

## Chapter 1 Question Review

1. Which of the following is not a characteristic of managerial accounting:
  - a) Emphasizes decisions affecting the future
  - b) Mandatory for external reports
  - c) Need not follow GAAP
  - d) Reports to those inside the organization
  
2. Which of the following is not a manufacturing cost:
  - a) Direct materials
  - b) Manufacturing overhead
  - c) Administrative costs
  - d) Direct labor
  
3. Which is not an inventory account manufacturing companies have:
  - a) Raw Materials
  - b) Manufacturing Overhead
  - c) Work in Process
  - d) Finished Goods
  
4. Costs that are taken directly to the income statement as expenses in the period in which they are incurred are:
  - a) Product costs
  - b) Direct costs
  - c) Indirect costs
  - d) Period costs
  
5. A direct cost is one which:
  - a) Is not worth the effort of tracing to a specific cost object
  - b) Remains constant no matter the activity level
  - c) Can be easily and conveniently traced to a specific cost object
  - d) Do not physically become part of the finished product
  
6. The costs of prescription drugs administered to patients by nurses on the fourth floor of Central Hospital should be classified as:
  - a) Direct patient costs.
  - b) Indirect patient costs.
  - c) Overhead costs of the nursing station.
  - d) Period costs of the hospital.
  
7. Which of the following would most likely be included as part of manufacturing overhead in the production of a wooden table?
  - a) The amount paid to the individual who stains the table.
  - b) The commission paid to the salesperson who sold the table.
  - c) The cost of glue used in the table.
  - d) The cost of the wood used in the table.

8. The Cost of Goods Manufactured can be shown with which equation?
- Beginning Work in Process+ Total Manufacturing Cost- Ending Work in Process
  - Direct Materials Used + Direct Labor + Manufacturing Overhead
  - Raw Materials + Work in Process + Finished Goods
  - Beginning Raw Material + Purchases – Ending Raw Materials
9. Cost of Goods Sold equation uses which of the following accounts?
- Work in Process
  - Finished Goods
  - Raw Materials
  - Manufacturing Overhead

10. ABC Company provided the following information regarding its first year of operations:

Administrative salaries	\$60,000
Factory depreciation	16,000
Indirect materials	4,000
Marketing expenses	40,000
Factory supervision salaries	28,000
Direct labor	80,000
Direct materials used	100,000
Research and development costs	32,000
Factory building rent	18,000
Sales revenues	432,000
Sales staff salaries	32,000
Headquarters building rent	17,000
Selling expenses	7,000

What is the total Product costs?

- \$66,000
- \$180,000
- \$188,000
- \$246,000

11. ABC Company reported the following data for the month of August:

	<u>Beginning</u>		<u>Ending</u>
Raw materials inventory	\$28,000	?	
Work-in-process inventory	?		25,000
Finished goods inventory	37,000		55,000

	<u>August Activity</u>
Direct materials purchases	\$72,000
Cost of goods manufactured	307,000
Direct labor incurred	112,000
Cost of goods sold	?
Total manufacturing cost	309,000
Direct materials used	86,000
Manufacturing overhead	?

Required: Determine the missing values.

12. Information for the ABC Company for the month of January is as follows:

	<u>Beginning</u>	<u>Ending</u>
Raw materials inventory	\$8,000	\$8,700
Work-in-process inventory	2,100	3,200
Finished goods inventory	5,000	5,700

	<u>January Activity</u>
Direct materials purchases	\$18,000
Manufacturing overhead	15,000
Direct labor	10,000
Sales	55,300
Selling and administrative expenses	6,300

Required: Prepare a statement of cost of goods manufactured and an income statement for the month of January.

## Solutions to Multiple Choice Questions

1. B
2. C
3. B
4. D
5. C
6. A
7. C
8. A
9. B
10. D

Direct materials used	\$100,000
Direct labor	80,000
Total overhead costs	66,000
Total product costs	\$246,000

### Solution #11

Beginning raw materials inventory	\$28,000
Direct materials purchases	72,000
Direct materials used	<u>86,000</u>
Ending raw materials inventory	\$14,000

Total manufacturing cost	\$309,000
less: Direct materials used	86,000
Direct labor incurred	<u>112,000</u>
Manufacturing overhead	<u>\$111,000</u>

Ending work-in-process inventory	\$25,000
Cost of goods manufactured	307,000
less: Total manufacturing cost	<u>309,000</u>
Beginning work-in-process inventory	\$23,000

Beginning finished goods inventory	\$37,000
------------------------------------	----------

Cost of goods manufactured	307,000
less: Ending finished goods inventory	<u>55,000</u>
Cost of goods sold	\$289,000

**Solution #12**

Schedule of Cost of Goods Manufactured

---

Beginning raw materials inventory	\$8,000
Direct materials purchases	<u>18,000</u>
Raw materials available for use	26,000
less: Ending raw materials inventory	<u>8,700</u>
Direct materials used	17,300
Direct labor incurred	10,000
Manufacturing overhead	<u>15,000</u>
Total manufacturing cost	42,300
Beginning work-in-process inventory	<u>2,100</u>
	44,400
less: Ending work-in-process inventory	<u>3,200</u>
Cost of goods manufactured	\$41,200

Income Statement

---

Sales		\$55,300
Cost of Goods Sold:		
Beginning finished goods inventory	\$5,000	
Cost of goods manufactured	<u>41,200</u>	
Goods available for sale	46,200	
less: Ending finished goods inventory	<u>5,700</u>	
Cost of goods sold		<u>40,500</u>
Gross Profit		14,800
Selling and administrative expenses		<u>6,300</u>
Net Income		\$8,500