

# [Course assignments](https://assignbuster.com/course-assignments/)

Worksheet # I: Cost Classification Study Questions 1. Distinguish between direct and indirect costs. 2. Distinguish between prime cost and conversion costs. 3. The current assets sections of the balance sheets of three companies follow. Which company is a service company? Which is a merchandiser? Which is a manufacturer? How can you tell? X-TREME Cash………………. $2, 500 Accounts Receivable 5, 500 Inventory………….. 8, 000 Prepaid Expenses…. 300 Total………………. $16, 800 Y-NOT? ZESTO Cash………………. $3, 000 Cash…………………….. $2, 000 Accounts Receivable 6, 000 Accounts Receivable…… 5, 000

Prepaid Expenses…. 500 Materials Inventory…….. 1, 000 Total………………. $9, 500 Work in process inventory 800 Finished goods inventory 4, 000 Total……………………. $12, 800 4. Francis manufacturers, a manufacturer of wood doors and windows, has prepared the following list of accounts Advertising Assemblers wages Production supervisor’s salary Depreciation of machinery Factory utilities Lathe (machine for shaping wood) Operators wages Machinery repairs Office salaries Purchase of glue Purchase of screws and nails Purchase of pine Purchase of oak $36, 000 84, 200 21, 400 9, 200 55, 600 6, 400 22, 600 113, 800 1, 600 800 99, 000 250, 000 There is no beginning or ending inventory. Calculate the following: (a) Direct material used (b) Direct labour cost (c) Factory overhead (d) (e) (f) Prime cost Conversion cost Production cost -1- 5. Compute cost of goods manufactured and cost of goods sold from the following amounts Direct materials inventory Work in process inventory Finished goods inventory Purchases of direct materials Direct labour Manufacturing overhead Beginning of Year $22, 000 38, 000 18, 000 End of Year $26, 000 30, 000 23, 000 75, 000 82, 000 39, 000 6.

Clyde’s Pets manufactures chewing bones for puppies. At the end of December 2008, his accounting records showed the following: Inventories Materials Work in process Finished goods Other information: Direct material purchases Plant janitorial service Sales salaries expense Delivery expense Sales revenue Beginning $13, 500 0 0 $31, 000 1, 250 5, 000 1, 500 105, 000 Ending $9, 000 1, 250 5, 700 Utilities for plant Rent on plant Customer service hotline expense Direct labour $4, 500 9, 000 1, 000 18, 000 Requirements: i) ii) iii) Prepare a schedule of cost of goods manufactured for the year ended December 31, 2008

Prepare an income statement for Clyde’s Pets for the year ended December 31, 2008 Given that the company manufactured 17, 500 units, of its product in 2008, compute the company’s unit product cost for the year. -2- Online Discussion Questions (Kindly prepare these questions before each online session) 1. Papermaking Ltd. makes paper, which is cut and packed, before being transferred into the finished goods store. The paper is moved from department to department by forklift truck. Each pack of finished product contains one ream of paper.

The paper is loaded onto wooden pallets before delivery to customers. The following cost information relates to Papermaking Ltd. for the period ended March 31, 2002. Pulp Clay Wrapping paper (used in packing department) Spare knives for cutting machine Cleaning rags for machines Royalty payments Making department wages to machine crew Cutting department wages to machine crew Packing department wages to packers Fork truck driver wages Factory foreman’s salary Wooden pallets Dispatch department wages Delivery vehicle drivers wages Sales manager’s salary Advertising costs Sales office staff wages

General manager’s salary Production manager’s salary Maintenance costs 1 Administration salaries Electricity cost 2 Administrative office machine rental cost Sundry other costs: Production Administration Selling Distribution $100, 000 40, 000 3, 500 800 500 10, 000 38, 000 26, 000 20, 000 8, 000 11, 000 3, 600 17, 000 9, 600 17, 500 16, 500 18, 500 30, 000 21, 500 60, 000 45, 000 18, 000 1, 000 33, 000 42, 000 11, 000 16, 000 1 Maintenance costs should be charged to the functions making use of the maintenance service as follows: production 80%; administration 3%; selling 3% and distribution 14%. Electricity cost should be charged to each functional area in the following proportions: production 75%; administration 5%; selling 5%; and distribution 15%. Required: (i) Prepare a cost summary for the period ended March 31, 2002, which shows sub-totals for, prime cost, production overhead, production cost, administration cost, selling cost and distribution cost. (ii) Prepare a summary profit and loss account for the period ended 31 March 2002 showing only total figures for each function, where the following additional information is available: (a) Units produced - 2, 500 kilos (b) Units sold - 2, 000 kilos @ $300 per kilo c) No paper was in stock at the beginning of the period. -3- 2. Smooth Sounds manufactures and sells a new line of MP-3 players. Unfortunately, Smooth Sounds suffered serious fire damage at its home office. As a result, the accounting record for October were partially destroyed- and completely jumbled. Smooth Sounds has hired you to help figure out the missing pieces of the accounting puzzle. Work in process inventory, October 31. Finished goods inventory, October 1…. Direct labour in October……………… Purchases of direct materials in October Work in process inventory, October 1... Revenues in October…………………..

Accounts receivable, October 1………. Gross profit in October……………….. $1, 500 4, 300 3, 000 9, 000 0 27, 000 2, 000 12, 000 Accounts payable, October 1…………….. Direct materials used in October…………. Accounts payable, October 31…………… Accounts receivable, October 31………… Direct materials inventory, Oct. 31………. Manufacturing Overhead in October…….. $3, 000 8, 000 5, 200 6, 500 3, 000 6, 300 Required: Compute the following amounts i) Manufacturing costs ii) Cost of goods manufactured in October iii) Cost of goods sold in October iv) Beginning direct materials inventory v) Ending finished goods inventory 3.

The table below shows monthly data collected on facilities maintenance department costs and on the number of patient-days serviced over the past year. Month January February March April May June July August September October November December (i) (ii) (iii) (iv) (v) Department Costs $37, 000 $23, 000 $37, 000 $47, 000 $33, 000 $39, 000 $32, 000 $33, 000 $17, 000 $18, 000 $22, 000 $20, 000 # Of patient-days 3, 700 1, 600 4, 100 4, 900 3, 300 4, 400 3, 500 4, 000 1, 200 1, 300 1, 800 1, 600 Determine the variable cost per patient-day and the fixed cost using the highlow method. What is the equation of the total mixed cost function?

Prepare the scatter diagram, clearly showing any outliers. Using the line of best-fit, determine department’s fixed cost per month and the variable cost per patient-day. In view of the department’s cost behaviour pattern, which of the two methods appear more appropriate? Explain your answer. -4- Practice Questions (The following questions are to be used for self study sessions) 1. Inventoriable product costs: a) Include marketing costs and research and development costs b) Include the costs of direct materials, direct labour, and manufacturing overhead used to produce a product ) Include only the costs of direct materials and direct labour used to produce a product d) Both A and B are correct 2. Manufacturing overhead is a: a) Product cost b) Period cost c) Indirect cost d) Both A and C are correct 3. Direct materials: a) Are used to determine total inventoriable product costs b) Are used to determine total manufacturing overhead c) Cannot be separately and conveniently traced through the manufacturing process to finished goods inventory d) Must not become part of the finished product 4. a) b) c) d) Which of the following is least accurate about a manufacturing setting?

Conversion costs refer to the costs applied to materials that convert it into a finished product. Direct labour and manufacturing overheads makes up conversion costs. When compared to the manufacturing setting, purchases and freight in are a part of inventoriable costs for a merchandiser under US GAAP. Inventoriable product costs are not recorded as assets until the product is sold. When ending finished goods inventory is subtracted from the sum of beginning finished goods inventory and cost of goods manufactured, the result is cost of goods sold 5.

Cost of goods manufactured during 2006 is $240, WIP inventory on December 31, 2006 is $50. WIP inventory during 2006 decreased 60%. Total manufacturing costs incurred during 2006 amount to: a) $190 b) $165 c) $290 d) $315 -5- 6. You are given the following for the production of office chairs by the company ‘ Chairs and More” : Quantity produced 100 200 300 400 500 600 Total Fixed Costs (JMD$) 10, 000 10, 000 10, 000 10, 000 10, 000 10, 000 Variable cost per unit is $150. The production of 15, 000 chairs will cost: a) $2, 260, 000 b) $1, 500, 000 c) $10, 000 d) $25, 000 7.

Work in process inventory increased $20, 000 during 2005. Cost of goods manufactured was $280, 000, Total manufacturing costs incurred in 2005 are: a) $298, 000 b) $262, 000 c) $289, 000 d) $300, 000 8. Wright Company reports production costs for 2006 as follows: Direct materials used $375, 000 Direct labour incurred $250, 000 Manufacturing overhead incurred $400, 000 Operating expenses $145, 000 Wright’s period costs and product costs respectively for 2006 are: a) b) c) d) $145, 000 and $1, 025, 000 $1, 025, 000 and $145, 000 $545, 000 and $975, 000 $975, 000 and $545, 000 End of worksheet #1 -6-