

Chapter 02 Cost Concepts and Behavior

87. The following information is available for the Netland Consulting Company for the fiscal year ended December 31.

Gross margin	\$170,000
Operating profit	\$ 65,500
Revenues	\$809,000
Income tax rate	34%

Required:

- (a) Compute the cost of services sold.
- (b) Compute the total marketing and administrative costs.
- (c) Compute net income.

88. The following information is available for the Ridgedale Manufacturing Company for the fiscal year ended December 31.

Revenues	\$900,000
Gross margin	\$315,000
Operating profit	85,000
Income tax rate	32%

Required:

- (a) Compute the cost of goods sold.
- (b) Compute the total marketing and administrative costs.
- (c) Compute net income.

89. The following information is available for the Roberts Retail Store for the fiscal year ended December 31.

Ending inventory	\$100,100
Transportation-in costs	\$ 8,900
Purchase discounts	\$ 15,000
Beginning inventory	\$ 79,000
Merchandise cost	\$450,000
Purchase returns and allowances	\$ 6,200
Sales revenue	\$800,000
Sales discounts	\$ 12,500

Required:

- Prepare a cost of goods sold statement for Roberts Retail Store.
- Compute the gross margin for the fiscal year ended December 31.

90. Required:

For each of the following costs incurred in a manufacturing company, indicate whether the costs are (a) fixed or variable and (b) product costs or period costs.

	Cost Item	Fixed	Variable	Product	Period
0	Annual audit and tax return fees	X			X
1	Costs (other than food) of running the cafeteria for factory personnel				
2	Direct materials used				
3	Clerical staff in administrative offices				
4	Depreciation of factory machinery*				
5	Property taxes on the factory				
6	Insurance premiums on delivery vans				
7	Factory custodian pay				
8	Sales commissions				
9	Rent paid for corporate jet				
10	Transportation-in costs for indirect material				

* Straight-line depreciation method used.

92. The following cost and inventory data were taken from the records of the Beca Company for the year:

Costs incurred:

Depreciation, factory equipment	\$30,000
Depreciation, office equipment	7,000
Supplies, factory	1,500
Maintenance, factory equipment	20,000
Utilities, factory	8,000
Sales commissions	30,000
Indirect labor	54,500
Rent, factory building	70,000
Purchases of direct materials (net)	124,000
Direct labor	80,000
Advertising expense	90,000

Inventories:

	<u>January 1</u>	<u>December 31</u>
Direct materials	\$9,000	\$11,000
Work in process	6,000	21,000
Finished goods	69,000	24,000

Required:

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

93. The Matter Manufacturing Company provided you with the following information for the fiscal year ended December 31.

Work-in-process inventory, 12/31	\$ 57,900
Finished goods inventory, 1/1	307,400
Direct labor costs incurred	1,004,300
Manufacturing overhead costs	2,693,400
Direct materials inventory, 1/1	250,800
Finished goods inventory, 12/31	511,000
Direct materials purchased	1,750,200
Work-in-process inventory, 1/1	101,000
Direct materials inventory, 12/31	169,400

Required:

- Compute the total manufacturing costs incurred during the year.
- Compute the total work-in-process during the year.
- Compute the cost of goods manufactured during the year.
- Compute the cost of goods sold during the year.
- Compute the total prime costs for the year.
- Compute the total conversion costs for the year.