


**Pool Canvas**

Add, modify, and remove questions. Select a question type from the Add Question drop-down list and click **Go** to add questions. Use Creation Settings to establish which default options, such as feedback and images, are available for question creation.

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**Name** Chapter 1--Managerial Accounting Concepts and Principles

**Description**

**Instructions**

[Modify](#)

[◀ Add Question Here](#)

Question 1 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Accounting is an information system that provides essential data about the economic activities of an entity to various users to aid them in making informed judgments and decisions.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 2 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Managerial accounting reports are prepared according to generally accepted accounting principles.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 3 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Managerial accounting information includes both historical and estimated data.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 4 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Since there are few rules to restrict how an organization chooses to arrange its own internal data for decision making, managerial accounting provides ample opportunity for creativity and change.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 5 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** A diagram of the operating structure of an organization is called an organization chart.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 6 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** In most business organizations, the chief accountant is called the treasurer.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 7 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** In most business organizations, the chief accountant is called the controller.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 8 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** A staff department or unit is one that provides services, assistance, and advice to the departments with line or other staff responsibilities.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 9 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** The vice presidents of production and sales and the controller hold line positions in most large organizations.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 10 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** A staff department has no direct authority over a line department.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 11	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> The controller's staff consists of management accountants responsible for systems and procedures, general accounting, budgets, taxes, and cost accounting.			
<b>Answer</b> <input checked="" type="checkbox"/> True <input type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 12	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Managerial accounting reports must be useful to the user of the information.			
<b>Answer</b> <input checked="" type="checkbox"/> True <input type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 13	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Planning is the process of monitoring operating results and comparing actual results with the expected results.			
<b>Answer</b> <input type="checkbox"/> True <input checked="" type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 14	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Planning is the process of developing the company's objectives or goals and translating these objectives into courses of action.			
<b>Answer</b> <input checked="" type="checkbox"/> True <input type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 15	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Control is the process of monitoring operating results and comparing actual results with the expected results.			
<b>Answer</b> <input checked="" type="checkbox"/> True <input type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 16	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Managerial accounting provides useful information to managers on product costs.			
<b>Answer</b> <input checked="" type="checkbox"/> True <input type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 17	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> The payment of dividends is an example of a cost.			
<b>Answer</b> <input type="checkbox"/> True <input checked="" type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 18	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> A cost can be a payment of cash for the purpose of generating revenues.			
<b>Answer</b> <input checked="" type="checkbox"/> True <input type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 19	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> The cost of a manufactured product generally consists of direct materials cost, direct labor cost, and factory overhead cost.			
<b>Answer</b> <input checked="" type="checkbox"/> True <input type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 20	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> The cost of materials entering directly into the manufacturing process is classified as factory overhead cost.			
<b>Answer</b> <input type="checkbox"/> True <input checked="" type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 21	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> The cost of wages paid to employees directly involved in converting materials to finished product is classified as direct labor cost.			
<b>Answer</b> <input checked="" type="checkbox"/> True <input type="checkbox"/> False			
<a href="#">Add Question Here</a>			
Question 22	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> If the cost of employee wages is not a significant portion of the total product cost, the wages are classified as direct materials cost.			
<b>Answer</b> <input type="checkbox"/> True <input checked="" type="checkbox"/> False			
<a href="#">Add Question Here</a>			

Question 23	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> For a construction contractor, the wages of carpenters would be classified as factory overhead cost.			
<b>Answer</b>			
True			
✓ False			
<a href="#">Add Question Here</a>			
Question 24	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> For an automotive repair shop, the wages of mechanics would be classified as direct labor cost.			
<b>Answer</b>			
✓ True			
False			
<a href="#">Add Question Here</a>			
Question 25	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Costs other than direct materials cost and direct labor cost incurred in the manufacturing process are classified as factory overhead cost.			
<b>Answer</b>			
✓ True			
False			
<a href="#">Add Question Here</a>			
Question 26	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Depreciation on factory plant and equipment is an example of factory overhead cost.			
<b>Answer</b>			
✓ True			
False			
<a href="#">Add Question Here</a>			
Question 27	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Cost of oil used to lubricate factory machinery and equipment is an example of a direct materials cost.			
<b>Answer</b>			
True			
✓ False			
<a href="#">Add Question Here</a>			
Question 28	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> If the cost of materials is not a significant portion of the total product cost, the materials may be classified as part of factory overhead cost.			
<b>Answer</b>			
✓ True			
False			
<a href="#">Add Question Here</a>			
Question 29	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Factory overhead cost is sometimes referred to as factory burden.			
<b>Answer</b>			
✓ True			
False			
<a href="#">Add Question Here</a>			
Question 30	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Conversion cost is the combination of direct labor cost and factory overhead cost.			
<b>Answer</b>			
✓ True			
False			
<a href="#">Add Question Here</a>			
Question 31	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Conversion cost is the combination of direct materials cost and factory overhead cost.			
<b>Answer</b>			
True			
✓ False			
<a href="#">Add Question Here</a>			
Question 32	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Factory overhead is an example of a product cost.			
<b>Answer</b>			
✓ True			
False			
<a href="#">Add Question Here</a>			
Question 33	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Direct labor costs are included in the conversion costs of a product.			
<b>Answer</b>			
✓ True			
False			
<a href="#">Add Question Here</a>			
Question 34	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> The costs of materials and labor that do not enter directly into the finished product are classified as factory overhead.			
<b>Answer</b>			
✓ True			
False			
<a href="#">Add Question Here</a>			

Question 35	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> The costs of materials and labor that do not enter directly into the finished product are classified as cost of goods sold.			
<b>Answer</b>			
True			
✓ False			
<a href="#">◀ Add Question Here</a>			
Question 36	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Indirect labor would be included in factory overhead.			
<b>Answer</b>			
✓ True			
False			
<a href="#">◀ Add Question Here</a>			
Question 37	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> A cost object indicates how costs are related or identified.			
<b>Answer</b>			
✓ True			
False			
<a href="#">◀ Add Question Here</a>			
Question 38	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Direct costs can be specifically traced to a cost object.			
<b>Answer</b>			
✓ True			
False			
<a href="#">◀ Add Question Here</a>			
Question 39	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Indirect costs can be specifically identified to a cost object.			
<b>Answer</b>			
True			
✓ False			
<a href="#">◀ Add Question Here</a>			
Question 40	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Non-manufacturing costs are classified into two categories: selling and administrative.			
<b>Answer</b>			
✓ True			
False			
<a href="#">◀ Add Question Here</a>			
Question 41	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Prime costs are the combination of direct labor costs and factory overhead costs.			
<b>Answer</b>			
True			
✓ False			
<a href="#">◀ Add Question Here</a>			
Question 42	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Prime costs are the combination of direct materials and direct labor costs.			
<b>Answer</b>			
✓ True			
False			
<a href="#">◀ Add Question Here</a>			
Question 43	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Conversion costs are the combination of direct labor, direct material and factory overhead costs.			
<b>Answer</b>			
True			
✓ False			
<a href="#">◀ Add Question Here</a>			
Question 44	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Product costs are also referred to as inventoriable costs.			
<b>Answer</b>			
✓ True			
False			
<a href="#">◀ Add Question Here</a>			
Question 45	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Period costs include direct materials and direct labor.			
<b>Answer</b>			
True			
✓ False			
<a href="#">◀ Add Question Here</a>			
Question 46	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>
<b>Question</b> Period costs can be found in the balance sheet or in the income statement.			
<b>Answer</b>			
True			
✓ False			
<a href="#">◀ Add Question Here</a>			
Question 47	True/False	0 points	<a href="#">Modify</a>   <a href="#">Remove</a>

**Question** On the balance sheet for a manufacturing business, the cost of direct materials, direct labor, and factory overhead are categorized as either materials inventory, work in process inventory, or finished goods inventory.

**Answer**  True  
 False

[Add Question Here](#)

Question 48 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Only the value of the inventory that is sold will appear in the income statement.

**Answer**  True  
 False

[Add Question Here](#)

Question 49 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** The statement of cost of goods manufactured is an extension of the income statement for a manufacturing company.

**Answer**  True  
 False

[Add Question Here](#)

Question 50 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Managers use managerial information to evaluate performance of a company's operation.

**Answer**  True  
 False

[Add Question Here](#)

Question 51 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Managerial information is for external as well as internal stakeholders.

**Answer**  True  
 False

[Add Question Here](#)

Question 52 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** A report analyzing how many products need to be sold to cover operating costs is not typically a managerial accounting report.

**Answer**  True  
 False

[Add Question Here](#)

Question 53 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** A report analyzing the dollar savings of purchasing new equipment to speed up the production process is a managerial accounting report.

**Answer**  True  
 False

[Add Question Here](#)

Question 54 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** A performance report that identifies the amount of employee downtime is a financial accounting report.

**Answer**  True  
 False

[Add Question Here](#)

Question 55 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Controlling deals with choosing goals and deciding how to achieve them.

**Answer**  True  
 False

[Add Question Here](#)

Question 56 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Goods that are partway through the manufacturing process, but not yet complete, are referred to as materials inventory.

**Answer**  True  
 False

[Add Question Here](#)

Question 57 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Manufacturers use labor, plant, and equipment to convert direct materials into finished products.

**Answer**  True  
 False

[Add Question Here](#)

Question 58 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** Product costs are not expensed until the product is sold.

**Answer**  True  
 False

[Add Question Here](#)

Question 59 **True/False** **0 points** [Modify](#) [Remove](#)

**Question** The plant manager's salary in a manufacturing business would be considered an indirect cost.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 60 **True/False** **0 points**

[Modify](#) [Remove](#)

**Question** Operating expenses are product costs and are expensed when the product is sold.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 61 **True/False** **0 points**

[Modify](#) [Remove](#)

**Question** Period costs are operating costs that are expensed in the period in which the goods are sold.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 62 **True/False** **0 points**

[Modify](#) [Remove](#)

**Question** Factory overhead includes all manufacturing costs except direct materials and direct labor.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 63 **True/False** **0 points**

[Modify](#) [Remove](#)

**Question** Labor costs that are directly traceable to the product are part of factory overhead.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 64 **True/False** **0 points**

[Modify](#) [Remove](#)

**Question** Product costs include direct labor and advertising expense.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 65 **True/False** **0 points**

[Modify](#) [Remove](#)

**Question** Indirect labor and indirect materials would be part of factory overhead.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 66 **True/False** **0 points**

[Modify](#) [Remove](#)

**Question** Prime costs consist of factory overhead and direct labor.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 67 **True/False** **0 points**

[Modify](#) [Remove](#)

**Question** Conversion costs consist of product costs and period costs.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 68 **True/False** **0 points**

[Modify](#) [Remove](#)

**Question** Prime costs consists of direct materials, indirect materials, and direct labor.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 69 **True/False** **0 points**

[Modify](#) [Remove](#)

**Question** Managerial accounting uses only past data in reports to aid management in the decision making process.

**Answer**  True  
 False

[◀ Add Question Here](#)

Question 70 **Matching** **0 points**

[Modify](#) [Remove](#)

**Question** The following are some of the costs incurred by Cupcake Company. Identify them as either:

<b>Answer</b>	<b>Match Question Items</b>	<b>Answer Items</b>
	D. - A. Salesman commissions	A. Direct Materials
	C. - B. Factory rent	B. Direct Labor
	C. - C. Depreciation expense - factory	C. Factory Overhead
	A. - D. Frosting	D. Non manufacturing cost
	B. - E. Baker's wages	

- D. - F. Depreciation expense - office
- A. - G. Cupcake mix
- C. - H. Sprinkles for decoration (indirect material)

[Add Question Here](#)

[Modify](#) [Remove](#)

Question 71 **Matching** **0 points**

**Question** *The following are some of the costs incurred by Cupcake Company. Identify them as either:*

**Answer Match Question Items**

- D. - A. Salesman commissions
- B. - B. Factory rent
- B. - C. Depreciation expense - factory
- A. - D. Frosting
- C. - E. Baker's wages
- D. - F. Depreciation expense - office
- A. - G. Cupcake mix
- B. - H. Sprinkles for decoration (indirect material)

**Answer Items**

- A. Prime costs
- B. Conversion costs
- C. Both prime and conversion costs
- D. Neither prime or conversion costs

[Add Question Here](#)

[Modify](#) [Remove](#)

Question 72 **Matching** **0 points**

**Question** *Bartel Corporation produces bar stools for restaurants. For each of the following, indicate whether the cost would typically be considered direct or indirect cost for the cost object given.*

**Answer**

**Match Question Items**

- A. - A. The production labor wages for the bar stool assemblers.
- B. - B. The factory supervisor's salary for the barstool factory.
- B. - C. Lubricants used on the bar stool manufacturing equipment
- A. - D. Manufacturing costs for wood and steel used in the bar stools.
- A. - E. Nails and screws used in the production of the bar stools.

**Answer Items**

- A. Direct
- B. Indirect

[Add Question Here](#)

[Modify](#) [Remove](#)

Question 73 **Matching** **0 points**

**Question** *Brown Corporation produces bicycles. For each of the following, indicate whether the cost would typically be considered product or period cost for the cost object given.*

**Answer**

**Match Question Items**

- A. - A. Tires for the bicycles.
- A. - B. Electricity costs to run the factory.
- B. - C. Selling costs for the period.
- B. - D. Delivery costs to take the bicycles to stores.
- B. - E. Accountant salaries at Brown Corporation.

**Answer Items**

- A. Product
- B. Period

[Add Question Here](#)

[Modify](#) [Remove](#)

Question 74 **Multiple Choice** **0 points**

**Question** In order to be useful to managers, management accounting reports should possess all of the following characteristics EXCEPT:

**Answer**

- provide objective measures of past operations and subjective estimates about future decisions
- be prepared in accordance with generally accepted accounting principles
- be provided at any time management needs information
- be prepared to report information for any unit of the business to support decision making

[Add Question Here](#)

[Modify](#) [Remove](#)

Question 75 **Multiple Choice** **0 points**

**Question** What is the primary criterion for the preparation of managerial accounting reports?

**Answer**

- Relevance of the reports
- Meet the manager needs
- Timing of the reports
- Cost of the reports

[Add Question Here](#)

[Modify](#) [Remove](#)

Question 76 **Multiple Choice** **0 points**

**Question** Which of the following is most associated with managerial accounting?

**Answer**

- Must follow GAAP
- May rely on estimates and forecasts
- Is prepared for users outside the organization.
- Always reports on the entire entity

[Add Question Here](#)

[Modify](#) [Remove](#)

Question 77 **Multiple Choice** **0 points**

**Question** Which of the following is most associated with financial accounting?

**Answer**

- Can have both objective and subjective information
- Can be prepared periodically, or as needed
- Prepared in accordance with GAAP
- Can be prepared for the entity or segment

[Add Question Here](#)

[Modify](#) [Remove](#)

Question 78 **Multiple Choice** **0 points**

**Question** Which of the following statements is false?

**Answer** ✓ There is no overlap between financial and managerial accounting.  
 Managerial accounting sometimes relies on past information.  
 Managerial accounting does not need to conform to GAAP  
 Financial accounting must conform to GAAP.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 79 **Multiple Choice** **0 points**

**Question** In most business organizations, the chief management accountant is called the:

**Answer**

- chief accounting officer
- ✓ controller
- chairman of the board
- chief executive officer

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 80 **Multiple Choice** **0 points**

**Question** All of the following employees hold line positions in Anthea Electric EXCEPT:

**Answer**

- vice president of production
- ✓ vice president of finance
- manager of the Valhalla Plant
- vice president of sales

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 81 **Multiple Choice** **0 points**

**Question** The controller's staff often consists of several management accountants. All of the following would most likely be on the controller's staff EXCEPT:

**Answer**

- general accountants
- budgets and budget analysts
- ✓ investments and shareholder relations managers
- cost accountants

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 82 **Multiple Choice** **0 points**

**Question** Managerial accounting

**Answer**

- is prepared according to GAAP.
- ✓ is prepared according to management needs.
- is prepared periodically only.
- is related to the entire business entity only.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 83 **Multiple Choice** **0 points**

**Question** Who are the individuals charged with the responsibility for directing the day-to-day operations of a business?

**Answer**

- Investors
- ✓ Managers
- Employees
- Customers

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 84 **Multiple Choice** **0 points**

**Question** Which of the following are basic phases of the management process?

**Answer**

- Supervising and directing
- Decision making and supervising
- Organizing and directing
- ✓ Planning and controlling

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 85 **Multiple Choice** **0 points**

**Question** What term is used to describe the process of monitoring operating results and comparing actual results with the expected results?

**Answer**

- Improving
- ✓ Controlling
- Directing
- Planning

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 86 **Multiple Choice** **0 points**

**Question** What term is used to describe the process of developing the organization's objectives and translating those into courses of action?

**Answer**

- Supervising
- ✓ Planning
- Improving
- Decision making

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 87 **Multiple Choice** **0 points**

**Question** Which of the following is the principle reason for preparing managerial accounting reports?

- Answer**
- Usefulness to management
  - Cost of preparation
  - Clarity
  - GAAP

[◀ Add Question Here](#)

Question 88 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following is not a characteristic of useful managerial accounting reports?

- Answer**
- Accuracy
  - GAAP
  - historical and estimated data
  - reports prepared as needed

[◀ Add Question Here](#)

Question 89 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Compute conversion costs given the following data: Direct Materials, \$452,700; Direct Labor, \$186,300; Factory Overhead, \$175,600; and Selling Expenses, \$45,290.

- Answer**
- \$639,000
  - \$175,600
  - \$816,600
  - \$361,900

[◀ Add Question Here](#)

Question 90 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following is false in regards to direct materials for an auto manufacturer?

- Answer**
- Steel would probably be a direct material.
  - Upholstery fabric would probably be a direct material
  - Oil to lubricate factory machines would not be a direct material.
  - Small plastic clips to hold on door panels, that become part of the auto, must be accounted for as direct materials.

[◀ Add Question Here](#)

Question 91 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** The cost of a manufactured product generally consists of which of the following costs?

- Answer**
- Direct materials cost and factory overhead cost
  - Direct labor cost and factory overhead cost
  - Direct labor cost, direct materials cost, and factory overhead cost
  - Direct materials cost and direct labor cost

[◀ Add Question Here](#)

Question 92 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Materials must have which two qualities in order to be classified as direct materials?

- Answer**
- They must be classified as both prime costs and conversion costs.
  - They must be introduced into the process in both work-in-process inventories and finished goods inventories.
  - They must be an integral part of the finished product, but can be an insignificant portion of the total product cost.
  - They must be an integral part of the finished product and be a significant portion of the total product cost.

[◀ Add Question Here](#)

Question 93 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following is an example of direct materials cost for an automobile manufacturer?

- Answer**
- Cost of oil lubricants for factory machinery
  - Cost of wages of assembly worker
  - Salary of production supervisor
  - Cost of interior upholstery

[◀ Add Question Here](#)

Question 94 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** If the cost of direct materials is a small portion of total production cost, it may be classified as part of:

- Answer**
- direct labor cost
  - selling and administrative costs
  - miscellaneous costs
  - factory overhead cost

[◀ Add Question Here](#)

Question 95 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** The cost of wages paid to employees directly involved in the manufacturing process in converting materials into finished product is classified as:

- Answer**
- factory overhead cost
  - direct labor cost
  - wages expense
  - direct materials cost

[◀ Add Question Here](#)

Question 96 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following is an example of direct labor cost for an airplane manufacturer?

- Answer**
- Cost of oil lubricants for factory machinery
  - Cost of wages of assembly worker
  - Salary of plant supervisor
  - Cost of jet engines

[◀ Add Question Here](#)

Question 97 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Costs other than direct materials cost and direct labor cost incurred in the manufacturing process are classified as:

- Answer**
- factory overhead cost
  - miscellaneous expense
  - product costs
  - other manufacturing costs

[◀ Add Question Here](#)

Question 98 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following is an example of a factory overhead cost?

- Answer**
- Repair and maintenance cost on the administrative building
  - Factory heating and lighting cost
  - Insurance premiums on salespersons' automobiles
  - President's salary

[◀ Add Question Here](#)

Question 99 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Another term often used to refer to factory overhead is:

- Answer**
- surplus
  - other manufacturing cost
  - supervisory cost
  - factory burden

[◀ Add Question Here](#)

Question 100 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following costs are referred to as conversion costs?

- Answer**
- Direct labor cost and factory overhead cost
  - Direct materials cost and direct labor cost
  - Factory overhead cost
  - Direct materials cost and factory overhead cost

[◀ Add Question Here](#)

Question 101 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** What term is used to refer to the cost of changing direct materials into a finished manufactured product?

- Answer**
- Factory overhead cost
  - Period cost
  - Conversion cost
  - Direct labor cost

[◀ Add Question Here](#)

Question 102 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following items would not be classified as part of factory overhead?

- Answer**
- Direct labor used
  - Amortization of manufacturing patents
  - Production supervisors' salaries
  - Factory supplies used

[◀ Add Question Here](#)

Question 103 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following is considered a part of factory overhead cost?

- Answer**
- Sales commissions
  - Depreciation of factory buildings
  - Depreciation of office equipment
  - Direct materials used

[◀ Add Question Here](#)

Question 104 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following manufacturing costs is an indirect cost of producing a product?

- Answer**
- Oil lubricants used for factory machinery
  - Commissions for sales personnel
  - Hourly wages of an assembly worker
  - Memory chips for a microcomputer manufacturer

[◀ Add Question Here](#)

Question 105 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Prime costs are

- Answer**
- direct materials and factory overhead
  - direct materials and direct labor
  - direct labor and factory overhead
  - period costs and factory overhead

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 106 **Multiple Choice** **0 points**

**Question** Conversion costs are

- Answer**
- direct materials and direct labor
  - direct materials and factory overhead
  - factory overhead and direct labor
  - direct materials and indirect labor

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 107 **Multiple Choice** **0 points**

**Question** Which of the following is not a prime cost?

- Answer**
- Supervisor's wages
  - Direct labor wages
  - Machine operator wages
  - Assembly line wages

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 108 **Multiple Choice** **0 points**

**Question** The following are all product costs except:

- Answer**
- Direct materials
  - Sales and administrative expenses
  - Direct labor
  - Factory overhead

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 109 **Multiple Choice** **0 points**

**Question** Which one of the following will not be found on the balance sheet of a manufacturing company?

- Answer**
- cost of goods sold
  - materials
  - work in process
  - finished goods

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 110 **Multiple Choice** **0 points**

**Question** In the income statement of a manufacturing company, what replaces purchases in the cost of goods section of a retail company?

- Answer**
- Finished goods
  - Cost of merchandise available
  - Cost of goods manufactured
  - Work in process completed

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 111 **Multiple Choice** **0 points**

**Question** What is the purpose of the Statement of Cost of Goods Manufactured?

- Answer**
- to determine the ending materials inventory
  - to determine the ending work in process inventory
  - to determine the amounts transferred to finished goods
  - all of the answers are true

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 112 **Multiple Choice** **0 points**

**Question** Which of the following accounts will be found on the income statement?

- Answer**
- inventory
  - work in process
  - finished goods
  - cost of goods sold

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 113 **Multiple Choice** **0 points**

**Question** All of the following are ways that managers use managerial information except

- Answer**
- to evaluate the company's stock performance
  - to evaluate the performance of a company's operations
  - to support long-term planning decisions
  - to determine the cost of manufacturing a product

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 114 **Multiple Choice** **0 points**

<b>Question</b> Cost of Materials Used	\$40,000
Direct Labor costs	\$55,000
Factory Overhead	\$32,000
Work in Process, beg.	\$28,000
Work in Process, end.	\$18,000

What is Cost of Goods Manufactured?

<b>Answer</b>	\$173,000
	\$97,000
	\$117,000
	✓ \$137,000

[Add Question Here](#)

[Modify](#) | [Remove](#)

Question 115 **Multiple Choice** **0 points**

<b>Question</b> Cost of Materials Used	\$40,000
Direct Labor costs	\$55,000
Factory Overhead	\$32,000
Work in Process, beg.	\$28,000
Work in Process, end.	\$18,000
Finished Goods, beg.	\$28,000
Finished Goods, end.	\$18,000

What is Cost of Goods Sold?

<b>Answer</b>	✓ \$147,000
	\$137,000
	\$10,000
	\$128,000

[Add Question Here](#)

[Modify](#) | [Remove](#)

Question 116 **Multiple Choice** **0 points**

**Question**

Beginning Raw Materials Inventory	\$75,000
Materials Purchased	\$20,000
Ending Raw Materials Inventory	\$30,000

What is the amount of raw materials used?

<b>Answer</b>	\$25,000
	\$45,000
	✓ \$65,000
	\$20,000

[Add Question Here](#)

[Modify](#) | [Remove](#)

Question 117 **Multiple Choice** **0 points**

**Question** A company manufactured 50,000 units of a product at a cost of \$250,000. They sold 40,000 units for \$10 each. What is the gross margin?

<b>Answer</b>	\$150,000
	✓ \$200,000
	\$400,000
	\$250,000

[Add Question Here](#)

[Modify](#) | [Remove](#)

Question 118 **Multiple Choice** **0 points**

**Question**

Work in Process, Beginning	\$10,000
Work in Process, Ending	\$15,000
Direct Labor Costs Incurred	\$4,000
Cost of Goods Manufactured	\$8,000
Factory Overhead	\$8,000

What is the amount of direct materials used?

<b>Answer</b>	✓ \$1,000
	\$4,000
	\$7,000
	\$3,000

[Add Question Here](#)

[Modify](#) | [Remove](#)

Question 119 **Multiple Choice** **0 points**

**Question** A company sells goods for \$300,000 that cost \$140,000 to manufacture. Which statement(s) are true?

- Answer**
- The company will recognize sales on the balance sheet of \$300,000.
  - The company will recognize \$160,000 gross profit on the balance sheet.
  - ✓ The company will decrease finished goods by \$140,000.
  - All of the above are true.

[◀ Add Question Here](#)

Question 120 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Product costs

- Answer**
- appear only on the balance sheet
  - appear only on the income statement
  - are expensed as costs are incurred for direct labor, direct material and factory overhead
  - ✓ appear on both the income statement and balance sheet

[◀ Add Question Here](#)

Question 121 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following would be least likely to be considered a managerial accounting report?

- Answer**
- a report to analyze potential efficiencies and savings for the purchase of new production equipment.
  - a schedule of total manufacturing costs incurred
  - a statement of cost of goods manufactured
  - ✓ a statement of stockholders' equity

[◀ Add Question Here](#)

Question 122 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Managerial accountants would most likely prepare all of the following reports except:

- Answer**
- A performance report identifying amounts of scrap.
  - A control report comparing direct material usage over time.
  - A sales report targeting monthly sales and potential bonuses.
  - ✓ An annual report for external regulators such as the SEC.

[◀ Add Question Here](#)

Question 123 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Accounting designed to meet the needs of decision-makers inside the business is referred to as:

- Answer**
- general accounting
  - financial accounting
  - ✓ managerial accounting
  - external accounting

[◀ Add Question Here](#)

Question 124 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** The primary goal of managerial accounting is to provide information to:

- Answer**
- investors
  - creditors
  - ✓ management
  - external auditors

[◀ Add Question Here](#)

Question 125 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Goods that are partially completed by a manufacturer are referred to as:

- Answer**
- merchandise inventory
  - ✓ work in process inventory
  - finished goods inventory
  - materials inventory

[◀ Add Question Here](#)

Question 126 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** A plant manager's salary may be referred to as:

- Answer**
- either a direct cost or an indirect cost since managerial accounting is not restricted by GAAP
  - a direct cost
  - ✓ an indirect cost
  - a period cost

[◀ Add Question Here](#)

Question 127 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** All of the following would probably be considered a direct material except:

- Answer**
- steel
  - fabric
  - ✓ glue
  - lumber

[◀ Add Question Here](#)

Question 128 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Period costs include:

- Answer**
- current assets on the balance sheet
  - current liabilities on the balance sheet
  - operating costs that are shown on the income statement when products are sold
  - ✓ operating costs that are shown on the income statement in the period in which they are incurred

◀ [Add Question Here](#)

Question 129 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** A product cost is:

- Answer**
- expensed in the period in which it is incurred
  - shown with current liabilities on the balance sheet
  - shown on the income statement with the operating expenses
  - ✓ expensed in the period the product is sold

◀ [Add Question Here](#)

Question 130 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Indirect labor and indirect materials are classified as:

- Answer** ✓
- factory overhead and product costs
  - factory overhead and period costs
  - operating costs and period costs
  - operating costs and product costs

◀ [Add Question Here](#)

Question 131 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** An example of a period cost is:

- Answer** ✓
- advertising expense
  - indirect materials
  - depreciation on factory equipment
  - property taxes on plant facilities

◀ [Add Question Here](#)

Question 132 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Direct labor and direct materials are classified as:

- Answer** ✓
- product costs and expensed when the goods are sold
  - product costs and expensed when incurred
  - period costs and expensed when incurred
  - period costs and expensed when the goods are sold

◀ [Add Question Here](#)

Question 133 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Indirect costs incurred in a manufacturing environment that cannot be traced directly to a product are treated as:

- Answer**
- period costs and expensed when incurred
  - ✓ product costs and expensed when the goods are sold
  - product costs and expenses when incurred
  - period costs and expensed when the goods are sold

◀ [Add Question Here](#)

Question 134 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Rent expense on a factory building would be treated as a(n):

- Answer**
- period cost
  - ✓ product cost
  - direct cost
  - both A and C are correct

◀ [Add Question Here](#)

Question 135 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Rent expense incurred on a factory building would be treated as a(n):

- Answer**
- indirect cost
  - period cost
  - product cost
  - ✓ both A and C are correct

◀ [Add Question Here](#)

Question 136 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Which of the following is not a factory overhead cost?

- Answer** ✓
- materials used directly in the manufacturing process of the product
  - insurance on factory equipment
  - salaries of production supervisors
  - property tax on factory building

◀ [Add Question Here](#)

Question 137 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** All of the following are examples of indirect labor except:

- Answer**
- maintenance personnel
  - janitorial personnel
  - ✓ machine operators
  - plant managers

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 138 **Multiple Choice** **0 points**

**Question** Factory overhead includes:

- Answer**
- factory rent and direct labor
  - direct materials and direct labor
  - indirect materials and direct materials
  - ✓ indirect labor and indirect materials

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 139 **Multiple Choice** **0 points**

**Question** Williams Company reports production costs for 2012 as follows:

Direct materials used	\$375,000
Direct labor incurred	250,000
Factory overhead incurred	400,000
Operating expenses	145,000

Williams Company's period costs for 2012 amount to:

- Answer**
- \$375,000
  - \$250,000
  - \$400,000
  - ✓ \$145,000

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 140 **Multiple Choice** **0 points**

**Question** Williams Company reports production costs for 2012 as follows:

Direct materials used	\$375,000
Direct labor incurred	250,000
Factory overhead incurred	400,000
Operating expenses	145,000

Williams Company's product costs for 2012 amount to:

- Answer**
- ✓ \$1,025,000
  - \$975,000
  - \$605,000
  - \$925,000

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 141 **Multiple Choice** **0 points**

**Question** Costs which are reported on the income statement as part of cost of goods sold are referred to as:

- Answer**
- administrative expenses
  - period costs
  - ✓ cost of goods manufactured
  - operating expenses

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 142 **Multiple Choice** **0 points**

**Question** Costs on the income statement for both a merchandiser and a manufacturer would include:

- Answer**
- ✓ operating expenses
  - direct materials
  - direct labor incurred
  - cost of goods manufactured

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 143 **Multiple Choice** **0 points**

**Question** Cost of goods sold for a manufacturer equals cost of goods manufactured plus:

- Answer**
- beginning work in process inventory less ending work in process inventory
  - ending work in process inventory less beginning work in process inventory
  - ✓ beginning finished goods inventory less ending finished goods inventory
  - ending finished goods inventory less beginning finished goods inventory

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 144 **Multiple Choice** **0 points**

**Question** Cost of goods manufactured is equal to:

- Answer**
- total manufacturing costs plus ending materials inventory less beginning materials inventory
  - cost of goods sold beginning work in process inventory less ending work in process inventory
  - total manufacturing costs plus ending work in process inventory less beginning work in process inventory
  - ✓ total manufacturing costs plus beginning work in process inventory less ending work in process inventory

[◀ Add Question Here](#)

- Question 145 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Finished goods inventory is reported on the:
- Answer**  income statement as a period cost  
 balance sheet as a long-term asset  
 balance sheet as a current asset  
 income statement as revenue
- [Add Question Here](#)
- Question 146 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Beginning work in process is equal to:
- Answer**  cost of goods manufactured plus ending work in process minus manufacturing costs incurred during the current period  
 cost of goods manufactured minus ending work in process plus manufacturing costs incurred during the current period  
 ending work in process plus manufacturing costs incurred during the current period  
 manufacturing costs incurred during the current period minus ending work in process
- [Add Question Here](#)
- Question 147 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** All of the following would be reported on the balance sheet as a current asset except:
- Answer**  factory overhead  
 materials inventory  
 finished goods inventory  
 work in process inventory
- [Add Question Here](#)
- Question 148 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Reedy Company reports the following information for 2012:
- |  |          |
|--|----------|
| Cost of goods manufactured                 | \$69,500 |
| Direct materials used                      | 27,000   |
| Direct labor incurred                      | 25,000   |
| Work in process inventory, January 1, 2012 | 11,000   |
- Factory overhead is 75% of the cost of direct labor. Work in process inventory on December 31, 2012, is:
- Answer**  \$13,500  
 \$10,200  
 \$22,500  
 \$12,250
- [Add Question Here](#)
- Question 149 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** At the beginning of 2011, the Gilbert Company's work in process inventory account had a balance of \$30,000. During 2011, \$68,000 of direct materials were used in production, and \$66,000 of direct labor costs were incurred. Factory overhead in 2011 amounted to \$90,000. Cost of goods manufactured is \$220,000 in 2011. The balance in work in process inventory on December 31, 2011, is:
- Answer**  \$34,000  
 \$24,000  
 \$66,000  
 \$6,000
- [Add Question Here](#)
- Question 150 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** A company used \$35,000 of direct materials, incurred \$73,000 in direct labor cost, and \$114,000 in factory overhead costs during the period. If beginning and ending work in process inventories were \$28,000 and \$21,000 respectively, the cost of goods manufactured was:
- Answer**  \$229,000  
 \$225,000  
 \$215,000  
 \$222,000
- [Add Question Here](#)
- Question 151 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Cost of goods manufactured during 2011 is \$240, work in process inventory on December 31, 2011, is \$50. Work in process inventory during 2011 decreased 60%. Total manufacturing costs incurred during 2011 amount to:
- Answer**  \$190  
 \$165  
 \$290  
 \$315
- [Add Question Here](#)
- Question 152 **Multiple Choice** **0 points** [Modify](#) [Remove](#)
- Question** Work in process inventory on December 31, 2011, is \$44,000. Work in process inventory increased 60% during 2011. Cost of goods manufactured for 2011 amounts to \$275,000. What are the total manufacturing costs incurred in 2011?
- Answer**  \$291,500  
 \$302,000  
 \$275,750  
 \$233,750
- [Add Question Here](#)
- Question 153 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

**Question** Work in process inventory on December 31, 2011, is \$42,000. Work in process inventory decreased 40% during 2011. Total manufacturing costs incurred in 2011 amount to \$260,000. What is cost of goods manufactured?

- Answer**
- \$232,000
  - \$302,000
  - ✓ \$288,000
  - \$190,000

◀ [Add Question Here](#)

Question 154 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** Work in process inventory increased \$20,000 during 2011. Cost of goods manufactured was \$280,000. Total manufacturing costs incurred in 2011 are:

- Answer**
- \$298,000
  - \$262,000
  - \$289,000
  - ✓ \$300,000

◀ [Add Question Here](#)

Question 155 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

**Question** The cost of goods sold for Heedy manufacturing in 2011 was \$233,000. The January 1, 2011, finished goods inventory balance was \$31,600, and the December 31, 2011, finished goods inventory balance was \$24,200. Cost of goods manufactured during the period was:

- Answer**
- \$233,000
  - ✓ \$225,600
  - \$288,800
  - \$240,400

◀ [Add Question Here](#)

Question 156 **Essay** **0 points**

[Modify](#) [Remove](#)

**Question** The aspects of the management process are listed below. Match each phase to the appropriate description.

- \_\_\_\_\_ Planning
- \_\_\_\_\_ Directing
- \_\_\_\_\_ Controlling
- \_\_\_\_\_ Improving
- \_\_\_\_\_ Decision making

- a) Used by managers for continuous improvement
- b) Managers must decide how to respond to unfavorable performances
- c) Used by management to develop the organization's objectives and goals
- d) Monitoring the operating results of implemented plans and comparing actual results
- e) Managers run their day to day activities

- Answer**
- c Planning
  - e Directing
  - d Controlling
  - a Improving
  - b Decision making

◀ [Add Question Here](#)

Question 157 **Essay** **0 points**

[Modify](#) [Remove](#)

**Question** Identify the following costs as (a) direct materials, (b) direct labor, or (c) factory overhead for a cake manufacturer.

1. \_\_\_\_\_ Frosting
2. \_\_\_\_\_ Depreciation on oven
3. \_\_\_\_\_ Wages of bakers
4. \_\_\_\_\_ Sprinkles for topping

- Answer**
1. Direct material
  2. Factory overhead
  3. Direct labor
  4. Factory overhead

◀ [Add Question Here](#)

Question 158 **Essay** **0 points**

[Modify](#) [Remove](#)

**Question** Identify the following costs as (a) prime cost, (b) conversion cost, (c) or both for a cake factory.

1. \_\_\_\_\_ Frosting
2. \_\_\_\_\_ Wages of the baker
3. \_\_\_\_\_ Sprinkles for the topping (considered an indirect material)
4. \_\_\_\_\_ Depreciation on oven

- Answer**
1. a
  2. c
  3. b
  4. b

◀ [Add Question Here](#)

Question 159 **Essay** **0 points**

[Modify](#) [Remove](#)

**Question** Identify the following costs as a (a) product cost or (b) period cost for a cake factory.

1. \_\_\_\_\_ Frosting
2. \_\_\_\_\_ Baker's wages
3. \_\_\_\_\_ Advertising fees
4. \_\_\_\_\_ Transportation out

- Answer**
1. a
  2. a
  3. b
  4. b

[Add Question Here](#)Question 160 **Essay****0 points**[Modify](#) [Remove](#)

**Question** The Zoe Corporation has the following information for the month March. Determine the (a) cost of goods manufactured, and (b) cost of goods sold.

Cost of materials placed in production	\$69,000
Direct labor	27,000
Factory overhead	34,000
Work in process, March 1	15,000
Work in process, March 31	19,500
Finished goods inventory, March 1	25,000
Finished goods inventory, March 31	23,000

**Answer**

(a)

Work in process inventory, March 1		\$ 15,000
Cost of materials placed in production	\$69,000	
Direct labor	27,000	
Factory overhead	34,000	
Total manufacturing costs added		130,000
Total manufacturing costs		\$145,000
Less: Work in process inventory, March 31		19,500
Cost of goods manufactured		\$125,500

(b)

Finished goods inventory, March 1		\$ 25,000
Cost of goods manufactured	125,500	
Cost of finished goods available for sale		\$150,500
Less: Finished good inventory, March 31		23,000
Cost of goods sold		\$127,500

[Add Question Here](#)Question 161 **Essay****0 points**[Modify](#) [Remove](#)

**Question** Sienna Company has the following information for January.

Cost of materials placed in production	\$20,000
Direct labor	15,000
Factory overhead	24,000
Work in process inventory, January 1	2,900
Work in process inventory, January 31	3,500

Show your calculations to find the cost of goods manufactured.

<b>Answer</b> Work in process inventory, January 1		\$ 2,900
Cost of materials placed in production	\$20,000	
Direct labor	15,000	
Factory overhead	24,000	
Total manufacturing costs incurred		59,000
Total manufacturing costs		\$61,900
Less: Work in process inventory, January 31		3,500
Cost of goods manufactured		\$58,400

[Add Question Here](#)Question 162 **Essay****0 points**[Modify](#) [Remove](#)

**Question** Magnus Industries has the following data:

Beginning Raw Materials Inventory	\$95,000
Materials Purchased	\$40,000
Ending Raw Materials Inventory	\$60,000

Show how you would calculate raw materials used.

**Answer**  $\$95,000 + \$40,000 - \$60,000 = \$75,000$  Raw Materials Used

[Add Question Here](#)Question 163 **Essay****0 points**[Modify](#) [Remove](#)

**Question** Watson Company has the following data:

Work in Process, Beginning	\$18,000
Work in Process, Ending	\$25,000
Direct Labor Costs Incurred	\$5,000
Cost of Goods Manufactured	\$9,000
Factory Overhead	\$7,000

Show how you would calculate the amount of direct materials used.

**Answer**  $[(\$25,000 - \$18,000) + \$9,000] - (\$7,000 + \$5,000) = \$4,000$

[Add Question Here](#)Question 164 **Essay****0 points**[Modify](#) [Remove](#)

**Question** Laramie Technologies had the following data:

Cost of Materials Used	\$50,000
Direct Labor costs	\$56,000
Factory Overhead	\$28,000
Work in Process, beg.	\$31,000
Work in Process, end.	\$22,000

Show your calculations to determine the cost of goods manufactured.

**Answer**  $\$50,000 + \$56,000 + \$28,000 + (\$31,000 - \$22,000) = \$143,000$

[Add Question Here](#)

Question 165 **Essay**

**0 points**

[Modify](#) | [Remove](#)

**Question** Keeton Company had the following data:

Cost of Materials Used	\$60,000
Direct Labor costs	\$58,000
Factory Overhead	\$33,000
Work in Process, beg.	\$29,000
Work in Process, end.	\$18,000
Finished Goods, beg.	\$32,000
Finished Goods, end.	\$18,000

Show your calculations to determine the cost of goods sold.

**Answer**  $\$60,000 + \$58,000 + \$33,000 + (\$29,000 - \$18,000) + (\$32,000 - \$18,000) = \$176,000$

[Add Question Here](#)

Question 166 **Essay**

**0 points**

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**Question** The Zoe Corporation has the following information for the month of March. Prepare a (a) schedule of cost of goods manufactured, (b) an income statement for the month ended March 31, and (c) prepare only the inventory section of the balance sheet.

Purchases	\$ 92,000
Materials inventory, March 1	6,000
Materials inventory, March 31	8,000
Direct labor	25,000
Factory overhead	37,000
Work in process, March 1	22,000
Work in process, March 31	18,500
Finished goods inventory, March 1	21,000
Finished goods inventory, March 31	25,000
Sales	257,000
Sales and administrative expenses	79,000

**Answer** a)

Zoe Corporation			
Statement of Cost of Goods Manufactured			
For Month Ended March 31, 20XX			
Work in process inventory March 1			\$ 22,000
Direct materials:			
Materials inventory, March 1	\$ 6,000		
Purchases	92,000		
Cost of materials for use	\$98,000		
Less materials inventory, March 31	8,000		
Cost of materials placed in production		\$90,000	
Direct labor		25,000	
Factory overhead		37,000	
Total manufacturing costs added			152,000
Total manufacturing costs			\$174,000
Less work in process inventory, March 31			18,500
Cost of goods manufactured			\$155,500

(b)

Zoe Corporation		
Income Statement		
For Month Ended March 31, 20XX		
Sales		\$257,000
Cost of goods sold:		
Finished goods inventory, March 1	\$ 21,000	
Cost of goods manufactured	155,500	
Cost of finished goods available for sales	\$176,500	
Less finished goods inventory, March 31	25,000	
Cost of goods sold		151,500
Gross profit		\$105,500
Operating expenses:		
Sales and administrative expenses		79,000
Net income		\$ 26,500

(c)

Inventory:	
Materials	\$ 8,000
Work in process	18,500
Finished goods	25,000
Total inventory	\$51,500

[Add Question Here](#)Question 167 **Essay****0 points**[Modify](#) [Remove](#)**Question**

The following data (in thousands of dollars) have been taken from the accounting records of Rayburn Corporation for the current year.

Sales	\$1,980
Selling expenses	280
Manufacturing overhead	460
Direct labor	400
Administrative expenses	300
Purchases of raw materials	240
Finished goods inventory, beginning	240
Finished goods inventory, ending	320
Raw materials inventory, beginning	80
Raw materials inventory, ending	140
Work in process inventory, beginning	140
Work in process inventory, ending	100

**Required:** (Present all reports and calculations in thousands of dollars)

- What was the cost of the raw materials used in production during the year?
- What was the cost of goods manufactured (finished) for the year?
- What was the cost of goods sold for the year?
- What was the net income for the year?

**Answer**

(a) The cost of the raw materials used in production during the year is determined as follows:

Raw materials inventory, beginning	\$ 80
Purchases of raw materials	240
Less raw materials inventory, ending	(140)
Raw materials used in production	<u>\$180</u>

(b) The cost of goods manufactured (finished) during the year is determined as follows:

Raw materials used in production	\$ 180
Direct labor	400
Manufacturing overhead	460
Total manufacturing costs	\$1,040
Work in process inventory, beginning	140
	<u>\$1,180</u>
Less: work in process inventory, ending	(100)
Cost of goods manufactured	<u>\$1,080</u>

(c) The cost of goods sold for the year is determined as follows:

Finished goods inventory, beginning	\$ 240
Cost of goods manufactured	1,080
Less finished goods inventory, ending	(320)
Cost of goods sold	<u>\$1,000</u>

(d) The net income for the year is determined as follows:

Sales	\$1,980
Cost of goods sold	<u>1,000</u>
Gross profit	\$ 980
Operating expenses:	
Administrative expenses	\$300
Selling expenses	<u>280</u>
Net income	<u>\$ 400</u>

[Add Question Here](#)Question 168 **Essay****0 points**[Modify](#) [Remove](#)

**Question** Differentiate between:

- direct materials versus indirect materials
- direct labor versus indirect labor

**Answer** a) Direct materials must become a physical part of the finished product and their costs must be separately and conveniently traceable through the manufacturing process to finished goods inventory. Examples include wood, leather, steel, etc.

Indirect materials become part of the finished product but their minor costs cannot conveniently be traced directly to particular finished products. They are included as part of factory overhead.

b) Direct labor cost is the compensation of employees who physically convert materials into the company's products and whose effort can be traced directly to finished goods inventory. Examples include machine operators and assemblers.

Indirect labor is factory labor that is difficult to trace to specific products. Instead, the cost is included in factory overhead. Examples include forklift operators, janitors, and plant managers.

[Add Question Here](#)Question 169 **Essay****0 points**[Modify](#) [Remove](#)

**Question** Classify the following costs as direct, indirect, or neither:

- \_\_\_\_\_ indirect labor incurred
- \_\_\_\_\_ factory equipment depreciation
- \_\_\_\_\_ indirect materials used
- \_\_\_\_\_ office equipment depreciation
- \_\_\_\_\_ direct materials used
- \_\_\_\_\_ insurance expired on administrative facilities
- \_\_\_\_\_ direct labor incurred
- \_\_\_\_\_ administrative office salaries
- \_\_\_\_\_ salespersons' salaries
- \_\_\_\_\_ utilities on factory building

k) \_\_\_\_\_ utilities on administrative facilities

- Answer**
- a) indirect
  - b) indirect
  - c) indirect
  - d) neither
  - e) direct
  - f) neither
  - g) direct
  - h) neither
  - i) neither
  - j) indirect
  - k) neither

[Add Question Here](#)

Question 170 **Essay**

**0 points**

[Modify](#) [Remove](#)

**Question** Use the correct number to designate each item below:

- 1) direct materials
  - 2) selling and administrative expense
  - 3) factory overhead
  - 4) direct labor
- a) \_\_\_\_\_ rent expense on factory building
  - b) \_\_\_\_\_ sales supplies used
  - c) \_\_\_\_\_ factory supplies used
  - d) \_\_\_\_\_ indirect materials used
  - e) \_\_\_\_\_ wages of assembly line personnel
  - f) \_\_\_\_\_ cost of primary material used to make product
  - g) \_\_\_\_\_ depreciation on office equipment
  - h) \_\_\_\_\_ rent on office facilities
  - i) \_\_\_\_\_ insurance expired on factory equipment
  - j) \_\_\_\_\_ utilities incurred in the office
  - k) \_\_\_\_\_ advertising expense

- Answer**
- a) 3
  - b) 2
  - c) 3
  - d) 3
  - e) 4
  - f) 1
  - g) 2
  - h) 2
  - i) 3
  - j) 2
  - k) 2

[Add Question Here](#)

Question 171 **Essay**

**0 points**

[Modify](#) [Remove](#)

**Question** The Sharpe Company reports the following information for 2012:

Sales	\$70,600
Direct materials used	7,300
Depreciation on factory equipment	4,700
Indirect labor	5,900
Direct labor	11,300
Factory rent	4,200
Factory utilities	1,200
Sales salaries expense	16,300
Office salaries expense	8,900
Indirect materials	1,200

Compute:

- a) product costs
- b) period costs

**Answer** a)  $\$7,300 + \$4,700 + \$5,900 + \$11,300 + \$4,200 + \$1,200 + \$1,200 = \$35,800$

b)  $\$16,300 + \$8,900 = \$25,200$

[Add Question Here](#)

Question 172 **Essay**

**0 points**

[Modify](#) [Remove](#)

**Question** Allen Company used \$71,000 of direct materials and incurred \$37,000 of direct labor costs during 2011. Indirect labor amounted to \$2,700 while indirect materials used totaled \$1,600. Other operating costs pertaining to the factory included utilities of \$3,100; maintenance of \$4,500; supplies of \$1,800; depreciation of \$7,900; and property taxes of \$2,600. There was no beginning or ending finished goods inventory, but work in process inventory began the year with a \$5,500 balance and ended the year with a \$7,500 balance.

Prepare a statement of cost of goods manufactured.

**Answer**

Allen Company  
Statement of Cost of Goods Manufactured  
For the Year Ended December 31, 2011

Beginning work in process			\$ 5,500
Direct materials used		\$71,000	
Direct labor incurred		37,000	
Factory overhead:			
Indirect labor	\$2,700		
Indirect materials	1,600		
Utilities	3,100		
Maintenance	4,500		
Supplies	1,800		
Depreciation	7,900		
Property taxes	2,600	24,200	

Total manufacturing costs incurred		132,200
Total manufacturing costs		\$137,700
Less ending work in process inventory		(7,500)
Cost of goods manufactured		\$130,200

[Add Question Here](#)

Question 173 **Essay**

**0 points**

[Modify](#) [Remove](#)

**Question** The following information is available for Carter Corporation for 2012:

- 1) Materials inventory decreased \$4,000 during 2012.
- 2) Materials inventory on December 31, 2012, was 50% of materials inventory on January 1, 2012.
- 3) Beginning work in process inventory was \$145,000.
- 4) Ending finished goods inventory was \$65,000.
- 5) Purchases of direct materials were \$154,700.
- 6) Direct materials used were 2.5 times the cost of direct labor.
- 7) Total manufacturing costs incurred were \$246,400, 80% of cost of goods manufactured and \$156,000 less than cost of goods sold.

Compute:

- a) finished goods inventory on January 1, 2012
- b) work in process inventory on December 31, 2012
- c) direct labor incurred
- d) factory overhead incurred
- e) direct materials used
- f) materials inventory on January 1, 2012
- g) materials inventory on December 31, 2012

Note to students: The answers are not necessarily calculated in alphabetical order.

- Answer**
- a) cost of goods sold = \$246,400 + \$156,000 = \$402,400  
 $\$402,400 + \$65,000 - \$308,000 = \$159,400$
  - b) cost of goods manufactured =  $\$246,400 / .80 = \$308,000$   
 $\$246,400 + \$145,000 - \$308,000 = \$83,400$
  - c)  $\$158,700 / 2.5 = \$63,480$
  - d)  $\$246,400 - \$158,700 - \$63,480 = \$24,220$
  - e)  $\$8,000 + \$154,700 - \$4,000 = \$158,700$
  - f) X = January 1, 2012 materials inventory  
 $\$4,000 = .5X$   
 $X = \$8,000$
  - g)  $\$8,000 - \$4,000 = \$4,000$

[Add Question Here](#)

Question 174 **Essay**

**0 points**

[Modify](#) [Remove](#)

**Question** Rosalba Manufacturing Company had the following account balance for 2012:

	January 1	December 31
Accounts receivable	\$27,000	\$33,000
Materials inventory	22,500	6,000
Work in process inventory	70,200	48,000
Finished goods inventory	3,000	15,000

Collections on account were \$625,000 in 2012.  
 Cost of goods sold was 68% of sales.  
 Direct materials purchased amounted to \$90,000.  
 Factory overhead was 300% of the cost of direct labor.

Compute:

- a) sales revenue (all sales were on account)
- b) cost of goods sold
- c) cost of goods manufactured
- d) direct labor incurred
- e) direct materials used
- f) factory overhead incurred

- Answer**
- a)  $\$33,000 + \$625,000 - \$27,000 = \$631,000$
  - b)  $\$631,000 \times .68 = \$429,080$
  - c)  $\$15,000 + \$429,080 - \$3,000 = \$441,080$
  - d)  $\$441,080 + \$48,000 - \$70,200 = \$418,880$  total manufacturing costs  
 $\$418,880 - \$106,500 = \$312,380$   
 $\$312,380 = \text{factory overhead} + \text{direct labor}$   
 Let X = direct labor  
 $3X + X = \$312,380$   
 $4X = \$312,380$   
 $X = \$78,095$
  - e)  $\$22,500 + \$90,000 - \$6,000 = \$106,500$
  - f)  $\$78,095 \times 3 = \$234,285$

[Add Question Here](#)

Question 175 **Essay**

**0 points**

[Modify](#) [Remove](#)

**Question** Sineath Industries had a fire and some of its accounting records were destroyed. Available information is presented below for the year ended December 31, 2011.

Materials inventory, December 31, 2011	\$ 15,000
--	-----------

Direct materials purchased	28,000
Direct materials used	22,900
Cost of goods manufactured	135,000

Additional information is as follows:

Factory overhead is 150% of direct labor cost.

Finished goods inventory decreased by \$18,000 during the year.

Work in process inventory increased by \$12,000 during the year.

Calculate:

a) materials inventory, January 1, 2011

b) direct labor cost

c) factory overhead incurred

d) cost of goods sold

**Answer** a)  $\$15,000 + \$22,900 - \$28,000 = \$9,900$

b)  $\$135,000 + \$12,000 = \$147,000$  total manufacturing costs  
 $\$147,000 - \$22,900 = \$124,100$  direct labor and factory overhead  
 Let X = direct labor cost  
 $X + 1.5X = \$124,100$   
 $2.5X = \$124,100$   
 $X = \$49,640$

c)  $\$49,640 \times 1.5 = \$74,460$

d)  $\$135,000 + \$18,000 = \$153,000$

[Add Question Here](#)

Question 176 **Essay**

**0 points**

[Modify](#) [Remove](#)

**Question** Classify the following costs as either a product cost or a period cost:

- a) \_\_\_\_\_ direct materials used
- b) \_\_\_\_\_ factory utilities
- c) \_\_\_\_\_ salespersons' commissions
- d) \_\_\_\_\_ salary of plant manager
- e) \_\_\_\_\_ indirect materials used
- f) \_\_\_\_\_ depreciation on store equipment
- g) \_\_\_\_\_ indirect labor incurred
- h) \_\_\_\_\_ advertising expense
- i) \_\_\_\_\_ direct labor incurred
- j) \_\_\_\_\_ factory machinery repairs and maintenance
- k) \_\_\_\_\_ depreciation on factory machinery
- l) \_\_\_\_\_ plant insurance expired

**Answer**

a) product

b) product

c) period

d) product

e) product

f) period

g) product

h) period

i) product

j) product

k) product

l) product

[Add Question Here](#)

Question 177 **Essay**

**0 points**

[Modify](#) [Remove](#)

**Question** Differentiate between financial and managerial accounting, addressing such issues as what reports are generated, when, and for whom.

<b>Answer</b>	Managerial Accounting	Financial Accounting
Users	Internal managers	External investors, creditors, government
Reports	Detailed reports, not restricted by GAAP	Summary reports, restricted by GAAP
Timing	Future orientation	Past orientation

[Add Question Here](#)

OK