# *Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank*

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# Chapter 02
# Cost Concepts

## True / False Questions

1. All costs incurred in a merchandising firm are period costs.
**FALSE**

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-20 Period Costs*

2. Depreciation is always considered a product cost for external financial reporting purposes in a manufacturing firm.
**FALSE**

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-19 Product Costs*

3. Advertising costs are considered product costs for external financial reports since they are incurred in order to promote specific products.
**FALSE**

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*



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4. Property taxes and insurance premiums paid on a factory building are examples of manufacturing overhead.
**TRUE**

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*

5. Manufacturing overhead combined with direct materials is known as conversion cost.
**FALSE**

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*

6. If the ending inventory of finished goods is overstated, net income will be overstated.
**TRUE**

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-05 Prepare financial reports.*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-22 The Balance Sheet*
*Topic: 02-23 The Income Statement*

7. If the ending inventory of finished goods is understated, net income will be overstated.
**FALSE**

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-05 Prepare financial reports.*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-22 The Balance Sheet*
*Topic: 02-23 The Income Statement*



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8. In a manufacturing company, goods available for sale equals the sum of the cost of goods manufactured and the beginning finished goods inventory.
**TRUE**

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

9. Variable costs are costs whose per unit costs vary as the activity level rises and falls.
**FALSE**

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Topic: 02-03 Variable Cost*

10. Variable costs are costs whose per unit costs don't vary as the activity level rises and falls.
**TRUE**

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Topic: 02-03 Variable Cost*

11. On a per unit basis, a fixed cost varies inversely with the level of activity.
**TRUE**

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Topic: 02-04 Fixed Cost*



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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-02 Understand cost classification by traceability.*
*Topic: 02-07 Indirect Cost*

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-02 Understand cost classification by traceability.*
*Topic: 02-06 Direct Cost*

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-02 Understand cost classification by traceability.*
*Topic: 02-06 Direct Cost*



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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-02 Understand cost classification by traceability.*
*Topic: 02-07 Indirect Cost*

16. A cost that differs from one month to another is known as a differential cost.
**FALSE**

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Topic: 02-09 Differential Cost and Revenue*

17. Opportunity costs are always recorded as expenses in the accounts of an organization.
**FALSE**

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Topic: 02-10 Opportunity Cost*

18. Sunk costs are irrelevant in making decisions.
**TRUE**

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Topic: 02-11 Sunk Cost*



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19. The inventory accounts reported on the balance sheet of a manufacturing company will differ from those of a merchandising company.
**TRUE**

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-05 Prepare financial reports.*
*Topic: 02-22 The Balance Sheet*

## Multiple Choice Questions

20. The corporate controller's salary would be considered a(n):
A. manufacturing cost.
B. product cost.
**C.** administrative cost.
D. selling expense.

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-13 Manufacturing Costs*

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*
*Topic: 02-18 Product Costs Versus Period Costs*



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22. The cost of rent for a manufacturing plant is generally considered to be a:

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*
*Topic: 02-19 Product Costs*

23. Each of the following would be a period cost except:
A. the salary of the company president's secretary.
B. the cost of a general accounting office.
**C.** depreciation of a machine used in manufacturing.
D. sales commissions.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-20 Period Costs*



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24. For a manufacturing company, which of the following is an example of a period rather than a product cost?
A. Depreciation of factory equipment.
**B.** Wages of salespersons.
C. Wages of machine operators.
D. Insurance on factory equipment.

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-19 Product Costs*

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-19 Product Costs*



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27. Transportation costs incurred by a manufacturing company to ship its product to its customers would be classified as which of the following?
A. Product cost.
B. Manufacturing overhead.
**C.** Period cost.
D. Administrative cost.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*

28. Transportation costs incurred by a manufacturing company to ship its raw material from its suppliers would be classified as which of the following?
**A.** Product cost.
B. Manufacturing overhead.
C. Period cost.
D. Administrative cost.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*



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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-20 Period Costs*

31. The wages of factory maintenance personnel would usually be:

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*



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32. Direct materials are a part of:

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-13 Manufacturing Costs*
*Topic: 02-14 Direct Materials*
*Topic: 02-16 Manufacturing Overhead*

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*



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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*

35. Which of the following should be included as part of manufacturing overhead at a company that makes office furniture?
A. Sheet steel in a file cabinet made by the company.
**B.** Manufacturing equipment depreciation.
C. Direct labour.
D. Hardware installed on desks

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*



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

*Accessibility: Keyboard Navigation*
*Blooms: Analyze*
*Difficulty: Hard*
*Learning Objective: 02-05 Prepare financial reports.*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-22 The Balance Sheet*
*Topic: 02-23 The Income Statement*

37. If the cost of goods sold is greater than the cost of goods manufactured, then:
A. work in process inventory has decreased during the period.
B. finished goods inventory has increased during the period.
C. total manufacturing costs must be greater than cost of goods manufactured.
**D.** finished goods inventory has decreased during the period.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-25 Product Costs—A Closer Look*
*Topic: 02-26 An Example of Cost Flows*



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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Topic: 02-03 Variable Cost*

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Topic: 02-03 Variable Cost*

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*



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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Topic: 02-04 Fixed Cost*

42. Last month, when 10,000 units of a product were manufactured, the cost per unit was $60. At this level of activity, variable costs are 50% of total unit costs. If 10,500 units are manufactured next month and cost behaviour patterns remain unchanged, the total cost of goods manufactured will be?
A. $585,000.
B. $600,000.
**C.** $615,000.
D. $630,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-02 Understand cost classification by traceability.*
*Topic: 02-07 Indirect Cost*



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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Topic: 02-10 Opportunity Cost*

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Medium*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Topic: 02-09 Differential Cost and Revenue*

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Topic: 02-04 Fixed Cost*
*Topic: 02-09 Differential Cost and Revenue*
*Topic: 02-10 Opportunity Cost*
*Topic: 02-11 Sunk Cost*



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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Topic: 02-10 Opportunity Cost*

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*



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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-02 Understand cost classification by traceability.*
*Topic: 02-06 Direct Cost*

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

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Topic: 02-12 Cost Classification by Function*

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*



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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-02 Understand cost classification by traceability.*
*Topic: 02-07 Indirect Cost*

54. Green Company's costs for the month of August were as follows: direct materials, $27,000; direct labour, $34,000; sales salaries, $14,000; indirect labour, $10,000; indirect materials, $15,000; general corporate administrative cost, $12,000; taxes on manufacturing facility, $2,000; and rent on factory, $17,000. The beginning work in process inventory was $16,000 and the ending work in process inventory was $9,000. What was the cost of goods manufactured for the month?
A. $105,000.
**B.** $112,000.
C. $132,000.
D. $138,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



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55. Brown Company's costs for the month of August were as follows: direct materials, $27,000; direct labour, $34,000; sales salaries, $14,000; indirect labour, $10,000; indirect materials, $15,000; general corporate administrative cost, $12,000; taxes on manufacturing facility, $2,000; and rent on factory, $17,000. The beginning work in process inventory was $16,000 and the ending work in process inventory was $9,000. What was the total manufacturing costs for the month?
**A.** $105,000.
B. $112,000.
C. $132,000.
D. $138,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

56. A manufacturing company prepays its insurance coverage for a three-year period. The premium for the three years is $2,700 and is paid at the beginning of the first year. Eighty percent of the premium applies to manufacturing operations and 20% applies to selling and administrative activities. What amounts should be considered product and period costs respectively for the first year of coverage?



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| | Product | Period |
|---|---|---|
| a. | $2,700 | $0 |
| b. | $2,160 | $540 |
| c. | $1,440 | $360 |
| d. | $720 | $180 |

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-18 Product Costs Versus Period Costs*

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

| | |
|---|---|
| Cost of goods sold | $70 |
| Direct labour | $20 |
| Direct materials | $15 |
| Cost of goods manufactured | $80 |
| Work in process ending | $10 |
| Finished goods ending | $15 |
| Manufacturing overhead | $30 |



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The beginning work in process inventory is:
A. $15.
B. $20.
**C.** $25.
D. $55.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

58. During the month of May, Bennett Manufacturing Company purchased $43,000 of raw materials. Total manufacturing overhead was $27,000 and the total manufacturing costs were $106,000. Assuming a beginning inventory of raw materials of $8,000 and an ending inventory of raw materials of $6,000, direct labour was:
**A.** $34,000.
B. $36,000.
C. $38,000.
D. $45,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



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

| | |
|---|---|
| Direct materials | $38,000 |
| Direct labour | $24,000 |
| Manufacturing overhead | $17,000 |
| Beginning work in process inventory | $10,000 |
| Ending work in process inventory | $11,000 |

The cost of goods manufactured was:
**A.** $78,000.
B. $79,000.
C. $80,000.
D. $89,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

60. During the month of June, Reardon Company incurred $17,000 of direct labour, $8,500 of manufacturing overhead and purchased $15,000 of raw materials. Between the beginning and the end of the month, the raw materials inventory increased by $2,000, the finished goods inventory increased by $1,500, and the work in process inventory decreased by $3,000. The cost of goods manufactured would be:
A. $38,500.
B. $40,500.
**C.** $41,500.
D. $43,500.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

61. Mueller Company reported the following data for the year just ended:

| | |
|---|---|
| Raw materials used in production | $800,000 |
| Direct labour | $700,000 |
| Total overhead costs | $900,000 |
| Ending work in process inventory | $400,000 |
| Cost of goods manufactured | $2,500,000 |



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

The beginning work in process inventory was:
A. $100,000.
B. $300,000.
**C.** $500,000.
D. $1,300,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

62. Mayberry Company reported the following data for the year just ended:

| | |
|---|---|
| Raw materials used in production | $800,000 |
| Direct labour | $700,000 |
| Total overhead costs | $900,000 |
| Beginning work in process inventory | $500,000 |
| Cost of goods manufactured | $2,500,000 |

The ending work in process inventory was:
A. $100,000.
B. $300,000.
**C.** $400,000.
D. $1,300,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-04 Understand cost classification by function.*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-16 Manufacturing Overhead*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

65. The gross margin for Cushing Company for the first quarter of last year was $325,000 when sales were $700,000. The beginning inventory of finished goods was $60,000 and the ending inventory of finished goods was $85,000. The cost of goods manufactured for the first quarter would have been:
A. $350,000.
B. $375,000.
**C.** $400,000.
D. $485,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

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

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

The cost of goods manufactured for the year was:
**A.** $314,725.
B. $325,000.
C. $333,275.
D. $334,275.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

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

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

The cost of goods manufactured for the year was:
A. $95,345.
B. $104,655.
**C.** $395,345.
D. $404,655.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

69. The following inventory valuation errors were discovered by Knox Corporation's new controller just after the annual financial statements were published at the end of Year 3.

> The Year 3 ending inventory was understated by $17,000.
> The Year 2 ending inventory was understated by $61,000.
> The Year 1 ending inventory was overstated by $23,000.
The net income for Knox in each of these years was:

| | Year 3 | Year 2 | Year 1 |
|---|---|---|---|
| Net income | $168,000 | $254,000 | $138,000 |

Assuming there were no income taxes and no corrections were made prior to the discovery of the errors after the end of year 3, the net income in each year should be adjusted to:



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

| | Year 3 | Year 2 | Year 1 |
|---|---|---|---|
| a. | $212,000 | $170,000 | $161,000 |
| b. | $124,000 | $338,000 | $115,000 |
| c. | $90,000 | $338,000 | $161,000 |
| d. | $124,000 | $170,000 | $115,000 |

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*

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

| | |
|---|---|
| Net sales | $128,500 |
| Beginning inventory | 24,000 |
| Purchases | 80,000 |
| Gross margin | 38,550 |



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

The ending inventory for the company at year end was:
A. $9,950.
**B.** $14,050.
C. $24,500.
D. $65,450.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

71. The beginning balance of the Raw Materials inventory account for May was $27,500. The ending balance for May was $28,750 and $128,900 of raw materials were used during the month. The materials purchased during the month cost:
A. $127,650.
**B.** $130,150.
C. $131,300.
D. $157,650.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

72. Gabel Inc. is a merchandising company. Last month the company's merchandise purchases totaled $63,000. The company's beginning merchandise inventory was $13,000 and its ending merchandise inventory was $15,000. What was the company's cost of goods sold for the month?
**A.** $61,000.
B. $63,000.
C. $65,000.
D. $91,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

73. Haack Inc. is a merchandising company. Last month the company's cost of goods sold was $84,000. The company's beginning merchandise inventory was $20,000 and its ending merchandise inventory was $18,000. What was the total amount of the company's merchandise purchases for the month?
**A.** $82,000.
B. $84,000.
C. $86,000.
D. $122,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

74. During January, the cost of goods manufactured was $93,000. The beginning finished goods inventory was $16,000 and the ending finished goods inventory was $20,000. What was the cost of goods sold for the month?
**A.** $89,000.
B. $93,000.
C. $97,000.
D. $129,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

75. An accounting course is taught in two classes per week for one hour and fifty minutes each. The classes are held in a building with 36 classrooms that are used for a variety of courses. The building has an advanced monitoring system which allows electricity costs to be determined for each classroom and for each course. If the cost object is the accounting course, which of the following is an indirect cost?
A. The course Instructor's salary for teaching the course (he only teaches this one course).
B. The cost of the preparation of the exam papers for this course.
**C.** The salary of the building's custodian.
D. The electricity cost for the course.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-02 Understand cost classification by traceability.*
*Topic: 02-07 Indirect Cost*

76. An accounting course is taught in two classes per week for one hour and fifty minutes each. The classes are held in a building with 36 classrooms that are used for a variety of courses. There are 15 other courses taught in the Accounting Department at this university. If the cost object is the accounting course, which of the following is a direct cost?
**A.** The course Instructor's salary for teaching the course (he only teaches this one course).
B. The property taxes on the land and classroom building.
C. The salary of the building's custodian.
D. The Accounting Department's secretary salary.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-02 Understand cost classification by traceability.*
*Topic: 02-06 Direct Cost*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

What was beginning finished goods inventory?
A. $100,000.
**B.** $200,000.
C. $300,000.
D. $400,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Direct materials used in production | $200,000 |
| Depreciation factory building | $10,000 |
| Depreciation factory equipment | $50,000 |
| Depreciation sales department automobiles | $10,000 |
| Direct wages factory employees | $200,000 |
| Sales department salaries and commissions | $150,000 |
| Factory manager's salary | $50,000 |
| Utility costs factory | $50,000 |
| Utility costs sales office | $20,000 |

What was the total of manufacturing overhead?
A. $110,000.
**B.** $160,000.
C. $400,000.
D. $740,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Direct materials used in production | $200,000 |
| Depreciation factory building | $10,000 |
| Depreciation factory equipment | $50,000 |
| Depreciation sales department automobiles | $10,000 |
| Direct wages factory employees | $200,000 |
| Sales department salaries and commissions | $150,000 |
| Factory manager's salary | $50,000 |
| Utility costs factory | $50,000 |
| Utility costs sales office | $20,000 |

What was the total of manufacturing costs?
A. $400,000.
B. $510,000.
**C.** $560,000.
D. $740,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-14 Direct Materials*
*Topic: 02-15 Direct Labour*
*Topic: 02-16 Manufacturing Overhead*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Direct materials used in production | $200,000 |
| Depreciation factory building | $10,000 |
| Depreciation factory equipment | $50,000 |
| Depreciation sales department automobiles | $10,000 |
| Direct wages factory employees | $200,000 |
| Sales department salaries and commissions | $150,000 |
| Factory manager's salary | $50,000 |
| Utility costs factory | $50,000 |
| Utility costs sales office | $20,000 |

What was the total of nonmanufacturing costs?
A. $150,000.
B. $160,000.
**C.** $180,000.
D. $230,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-20 Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

The cost of the raw materials used in production during the year (in thousands of dollars) was:
**A.** $90.
B. $150.
C. $160.
D. $190.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

The cost of goods manufactured for the year (in thousands of dollars) was:
A. $500.
**B.** $540.
C. $570.
D. $590.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

The cost of goods sold for the year (in thousands of dollars) was:
**A.** $500.
B. $580.
C. $660.
D. $700.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

The net income for the year (in thousands of dollars) was:
A. $150.
**B.** $200.
C. $250.
D. $490.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Sales | $910 |
| Raw materials inventory, beginning | $80 |
| Raw materials inventory, ending | $20 |
| Purchases of raw materials | $100 |
| Direct labour | $130 |
| Manufacturing overhead | $200 |
| Administrative expenses | $160 |
| Selling expenses | $140 |
| Work in process inventory, beginning | $40 |
| Work in process inventory, ending | $10 |
| Finished goods inventory, beginning | $130 |
| Finished goods inventory, ending | $150 |



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

The cost of the raw materials used in production during the year (in thousands of dollars) was:
A. $40.
B. $120.
**C.** $160.
D. $180.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Sales | $910 |
| Raw materials inventory, beginning | $80 |
| Raw materials inventory, ending | $20 |
| Purchases of raw materials | $100 |
| Direct labour | $130 |
| Manufacturing overhead | $200 |
| Administrative expenses | $160 |
| Selling expenses | $140 |
| Work in process inventory, beginning | $40 |
| Work in process inventory, ending | $10 |
| Finished goods inventory, beginning | $130 |
| Finished goods inventory, ending | $150 |

The cost of goods manufactured for the year (in thousands of dollars) was:
A. $460.
B. $500.
**C.** $520.
D. $530.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Sales | $910 |
| Raw materials inventory, beginning | $80 |
| Raw materials inventory, ending | $20 |
| Purchases of raw materials | $100 |
| Direct labour | $130 |
| Manufacturing overhead | $200 |
| Administrative expenses | $160 |
| Selling expenses | $140 |
| Work in process inventory, beginning | $40 |
| Work in process inventory, ending | $10 |
| Finished goods inventory, beginning | $130 |
| Finished goods inventory, ending | $150 |

The cost of goods sold for the year (in thousands of dollars) was:
**A.** $500.
B. $540.
C. $650.
D. $670.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Sales | $910 |
| Raw materials inventory, beginning | $80 |
| Raw materials inventory, ending | $20 |
| Purchases of raw materials | $100 |
| Direct labour | $130 |
| Manufacturing overhead | $200 |
| Administrative expenses | $160 |
| Selling expenses | $140 |
| Work in process inventory, beginning | $40 |
| Work in process inventory, ending | $10 |
| Finished goods inventory, beginning | $130 |
| Finished goods inventory, ending | $150 |

The net income for the year (in thousands of dollars) was:
A. $18.
B. $40.
**C.** $110.
D. $410.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

The cost of the raw materials used in production during the year (in thousands of dollars) was:
**A.** $170.
B. $190.
C. $240.
D. $250.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

93. The following data pertain to Harriman Company's operations during July:

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

94. The following data pertain to Harriman Company's operations during July:

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

95. Bergeron Inc. reported the following data for last year:

| | |
|---|---|
| Work in process inventory, beginning | $100 |
| Work in process inventory, ending | $150 |
| Finished goods inventory, beginning | $180 |
| Finished goods inventory, ending | $200 |
| Direct labour cost | $300 |
| Direct materials cost | $500 |
| Manufacturing overhead cost | $400 |

The prime cost was:
A. $500.
B. $700.
**C.** $800.
D. $900.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

96. Bergeron Inc. reported the following data for last year:

| | |
|---|---|
| Work in process inventory, beginning | $100 |
| Work in process inventory, ending | $150 |
| Finished goods inventory, beginning | $180 |
| Finished goods inventory, ending | $200 |
| Direct labour cost | $300 |
| Direct materials cost | $500 |
| Manufacturing overhead cost | $400 |

The conversion cost was:
A. $500.
**B.** $700.
C. $800.
D. $900.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

97. Bergeron Inc. reported the following data for last year:

| | |
|---|---|
| Work in process inventory, beginning | $100 |
| Work in process inventory, ending | $150 |
| Finished goods inventory, beginning | $180 |
| Finished goods inventory, ending | $200 |
| Direct labour cost | $300 |
| Direct materials cost | $500 |
| Manufacturing overhead cost | $400 |

The cost of goods manufactured was:
**A.** $1,150.
B. $1,180.
C. $1,220.
D. $1,250.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Direct materials used in production | $110,000 |
| Direct labour costs for the year | 55,000 |
| Work in process, beginning | 22,000 |
| Finished goods, beginning | 45,000 |
| Cost of goods available for sale | 288,000 |
| Cost of goods sold | 238,000 |
| Work in process, ending | 16,000 |

The balance of the finished goods inventory at the end of the year was:
A. $45,000.
**B.** $50,000.
C. $95,000.
D. $193,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Direct materials used in production | $110,000 |
| Direct labour costs for the year | 55,000 |
| Work in process, beginning | 22,000 |
| Finished goods, beginning | 45,000 |
| Cost of goods available for sale | 288,000 |
| Cost of goods sold | 238,000 |
| Work in process, ending | 16,000 |

Manufacturing overhead cost for the year was:
A. $56,000.
**B.** $72,000.
C. $78,000.
D. $84,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-04 Understand cost classification by function.*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-16 Manufacturing Overhead*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Direct materials used in production | $110,000 |
| Direct labour costs for the year | 55,000 |
| Work in process, beginning | 22,000 |
| Finished goods, beginning | 45,000 |
| Cost of goods available for sale | 288,000 |
| Cost of goods sold | 238,000 |
| Work in process, ending | 16,000 |

Cost of goods manufactured for the year was:
A. $160,000.
B. $171,000.
**C.** $243,000.
D. $244,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-05 Prepare financial reports.*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

101. Boardman Company reported the following data for the month of January:

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

**Additional information:**

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

If raw materials costing $35,000 were purchased during January, the total manufacturing costs for the month was?
A. $144,000.
B. $145,000.
**C.** $146,000.
D. $151,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

102. Boardman Company reported the following data for the month of January:

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

**Additional information:**

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

Assume that cost of goods sold for January was $124,000. The net income for January was:
A. $25,000.
**B.** $26,000.
C. $51,000.
D. $61,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

103. Boardman Company reported the following data for the month of January:

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

**Additional information:**

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

Boardman Company's total conversion cost for January was:
**A.** $110,000.
B. $130,000.
C. $135,000.
D. $170,000.

*Accessibility: Keyboard Navigation*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-16 Manufacturing Overhead*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

104. Boardman Company reported the following data for the month of January:

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

**Additional information:**

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

Assume that cost of goods sold for Boardman Company for January was $140,000. What was the cost of goods manufactured for the month?
A. $135,000
B. $139,000
C. $140,000
**D.** $145,000

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

If CD Company were to sell 43,000 units, the total expected cost would be?
A. $124,000.
**B.** $144,625.
C. $146,000.
D. $166,625.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*

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

If CD Company were to sell 50,000 units, the total expected cost per unit would be (Do not round intermediate calculations. Round the final answer to two decimal places):
A. $2.48.
**B.** $3.16.
C. $3.20.
D. $3.88.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

107. Jimbob Company has two business alternatives - A & B with different total annual costs as set out below:

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

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

What are the total differential costs between the two alternatives?
A. $2,000.
**B.** $3,000.
C. $5,000.
D. $7,000.

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Topic: 02-09 Differential Cost and Revenue*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

Annual subscription fee paid to tablet magazine.
A. Fixed product cost.
B. Variable product cost.
**C.** Fixed period cost.
D. Variable period cost.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*
*Topic: 02-18 Product Costs Versus Period Costs*

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

The delivery charges incurred when shipping the tablets to distributors and retailers.
A. Fixed product cost.
B. Variable product cost.
C. Fixed period cost.
**D.** Variable period cost.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

Wages of factory supervisor.
**A.** Fixed product cost.
B. Variable product cost.
C. Fixed period cost.
D. Variable period cost.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-03 Variable Cost*
*Topic: 02-04 Fixed Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-06 Direct Cost*
*Topic: 02-07 Indirect Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*

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

Rent on the production factory.
A. Direct product cost.
**B.** Indirect product cost.
C. Direct period cost.
D. Indirect period cost.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-06 Direct Cost*
*Topic: 02-07 Indirect Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-06 Direct Cost*
*Topic: 02-07 Indirect Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*

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

Shipping costs to send the finished milk chocolate bars and chocolate covered almonds to wholesalers.
A. Direct product cost.
B. Indirect product cost.
C. Direct period cost.
**D.** Indirect period cost.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-06 Direct Cost*
*Topic: 02-07 Indirect Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

Salaries for milk chocolate bars production line workers
**A.** Direct product cost.
B. Indirect product cost.
C. Direct period cost.
D. Indirect period cost.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-06 Direct Cost*
*Topic: 02-07 Indirect Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*

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

Advertising campaign for chocolate covered almonds.
A. Direct product cost.
B. Indirect product cost.
**C.** Direct period cost.
D. Indirect period cost.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-06 Direct Cost*
*Topic: 02-07 Indirect Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

Advertising campaign for Charlie's Chocolate Factory, no specific products were mentioned in the campaign.
A. Direct product cost.
B. Indirect product cost.
C. Direct period cost.
**D.** Indirect period cost.

*Accessibility: Keyboard Navigation*
*Blooms: Understand*
*Difficulty: Medium*
*Learning Objective: 02-01 Understand cost classification by behaviour.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-06 Direct Cost*
*Topic: 02-07 Indirect Cost*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

What was the amount of raw materials used in production?
A. $18,000
**B.** $27,000
C. $28,000
D. $46,000

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

What was the total manufacturing overhead incurred during the period?
A. $40,000
B. $57,500
**C.** $75,000
D. $92,000

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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



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What was the total manufacturing costs for the period?
A. $47,000
B. $95,000
C. $102,000
**D.** $122,000

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

What was the total prime costs for the period?
A. $20,000
B. $27,000
**C.** $47,000
D. $95,000

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

What was the cost of goods manufactured for the period?
A. $122,000
**B.** $120,000
C. $124,000
D. $138,000

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

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

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

| | |
|---|---|
| Wages, retail staff | 20,000 |
| WIP inventory, beginning | 19,500 |
| WIP inventory, ending | 21,500 |

What was the cost of goods sold for the period?
**A.** $118,000
B. $120,000
C. $121,000
D. $123,000

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

What was the operating income for the period?
**A.** $50,000
B. $68,000
C. $88,000
D. $125,000

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

**Short Answer Questions**

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

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

**Required**:

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-18 Product Costs Versus Period Costs*
*Topic: 02-19 Product Costs*
*Topic: 02-20 Period Costs*

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

**Required**:

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-09 Differential Cost and Revenue*
*Topic: 02-10 Opportunity Cost*
*Topic: 02-11 Sunk Cost*
*Topic: 02-18 Product Costs Versus Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

**Required**:



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

a.

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

b. Cost of Goods Sold



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

| | |
|---|---|
| Finished goods inventory, beginning | $46,980 |
| Cost of goods manufactured (above) | 52,910 |
| Available for sale | 99,890 |
| Less finished goods inventory, ending | 44,410 |
| Cost of goods sold | $55,480 |

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

133. Laco Company acquired its factory building about 20 years ago. For several years, the company has rented out a small, unused part of the building. The renter's lease will expire soon. Rather than renewing the lease, Laco Company is considering using the space itself to manufacture a new product. Under this option, the unused space will continue to be depreciated on a straight-line basis, as in past years.
Direct materials and direct labour cost for the new product would be $50 per unit. In order to have a place to store finished units of the new product, the company would have to rent a small warehouse nearby. The rental cost would be $2,000 per month. It would cost the company an additional $4,000 each month to advertise the new product. A new production supervisor would be hired to oversee production of the new product who would be paid $3,000 per month. The company would pay a sales commission of $10 for each unit of product that is sold.

**Required**:

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-03 Understand cost classification by relevance.*
*Learning Objective: 02-04 Understand cost classification by function.*
*Topic: 02-09 Differential Cost and Revenue*
*Topic: 02-10 Opportunity Cost*
*Topic: 02-11 Sunk Cost*
*Topic: 02-18 Product Costs Versus Period Costs*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

**Required**:

a. Compute the Cost of Goods Sold.
b. Compute the balance in Finished Goods Inventory at September 30.
c. Compute the balance in Work in Process Inventory at September 30.
d. Compute the balance in Raw Materials Inventory at September 30.
e. Compute the total Manufacturing Overhead.

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

**MARCHANT MANUFACTURING**

**Schedule of Cost of Goods Manufactured**



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

**MARCHANT MANUFACTURING**

**Income Statement**

| | | |
|---|---|---|
| Sales | | $344,000 |
| Cost of goods sold: | | |
| Finished goods, Sept 1 | $101,000 | |
| Cost of goods manufactured—above | 233,000 | |
| Available for sale | 334,000 | |
| Finished goods, Sept 30 (b) | 117,000 | |
| Cost of goods sold (a) | | 217,000 |
| Gross margin—given | | 127,000 |
| Operating expenses: | | |
| Administrative expenses | 41,000 | |
| Selling expenses | 56,000 | 97,000 |
| Net income—given | | $30,000 |



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

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

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

**Required**:

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

a. Larsen Corporation
Schedule of Cost of Goods Manufactured



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

b. Computation of cost of goods sold

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

c. Larsen Corporation
Income Statement

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

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

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

**Required**:

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

a. Larner Corporation
Schedule of Cost of Goods Manufactured



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

b. Computation of cost of goods sold

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

c. Larner Corporation
Income Statement

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



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

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

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

**Required**:

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

a. Larmont Corporation
Schedule of the Cost of Goods Manufactured



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

b. Computation of cost of goods sold

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

c. Larmont Corporation
Income Statement

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



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*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*

140. The following costs relate to one month's activity in Martin Company:

| | |
|---|---|
| Indirect materials | $300 |
| Rent on factory building | 500 |
| Maintenance of equipment | 50 |
| Direct material used | 1,200 |
| Utilities on factory | 250 |
| Direct labour | 1,500 |
| Selling expense | 500 |
| Administrative expense | 300 |
| Work in process inventory, beginning | 600 |
| Work in process inventory, ending | 800 |
| Finished goods inventory, beginning | 500 |
| Finished goods inventory, ending | 250 |

**Required**:

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

a. Martin Company
Schedule of the Cost of Goods Manufactured



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| | | |
|---|---|---|
| Direct materials | | $1,200 |
| Direct labour | | 1,500 |
| Manufacturing overhead: | | |
| Indirect materials | $300 | |
| Rent | 500 | |
| Maintenance | 50 | |
| Utilities | 250 | 1,100 |
| Total manufacturing costs | | 3,800 |
| Add: WIP, beginning | | 600 |
| | | 4,400 |
| Deduct: WIP, ending | | 800 |
| Cost of goods manufactured | | $3,600 |

b. Cost of Goods Sold

| | |
|---|---|
| Finished goods, beginning | $500 |
| Add: Cost of goods manufactured | 3,600 |
| Goods available for sale | 4,100 |
| Finished goods, ending | 250 |
| Cost of goods sold | $3,850 |

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

**Required**:

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

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



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

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

| | | |
|---|---|---|
| Finished goods inventory, beginning | 1,000 | |
| Add: Cost of Goods Manufactured | 18,000 | |
| Finished goods available for sale | 19,000 | |
| Less: Finished goods inventory, ending | 3,000 | |
| Cost of Goods Sold | | 16,000 |



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Baker's salary | 4,000 |
| General & administrative expenses | 4,500 |
| Indirect materials | 1,500 |
| Production Supervisor, Salary | 5,000 |
| Raw material purchases | 12,000 |
| Rent on production factory | 3,000 |
| Rent, retail store | 2,000 |
| Sales | 41,000 |
| Utilities on production factory | 1,500 |
| Utilities, retail store | 1,500 |
| Wages, retail staff | 4,000 |

| Inventory Balances: | Beginning | Ending |
|---|---|---|
| Raw Materials | 2,000 | 3,000 |
| Work in Process | 3,500 | 5,500 |
| Finished Goods | 2,000 | 4,000 |

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

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



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| | | |
|---|---|---|
| Raw materials, beginning | 2,000 | |
| Purchases of raw materials | 12,000 | |
| Raw materials available | 14,000 | |
| Raw materials inventory, ending | 3,000 | |
| Raw materials used in production | | 11,000 |
| Baker's salary | | 4,000 |
| Manufacturing Overhead: | | |
| Rent on production factory | 3,000 | |
| Utilities on production factory | 1,500 | |
| Production Supervisor, Salary | 5,000 | |
| Indirect materials | 1,500 | 11,000 |
| Total manufacturing costs | | 26,000 |
| Add: WIP inventory, beginning | | 3,500 |
| Less: WIP inventory, ending | | 5,500 |
| Cost of Goods Manufactured | | 24,000 |

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

| | | |
|---|---|---|
| Finished goods inventory, beginning | 2,000 | |
| Add: Cost of Goods Manufactured | 24,000 | |
| Finished goods available for sale | 26,000 | |
| Less: Finished goods inventory, ending | 4,000 | |
| Cost of Goods Sold | | 22,000 |



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | | |
|---|---|---|
| Sales | | 41,000 |
| Finished goods inventory, beginning | 2,000 | |
| Add: Cost of Goods Manufactured | 24,000 | |
| Finished goods available for sale | 26,000 | |
| Less: Finished goods inventory, ending | 4,000 | |
| Cost of Goods Sold | | 22,000 |
| Gross Margin | | 19,000 |
| Rent, retail store | 2,000 | |
| Wages, retail staff | 4,000 | |
| Utilities, retail store | 1,500 | |
| General & administrative expenses | 4,500 | |
| Total operating expenses | 2,000 | 12,000 |
| Net Income | 24,000 | 7,000 |

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Baker's salary | 13,000 |
| General & administrative expenses | 13,500 |
| Indirect materials | 10,500 |
| Production Supervisor, Salary | 14,000 |
| Raw material purchases | 21,000 |
| Rent on production factory | 12,000 |
| Rent, retail store | 11,000 |
| Sales | 140,000 |
| Utilities on production factory | 10,500 |
| Utilities, retail store | 10,500 |
| Wages, retail staff | 13,000 |

| Inventory Balances: | Beginning | Ending |
|---|---|---|
| Raw Materials | 11,000 | 12,000 |
| Work in Process | 12,500 | 14,500 |
| Finished Goods | 11,000 | 13,000 |

**Required**:

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

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



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

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

| | | |
|---|---|---|
| Finished goods inventory, beginning | 11,000 | |
| Add: Cost of Goods Manufactured | 78,000 | |
| Finished goods available for sale | 89,000 | |
| Less: Finished goods inventory, ending | 13,000 | |
| Cost of Goods Sold | | 76,000 |



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

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

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | |
|---|---|
| Baker's salary | 13,000 |
| General & administrative expenses | 13,500 |
| Indirect materials | 10,500 |
| Production Supervisor, Salary | 14,000 |
| Raw material purchases | 21,000 |
| Rent on production factory | 12,000 |
| Rent, retail store | 11,000 |
| Sales | 140,000 |
| Utilities on production factory | 10,500 |
| Utilities, retail store | 10,500 |
| Wages, retail staff | 13,000 |

| Inventory Balances: | Beginning | Ending |
|---|---|---|
| Raw Materials | 11,000 | 12,000 |
| Work in Process | 12,500 | 14,500 |
| Finished Goods | 11,000 | 13,000 |



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**Required**:

Calculate the following:

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

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

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



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

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

| | |
|---|---|
| Prime Costs (RM used + Direct Labor) | 33,000 |
| Conversion Costs (Direct Labor + MOH) | 60,000 |

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

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

**Required**:

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

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



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| | | |
|---|---|---|
| Raw materials, beginning | 18,000 | |
| Purchases of raw materials | 28,000 | |
| Raw materials available | 46,000 | |
| Raw materials inventory, ending | 19,000 | |
| Raw materials used in production | | 27,000 |
| Baker's salary | | 20,000 |
| Manufacturing Overhead: | | |
| Rent on production factory | 19,000 | |
| Utilities on production factory | 17,500 | |
| Production Supervisor, Salary | 21,000 | |
| Indirect materials | 17,500 | 75,000 |
| Total manufacturing costs | | 122,000 |
| Add: WIP inventory, beginning | | 19,500 |
| Less: WIP inventory, ending | | 21,500 |
| Cost of Goods Manufactured | | 120,000 |

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

| | | |
|---|---|---|
| Finished goods inventory, beginning | 18,000 | |
| Add: Cost of Goods Manufactured | 120,000 | |
| Finished goods available for sale | 138,000 | |
| Less: Finished goods inventory, ending | 20,000 | |
| Cost of Goods Sold | | 118,000 |



Introduction To Managerial Accounting (Canadian) 6th edition Brewer Test Bank

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

| | | |
|---|---|---|
| Sales | | 243,000 |
| Finished goods inventory, beginning | 18,000 | |
| Add: Cost of Goods Manufactured | 120,000 | |
| Finished goods available for sale | 138,000 | |
| Less: Finished goods inventory, ending | 20,000 | |
| Cost of Goods Sold | | 118,000 |
| Gross Margin | | 125,000 |
| Rent, retail store | 18,000 | |
| Wages, retail staff | 20,000 | |
| Utilities, retail store | 17,000 | |
| General & administrative expenses | 20,000 | |
| Total operating expenses | | 75,000 |
| Net Income | | 50,000 |

*Accessibility: Keyboard Navigation*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-06 Understand and prepare manufacturing reports.*
*Topic: 02-23 The Income Statement*
*Topic: 02-24 Schedule of Cost of Goods Manufactured*



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