

Chapter 2 – Cost Concepts and Behavior Exam Prep Handout

1. Seiler Company has the following information:

	<u>Work-in-Process</u>	<u>Finished Goods</u>	<u>Materials</u>
Beginning inventory	\$300	\$400	\$ 500
Ending inventory	700	900	1,500
Purchases of materials (net)	\$7,700		
Cost of Goods Sold	\$15,600		
Manufacturing overhead	\$4,300		

What was the cost of goods available for sale for the period?

- A. \$16,800
- B. \$16,500
- C. \$16,100
- D. \$15,100

2. During the year, a manufacturing company had the following operating results:

Beginning work-in-process inventory	\$ 45,000
Beginning finished goods inventory	\$190,000
Direct materials used in production	\$308,000
Direct labor	\$475,000
Manufacturing overhead incurred	\$250,000
Ending work-in-process inventory	\$ 67,000
Ending finished goods inventory	\$ 89,000

What is the cost of goods manufactured for the year?

- A. \$1,011,000
- B. \$1,134,000
- C. \$1,033,000
- D. \$1,112,000

3. The following cost data for the month of May were taken from the records of the Paducah Manufacturing Company: (CIA adapted)

Depreciation on factory equipment	\$1,000
Depreciation on sales office	500
Advertising	7,000
Wages of production workers	28,000
Raw materials used	47,000
Sales salaries and commissions	10,000
Factory rent	2,000
Factory insurance	500
Materials handling	1,500
Administrative salaries	2,000

Based upon this information, the manufacturing cost incurred during the month was:

- A. \$78,500.
- B. \$80,000.
- C. \$80,500.
- D. \$83,000.

4. Prepare Statements for a Manufacturing Company

The following balances are from the accounts of Todd Machining Company:

	January 1 (Beginning)	December 31 (Ending)
Direct materials inventory	\$96,000	\$118,000
Work-in-process inventory	116,000	112,000
Finished goods inventory	97,600	90,000

Direct materials purchased during the year amount to \$598,000, and the cost of goods sold for the year was \$2,172,400.

Required

Reconstruct a cost of goods sold statement and fill in the following missing data:

- Cost of direct materials used during the year.
- Cost of goods manufactured during the year.
- Total manufacturing costs incurred during the year.

5. Components of Full Costs

Larcker Manufacturing's cost accountant has provided you with the following information for January operations:

Direct materials	\$21 per unit
Fixed manufacturing overhead costs	\$135,000
Sales price	\$79 per unit
Variable manufacturing overhead	\$12 per unit
Direct labor	\$24 per unit
Fixed marketing and administrative costs	\$117,000
Units produced and sold	30,000
Variable marketing and administrative costs	\$5 per unit

Required

Determine each of the following:

- a. Variable cost.
- b. Variable manufacturing cost.
- c. Full absorption cost.
- d. Full cost.
- e. Profit margin.
- f. Gross margin.
- g. Contribution margin.

6. Components of Full Costs: Gross Margin and Contribution Margin Income Statements

Larcker Manufacturing's cost accountant has provided you with the following information for January operations:

Direct materials	\$21 per unit
Fixed manufacturing overhead costs	\$135,000
Sales price	\$79 per unit
Variable manufacturing overhead	\$12 per unit
Direct labor	\$24 per unit
Fixed marketing and administrative costs	\$117,000
Units produced and sold	30,000
Variable marketing and administrative costs	\$5 per unit

Required

Prepare:

- A gross margin income statement.
- A contribution margin income statement.