Question Bank: Chapter 02 **Description:** *P2-29*

Question:

Computing cost of goods purchased and cost of goods sold. The following data are for Marvin Department Store. The account balances (in thousands) are for 2007.

Marketing, distribution, and customer-service costs	$ 37,000
Merchandise inventory, January 1, 2007	27,000
Utilities	17,000
General and administrative costs	43,000
Merchandise inventory, December 31, 2007	34,000
Purchases	155,000
Miscellaneous costs	4,000
Transportation-in	7,000
Purchase returns and allowances	4,000
Purchase discounts	6,000

Requirement 1:

Compute the cost of goods purchased. (Do not include a "$" sign in your response.)

Cost of goods purchased $ [ ]

Requirement 2:

Compute the cost of goods sold. (Do not include a "$" sign in your response.)

Cost of goods sold $ [ ]

Question Bank: Chapter 02
Description: *P2-36*

QUESTION:

Fire loss, computing inventory costs. A distraught employee, Fang W. Arson, put a torch to a manufacturing plant on a blustery February 26. The resulting blaze destroyed the plant and its contents. Fortunately, certain accounting records were kept in another building. They reveal the following for the period from January 1, 2007, to February 26, 2007:

Direct materials purchased	$ 160,000
Work in process, 1/1/2007	34,000
Direct materials, 1/1/2007	16,000
Finished goods, 1/1/2007	30,000
Manufacturing overhead costs	40% of conversion costs
Revenues	500,000
Direct manufacturing labor	180,000
Prime costs	294,000
Gross margin percentage based on revenues	20%
Cost of goods available for sale	450,000

The loss is fully covered by insurance. The insurance company wants to know the historical cost of the inventories as a basis for negotiating a settlement, although the settlement is actually to be based on replacement cost, not historical cost.

Requirement 1:
Calculate the cost of: finished goods inventory. (Do not include a "$" sign in your response. Round your answer to the whole thousand.)

Finished goods inventory, 2/26/2007 $ [ ]

Requirement 2:
Calculate the cost of work-in-process inventory. (Do not include a "$" sign in your response. Round your answer to the whole thousand.)

Work-in-process inventory, 2/26/2007 $ [ ]

Requirement 3:
Calculate the cost of direct materials inventory. (Do not include a "$" sign in your response. Round your answer to the whole thousand.)

Direct materials inventory, 2/26/2007 $ [ ]

QUESTION:

Comprehensive problem on unit costs, product costs. Tampa Office Equipment manufactures and sells metal shelving. It began operations on January 1, 2007. Costs incurred for 2007 are as follows (V stands for variable; F stands for fixed):

Direct materials used	$ 140,000	V
Direct manufacturing-labor costs	30,000	V
Plant energy costs	5,000	V
Indirect manufacturing-labor costs	10,000	V
Indirect manufacturing-labor costs	16,000	F
Other indirect manufacturing costs	8,000	V
Other indirect manufacturing costs	24,000	F
Marketing, distribution, and customer-service costs	122,850	V
Marketing, distribution, and customer-service costs	40,000	F
Administrative costs	50,000	F

Variable manufacturing costs are variable with respect to units produced. Variable marketing, distribution, and customer-service costs are variable with respect to units sold. Inventory data are:

	Beginning: January 1, 2007	Ending: December 31, 2007
Direct materials	0 lb.	2,000 lbs
Work in process	0 units	0 units
Finished goods	0 units	? units

Production in 2007 was 100,000 units. Two pounds of direct materials are used to make one unit of finished product.

Revenues in 2007 were $436,800. The selling price per unit and the purchase price per pound of direct materials were stable throughout the year. The company's ending inventory of finished goods is carried at the average unit manufacturing costs for 2007. Finished-goods inventory at December 31, 2007, was $20,970.

Requirement 1:

Calculate direct materials inventory, total cost, December 31, 2007. (Do not include a "$" sign in your response.)

Total cost of direct materials inventory $ [ ]

Requirement 2:

Calculate finished-goods inventory, total units, December 31, 2007. (Round your answer to the nearest full unit.)

Total units of finished-goods inventory [ ] units

Requirement 3:

Calculate selling price in 2007. (Round your answer to 2 decimal places. Do not include a "$" sign in your response.)

Selling price $ [ ] per unit

Requirement 4:

Calculate operating income for 2007. (Do not include a "$" sign in your response.)

Operating income $ [ ]