was $17,000. What was the amount of cost of goods manufactured for the year?
A : $52,000
B : $157,000
C : $158,000
D : $122,000

Correct Answer : D

111 : Assuming a separate schedule of cost of goods manufactured, which of the following is found on a manufacturer's income statement?
A : direct labour
B : direct materials
C : work-in-process
D : cost of goods sold

Correct Answer : D

112 : What three categories separate the expenses on a manufacturer's income statement?
A : variable, fixed, and direct
B : production, period, and indirect
C : production, selling, and administrative
D : materials, work-in-process, and finished goods

Correct Answer : C

113 : Which statement best describes cost of goods sold?
A : Cost of goods sold is the total product cost on the balance sheet.
B : Cost of goods sold is a cost that should generally be more than the revenue.
C : Cost of goods sold is the total product cost for the units sold during a period.
D : Cost of goods sold is generally recorded as soon as products are manufactured.

Correct Answer : C

114 : Blue Water Inc. had a gross margin for the month of February totalling $92,000. The company sold 6,000 units during the month at a sales price of $30 per unit. What was the amount of cost of goods sold for the month?
A : $42,000
B : $88,000
C : $100,000
D : $158,000

Correct Answer : B

115 : What is the formula to calculate gross margin?
A : sales revenue - cost of goods sold
B : sales revenue - selling and administrative expenses
C : total product costs + beginning work-in-process - ending work-in-process
D : cost of goods manufactured + beginning finished goods inventory- ending finished goods inventory

Correct Answer : A

116 : What is the formula to calculate operating income?
A : sales revenue - selling and administrative expenses
B : gross margin - selling expenses + selling and administrative expenses
C : sales revenue - cost of goods sold + selling and administrative expenses
D : sales revenue - cost of goods sold - selling and administrative expenses

Correct Answer : D

117 : Information from the records of Island Timberlands Inc. for November is as follows:Sales $820,000Selling and administrative expenses 140,000Direct materials purchases 176,000Direct labour 200,000Manufacturing overhead 270,000Direct materials, November 1 24,000Work-in-process, November 1 50,000Finished goods, November 1 46,000Direct materials, November 30 28,000Work-in-process, November 30 56,000Finished goods, November 30 38,000What is the net income for the month of November?
A : $36,000
B : $180,000
C : $636,000
D : $644,000

Correct Answer : A

118 : What can generally be found on the income statements of both a manufacturer and a service organization?
A : cash
B : cost of goods sold
C : accumulated amortization
D : selling and administrative expenses

Correct Answer : D

119 : What would generally NOT be found on the income statement of a service organization?
A : net sales
B : selling expenses
C : operating income
D : cost of goods sold

Correct Answer : D

120 : Which term is used for the cost of the partially completed goods at the end of the period?
A : the cost of goods manufactured
B : the ending finished goods inventory
C : the ending work-in-process inventory
D : the beginning work-in-process inventory

Correct Answer : C

121 : During the month of May, Blackburn Inc. had cost of goods manufactured of $120,000, direct materials cost of $60,000, direct labour cost of $37,000, and manufacturing overhead cost of $26,000. The work-in-process balance at May 31 equalled $10,000. What was the work-in-process balance on May 1?
A : $7,000
B : $10,000
C : $13,000
D : $115,000

Correct Answer : A

122 : How many inventory accounts does a typical manufacturer have?
A : 1
B : 2
C : 3

D : 4

Correct Answer : C

123 : Which statement best describes the income statement of a manufacturer?
A : It covers a certain period of time.
B : It contains only manufacturing costs.
C : It will show the ending balance of work-in-process.
D : It will show the ending balance of materials inventory.

Correct Answer : A

124 : What would be found on the balance sheet of a manufacturer and NOT on the balance sheet of a service business?
A : cash
B : gross profit
C : work-in-process
D : cost of goods manufactured

Correct Answer : C

125 : Which of the following would be found on the balance sheet of a manufacturer?
A : revenue
B : cost of goods sold
C : work in progress inventory
D : cost of goods manufactured

Correct Answer : C

126 : Which of the following reflects the formula to calculate gross margin percent?
A : gross margin/sales revenue
B : sales revenue/gross margin
C : operating income/sales revenue
D : gross margin/cost of goods sold

Correct Answer : A

127 : TechCom Inc.TechCom Inc. manufactures laptops. Last month, direct materials (e.g., computer components) costing $600,000 were put into production. Direct labour of $900,000 was incurred, manufacturing overhead equalled $500,000, and selling and administrative costs totalled $400,000. The company manufactured 10,000 laptops during the month. Assume the company had no beginning or ending work-in-process balances.Refer to TechCom Inc. What were the total product costs last month?
A : $1,250,000
B : $1,300,000
C : $1,750,000
D : $2,000,000

Correct Answer : D

128 : TechCom Inc.TechCom Inc. manufactures laptops. Last month, direct materials (e.g., computer components) costing $600,000 were put into production. Direct labour of $900,000 was incurred, manufacturing overhead equalled $500,000, and selling and administrative costs

totalled $400,000. The company manufactured 10,000 laptops during the month. Assume the company had no beginning or ending work-in-process balances.Refer to TechCom Inc. What was the total per-unit prime cost last month?
A : $62.50
B : $150.00
C : $162.50
D : $263.75

Correct Answer : B

129 : TechCom Inc.TechCom Inc. manufactures laptops. Last month, direct materials (e.g., computer components) costing $600,000 were put into production. Direct labour of $900,000 was incurred, manufacturing overhead equalled $500,000, and selling and administrative costs totalled $400,000. The company manufactured 10,000 laptops during the month. Assume the company had no beginning or ending work-in-process balances.Refer to TechCom Inc. What was the per-unit conversion cost last month?
A : $100.00
B : $140.00
C : $162.50
D : $218.00

Correct Answer : B

130 : TechCom Inc.TechCom Inc. manufactures laptops. Last month, direct materials (e.g., computer components) costing $600,000 were put into production. Direct labour of $900,000 was incurred, manufacturing overhead equalled $500,000, and selling and administrative costs totalled $400,000. The company manufactured 10,000 laptops during the month. Assume the company had no beginning or ending work-in-process balances.Refer to TechCom Inc. What was the amount of cost of goods manufactured last month?
A : $1,250,000
B : $1,300,000
C : $1,750,000
D : $2,000,000

Correct Answer : D

131 : ComPrint CoComPrint Co. had the following beginning and ending inventory balances:January 1 December 31Materials $10,000 $ 8,000Work-in-process $18,000 $17,000Finished Goods $21,000 $16,500In addition, direct labour costs of $30,000 were incurred, manufacturing overhead equalled $42,000, materials purchased were $27,000, and selling and administrative costs were $22,000. ComPrint Co. sold 25,000 units of product during the year at a sales price of $5.00 per unit.Refer to ComPrint Co. What were the total manufacturing costs for the year?
A : $101,000
B : $102,000
C : $106,500
D : $123,000

Correct Answer : A

132 : ComPrint CoComPrint Co. had the following beginning and ending inventory balances:January 1 December 31Materials $10,000 $ 8,000Work-in-process $18,000 $17,000Finished Goods $21,000 $16,500In addition, direct labour costs of $30,000 were

incurred, manufacturing overhead equalled $42,000, materials purchased were $27,000, and selling and administrative costs were $22,000. ComPrint Co. sold 25,000 units of product during the year at a sales price of $5.00 per unit.Refer to ComPrint Co. What was the amount of Cost of Goods Manufactured for the year?
A : $100,000
B : $101,000
C : $102,000
D : $124,000

Correct Answer : C

133 : ComPrint CoComPrint Co. had the following beginning and ending inventory balances:January 1 December 31Materials $10,000 $ 8,000Work-in-process $18,000 $17,000Finished Goods $21,000 $16,500In addition, direct labour costs of $30,000 were incurred, manufacturing overhead equalled $42,000, materials purchased were $27,000, and selling and administrative costs were $22,000. ComPrint Co. sold 25,000 units of product during the year at a sales price of $5.00 per unit.Refer to ComPrint Co. What was the amount of cost of goods sold for the year?
A : $97,500
B : $102,000
C : $106,500
D : $128,500

Correct Answer : C

134 : ComPrint CoComPrint Co. had the following beginning and ending inventory balances:January 1 December 31Materials $10,000 $ 8,000Work-in-process $18,000 $17,000Finished Goods $21,000 $16,500In addition, direct labour costs of $30,000 were incurred, manufacturing overhead equalled $42,000, materials purchased were $27,000, and selling and administrative costs were $22,000. ComPrint Co. sold 25,000 units of product during the year at a sales price of $5.00 per unit.Refer to ComPrint Co. What was the operating income or loss for the year?
A : $(3,500)
B : $5,500
C : $18,500
D : $125,000

Correct Answer : A

135 : ComPrint CoComPrint Co. had the following beginning and ending inventory balances:January 1 December 31Materials $10,000 $ 8,000Work-in-process $18,000 $17,000Finished Goods $21,000 $16,500In addition, direct labour costs of $30,000 were incurred, manufacturing overhead equalled $42,000, materials purchased were $27,000, and selling and administrative costs were $22,000. ComPrint Co. sold 25,000 units of product during the year at a sales price of $5.00 per unit.Refer to ComPrint Co. What was the operating income or loss for the year?
A : $564,000
B : $805,000
C : $960,000
D : $1,179,000

Correct Answer : B

136 : ComPrint CoComPrint Co. had the following beginning and ending inventory balances:January 1 December 31Materials $10,000 $ 8,000Work-in-process $18,000 $17,000Finished Goods $21,000 $16,500In addition, direct labour costs of $30,000 were incurred, manufacturing overhead equalled $42,000, materials purchased were $27,000, and selling and administrative costs were $22,000. ComPrint Co. sold 25,000 units of product during the year at a sales price of $5.00 per unit.Refer to ComPrint Co. What was the operating income or loss for the year?
A : $564,000
B : $650,000
C : $805,000
D : $969,000

Correct Answer : B

137 : Big Blue Bubble CompanyBig Blue Bubble Company produces a product with the following per-unit costs:Direct materials $15Direct labour 10Manufacturing overhead 15Last year, the company produced and sold 750 units at a sales price of $80 each. Total selling and administrative expense was $25,000.Refer to Big Blue Bubble Company. What was the prime cost per unit?
A : $11
B : $25
C : $30
D : $34

Correct Answer : B

138 : Big Blue Bubble CompanyBig Blue Bubble Company produces a product with the following per-unit costs:Direct materials $15Direct labour 10Manufacturing overhead 15Last year, the company produced and sold 750 units at a sales price of $80 each. Total selling and administrative expense was $25,000.Refer to Big Blue Bubble Company. Assuming no beginning or ending inventories, what was the cost of goods sold last year?
A : $14,250
B : $30,000
C : $47,500
D : $51,000

Correct Answer : B

139 : Big Blue Bubble CompanyBig Blue Bubble Company produces a product with the following per-unit costs:Direct materials $15Direct labour 10Manufacturing overhead 15Last year, the company produced and sold 750 units at a sales price of $80 each. Total selling and administrative expense was $25,000.Refer to Big Blue Bubble Company. What was the total operating income last year?
A : $5,000
B : $25,500
C : $29,000
D : $51,000

Correct Answer : A

140 : Big Blue Bubble CompanyBig Blue Bubble Company produces a product with the following per-unit costs:Direct materials $15Direct labour 10Manufacturing overhead 15Last year, the company produced and sold 750 units at a sales price of $80 each. Total selling and

administrative expense was $25,000.Refer to Big Blue Bubble Company. What was the total operating income last year?
A : $20,100
B : $20,500
C : $21,000
D : $21,900

Correct Answer : A

141 : Big Blue Bubble CompanyBig Blue Bubble Company produces a product with the following per-unit costs:Direct materials $15Direct labour 10Manufacturing overhead 15Last year, the company produced and sold 750 units at a sales price of $80 each. Total selling and administrative expense was $25,000.Refer to Big Blue Bubble Company. What was the total operating income last year?
A : $50,000
B : $69,600
C : $70,100
D : $71,000

Correct Answer : C

142 : Big Blue Bubble CompanyBig Blue Bubble Company produces a product with the following per-unit costs:Direct materials $15Direct labour 10Manufacturing overhead 15Last year, the company produced and sold 750 units at a sales price of $80 each. Total selling and administrative expense was $25,000.Refer to Big Blue Bubble Company. What was the total operating income last year?
A : $69,100
B : $69,600
C : $70,500
D : $70,700

Correct Answer : B

143 : Big Blue Bubble CompanyBig Blue Bubble Company produces a product with the following per-unit costs:Direct materials $15Direct labour 10Manufacturing overhead 15Last year, the company produced and sold 750 units at a sales price of $80 each. Total selling and administrative expense was $25,000.Refer to Big Blue Bubble Company. What was the total operating income last year?
A : $69,600
B : $70,200
C : $71,100
D : $71,300

Correct Answer : B

144 : Big Blue Bubble CompanyBig Blue Bubble Company produces a product with the following per-unit costs:Direct materials $15Direct labour 10Manufacturing overhead 15Last year, the company produced and sold 750 units at a sales price of $80 each. Total selling and administrative expense was $25,000.Refer to Big Blue Bubble Company. What was the total operating income last year?
A : $9.94
B : $10.00
C : $10.09

D : $10.11

Correct Answer : B

145 : Ballard CompanyBallard Company makes portable speakers. During the year Ballard manufactured 100,000 sets of portable speakers. Finished goods inventory had the following units on hand:January 1 1,260December 31 1,040Refer to Ballard Company. How many sets of portable speakers did the company sell during the year?
A : 96,780
B : 97,000
C : 97,220
D : 100,220

Correct Answer : D

146 : Ballard CompanyBallard Company makes portable speakers. During the year Ballard manufactured 100,000 sets of portable speakers. Finished goods inventory had the following units on hand:January 1 1,260December 31 1,040Refer to Ballard Company. Suppose each set of portable speakers has a per-unit product cost of $112. What would be the cost of finished goods inventory on December 31?
A : $24,640
B : $116,480
C : $124,640
D : $141,120

Correct Answer : B

147 : Ballard CompanyBallard Company makes portable speakers. During the year Ballard manufactured 100,000 sets of portable speakers. Finished goods inventory had the following units on hand:January 1 1,260December 31 1,040Refer to Ballard Company. Suppose each set of portable speakers has a per-unit product cost of $112. What would be the cost of goods sold last year?
A : $10,839,360
B : $10,864,000
C : $11,224,640
D : $11,555,120

Correct Answer : C

148 : Quest CompanyLast year Quest Company incurred the following costs:Direct materials $40,000Direct labour 60,000Manufacturing overhead 90,000Selling expenses 24,000Administrative expenses 22,000Quest produced and sold 2,000 units at a sales price of $125 each. Assume that there were no beginning or ending inventories.Refer to Quest Company. What was the total period cost?
A : $24,000
B : $46,000
C : $190,000
D : $250,000

Correct Answer : B

149 : Quest CompanyLast year Quest Company incurred the following costs:Direct materials $40,000Direct labour 60,000Manufacturing overhead 90,000Selling expenses

24,000Administrative expenses 22,000Quest produced and sold 2,000 units at a sales price of $125 each. Assume that there were no beginning or ending inventories.Refer to Quest Company. What were the total product costs?
A : $100,000
B : $150,000
C : $190,000
D : $236,000

Correct Answer : C

150 : Quest CompanyLast year Quest Company incurred the following costs:Direct materials $40,000Direct labour 60,000Manufacturing overhead 90,000Selling expenses 24,000Administrative expenses 22,000Quest produced and sold 2,000 units at a sales price of $125 each. Assume that there were no beginning or ending inventories.Refer to Quest Company. What was the conversion cost per unit?
A : $50
B : $75
C : $95
D : $125

Correct Answer : B

151 : Quest CompanyLast year Quest Company incurred the following costs:Direct materials $40,000Direct labour 60,000Manufacturing overhead 90,000Selling expenses 24,000Administrative expenses 22,000Quest produced and sold 2,000 units at a sales price of $125 each. Assume that there were no beginning or ending inventories.Refer to Quest Company. What was the gross margin per unit?
A : $7
B : $30
C : $95
D : $125

Correct Answer : B

152 : Bowring CompanyBowring Company took the following data from their income statement at the end of the current year.Per-unit product cost: $30Gross margin percentage: 40%Selling and administrative expenses $30,000Operating income $10,000Refer to Bowring Company. What was the gross margin for the year?
A : $40,000
B : $50,000
C : $60,000
D : $100,000

Correct Answer : A

153 : Bowring CompanyBowring Company took the following data from their income statement at the end of the current year.Per-unit product cost: $30Gross margin percentage: 40%Selling and administrative expenses $30,000Operating income $10,000Refer to Bowring Company. What was the cost of goods sold for the year?
A : $40,000
B : $50,000
C : $60,000
D : $100,000

Correct Answer : C

154 : Bowring CompanyBowring Company took the following data from their income statement at the end of the current year.Per-unit product cost: $30Gross margin percentage: 40%Selling and administrative expenses $30,000Operating income $10,000Refer to Bowring Company. How many units were sold during the year?
A : 1,000
B : 1,500
C : 2,000
D : 3,333

Correct Answer : C

155 : Bowring CompanyBowring Company took the following data from their income statement at the end of the current year.Per-unit product cost: $30Gross margin percentage: 40%Selling and administrative expenses $30,000Operating income $10,000Refer to Bowring Company. What was the sales price per unit?
A : $10
B : $20
C : $30
D : $50

Correct Answer : D

156 : Bowring CompanyBowring Company took the following data from their income statement at the end of the current year.Per-unit product cost: $30Gross margin percentage: 40%Selling and administrative expenses $30,000Operating income $10,000Refer to Bowring Company. What was the sales price per unit?
A : 16%
B : 48%
C : 52%
D : 100%

Correct Answer : D

157 : Bowring CompanyBowring Company took the following data from their income statement at the end of the current year.Per-unit product cost: $30Gross margin percentage: 40%Selling and administrative expenses $30,000Operating income $10,000Refer to Bowring Company. What was the sales price per unit?
A : 19%
B : 48%
C : 52%
D : 100%

Correct Answer : B

158 : Bowring CompanyBowring Company took the following data from their income statement at the end of the current year.Per-unit product cost: $30Gross margin percentage: 40%Selling and administrative expenses $30,000Operating income $10,000Refer to Bowring Company. What was the sales price per unit?
A : 17%
B : 19%

C : 48%
D : 52%

Correct Answer : D

159 : Bowring CompanyBowring Company took the following data from their income statement at the end of the current year.Per-unit product cost: $30Gross margin percentage: 40%Selling and administrative expenses $30,000Operating income $10,000Refer to Bowring Company. What was the sales price per unit?
A : 15%
B : 16%
C : 17%
D : 19%

Correct Answer : C

160 : Bowring CompanyBowring Company took the following data from their income statement at the end of the current year.Per-unit product cost: $30Gross margin percentage: 40%Selling and administrative expenses $30,000Operating income $10,000Refer to Bowring Company. What was the sales price per unit?
A : 15%
B : 16%
C : 17%
D : 19%

Correct Answer : C

161 : Bowring CompanyBowring Company took the following data from their income statement at the end of the current year.Per-unit product cost: $30Gross margin percentage: 40%Selling and administrative expenses $30,000Operating income $10,000Refer to Bowring Company. What was the sales price per unit?
A : 16%
B : 17%
C : 19%
D : 21%

Correct Answer : A

MATCHING

162 : Select the appropriate classification of each of the costs listed below.Each classification may be used more than once, and it is possible that one or more of the classifications may not be used at all.

A : CEO’s salary
B : Controller’s salary
C : Factory manager’s salary
D : Factory supervisor's salary
E : Factory assembly line worker's wages
F : Wood used in the production process
G : Cost of nails used by a furniture builder
H : Screws used in the production process

A : Product Cost, Direct Material
B : Product Cost, Direct Labour
C : Product Cost, Manufacturing Overhead
D : Product Cost, Selling Expense
E : Product Cost, Administrative Expense
F : Period Cost, Direct Material
G : Period Cost, Direct Labour
H : Period Cost, Manufacturing Overhead

I : Sugar used in cookie production
J : Cost of engines in the manufacture of airplanes
K : Cost of lubricating production machinery
L : Janitorial supplies for the factory
M : Research and development costs
N : National advertising campaign costs
O : Fees paid to the radio station for advertising
P : Product shipping costs
Q : Depreciation on vans used by the sales staff
R : Depreciation on furniture in the factory lunchroom
S : Property taxes on the factory building
T : Factory security costs
U : Rental cost of executive Lear jet
V : Cost of conference for sales team
W : Fees paid to an accounting firm for annual audit

Correct Answer :
A : J

B : J

C : C

D : C

E : B

F : A

G : C

H : C

I : A

J : A

K : C

L : C

M : J

N : I

O : I

P : I

Q : I

I : Period Cost, Selling Expense
J : Period Cost, Administrative Expense

R : C

S : C

T : C

U : J

V : I

W : J

163 : Select the appropriate classification of the output generated by each of the following industries.Each classification may be used more than once, and it is possible that one or more of the classifications may not be used at all.

A : Accounting firm
B : Car manufacturer
C : Law firm
D : Medical clinic
E : Bowling alley
F : A&W Restaurant
G : iTunes
H : Calgary Flames professional hockey team

A : Tangible
B : Intangible

Correct Answer :
A : B

B : A

C : B

D : B

E : B

F : A

G : B

H : B

164 : Match each following terms with their correct description from the items listed below.

A : A benefit given up when one alternative is chosen over another
B : A cost that stays the same in total regardless of changes in output
C : A cost that is difficult to trace to a cost object
D : A manufacturing cost
E : A cost that is NOT inventoried

A : Period Cost
B : Direct Cost
C : Opportunity Cost
D : Variable Cost
E : Indirect Cost

F : A cost that can be easily traced to a cost object
F : Fixed Cost
G : A cost that increases in total as output increases
G : Product Cost

Correct Answer :
A : C

B : F

C : E

D : G

E : A

F : B

G : D

165 : Match each following terms with their correct formula from the items listed below.
A : (direct labour + manufacturing overhead)/units produced
A : Per-unit prime cost
B : (total manufacturing costs + work-in-process beginning - work-in-process ending)/units produced
B : Per-unit conversion cost
C : (direct materials + direct labour)/units produced
C : Per-unit cost of goods manufactured

Correct Answer :
A : B

B : C

C : A

166 : Match each of the following terms with their correct description from the items listed below.
A : Gross margin - period costs
A : Gross Margin
B : Marketing and distributing costs
B : Selling Expenses
C : Number of units sold multiplied by sales price per unit
C : Sales Revenue
D : Sales - cost of goods sold
D : Cost of Goods Sold
E : Number of units sold multiplied by product cost per unit
E : Operating Income

Correct Answer :
A : E

B : B

C : C

D : A

E : D

167 : Match each of the following terms with their correct description from the items listed below.

A : The cost of units finished but NOT sold at the end of the current period	A : Work-in-Process Inventory
B : Direct materials + direct labour + manufacturing overhead	B : Finished Goods Inventory
C : The cost of units unfinished at the end of the current period	C : Cost of Goods Sold
D : Product cost per-unit × units sold	D : Cost of Goods Manufactured
E : (direct materials + direct labour + manufacturing overhead) +/- the change in work-in-process inventory from the beginning to the end of the current period	E : Total Manufacturing Costs

Correct Answer :
A : B

B : E

C : A

D : C

E : D

168 : Match each of the following terms with their correct description from the items listed below.

A : Gross margin - selling and administrative expenses	A : Income Statement
B : The difference between sales revenue and cost of goods sold	B : Cost of Goods Manufactured
C : The total cost of goods completed during the current period	C : Work-in-Process Inventory
D : Covers a particular period of time	D : Gross Margin
E : Cost of partially completed goods	E : Operating Income

Correct Answer :
A : E

B : D

C : B

D : A

E : C