

CHAPTER FOURTEEN

True-False:

The following statements are either true or false. Place a (T) in the parentheses before each true statement and an (F) before each false statement.

1. (T) Indirect materials are used in the manufacturing process but are not physically included in the finished product.
2. (F) An example of a direct labor cost is the salary paid to an employee who inspects products for defects. *FOH*
3. (T) All manufacturing costs other than direct materials and direct labor costs are considered to be factory overhead.
4. (F) Selling and administrative expenses are included among factory overhead costs because they are not manufacturing costs. *Period Cost*
5. (F) Product costs include the costs of direct materials and direct labor only; factory overhead is a period cost. *DM, DL, & FOH*
6. (F) When an attitude of customer orientation is in place, a company attempts to orient its customers to accept products that the company produces, even if they do not meet the customer's needs.
7. (T) An effective program of total quality management increases the quality of the products and services delivered to customers.
8. (F) Under just-in-time manufacturing, a company attempts to accumulate large inventories of materials, in-process units, and finished goods to ensure being able to get products to customers just as soon as they are ordered. *Small inventories*
9. (F) The costs of ending raw materials and work in process inventories are never listed separately on the balance sheet; instead, they are always combined with the costs of the finished goods inventory. *They are listed separately*
10. (F) Manufacturing activities include materials, production and sales activities. *No*
11. (T) The most common type of fraud is where employees steal or misuse the employer's resources.
12. (F) Ethics are used to monitor and control business activities.

Multiple Choice:

You are given several words, phrases, or numbers to choose from in completing each of the following statements or in answering the following questions. In each case select the one that best completes the statement, or answers the question, and place the best answer in the space provided.

- C _____ 1. The production management concept that attempts to minimize inventories of raw materials, components, work in process, and finished goods is called:
- a. Customer orientation.
 - b. Total Quality Management.
 - c. Just-in-time manufacturing.
 - d. Theory of constraints.
 - e. Continuous improvement.

D ____ 2. Tricorp Manufacturing Company had a \$2,700 beginning inventory of raw materials. The ending balance of the Raw Materials Purchases account was \$120,000, and a count of the ending inventory revealed that the cost of the materials on hand was \$5,000. Direct labor cost during the period was \$250,000 and total factory overhead cost was \$135,000. The beginning work in process inventory was \$23,000, and the ending amount was \$19,000. What was the cost of goods manufactured for the period?

a. \$371,700.	Raw materials, beginning	\$2,700	
b. \$502,700.	+ Purchases	120,000	
c. \$503,300.	- Raw materials, ending	(5,000)	
d. \$506,700.	= Raw materials used	\$117,700	
e. \$509,000.	+ Direct labor	250,000	
	+ FOH	135,000	
	+ Work in process, beginning	23,000	
	- Work in process, ending	(19,000)	
	= Cost of goods manufactured	\$506,700	

WIP	
BB	23,000
DM	117,700
DL	250,000
FOH	135,000
EB	19,000
506,700	
COGM	

Mat.
 2700
 120,000
 5,000
 117,700 DM (1)

B ____ 3. The production management concept that requires all managers and employees at all stages of operations strive toward higher standards and reduced number of defective units is called:

- a. Customer orientation.
- b. Total Quality Management.
- c. Just-in-time manufacturing.
- d. Theory of constraints.
- e. Continuous improvement.

Short problem #1:

The following costs are incurred by Hang-Ten Company, a surfboard manufacturing company. Classify each cost by marking an X in the correct column.

	Direct materials	Direct labor	Factory overhead	Selling expense	Administrative expense
Fiberglass	X				
Payroll taxes for production supervisor			X		
Amortization of patents on factory machine			X		
Office supplies used					X
Workers' compensation insurance on factory workers			X		
Wages of assembly workers		X			
Factory utilities			X		
Sales commissions				X	
Small tools used			X		
Bad debts expense					X
Emblems on surfboard *	X				
Depreciation of factory building			X		
Advertising				X	
Office supplies used					X

Duplicate

*Assumes the cost is significant.

CHAPTER 15

True-False:

The following statements are either true or false. Place a (T) in the parentheses before each true statement and an (F) before each false statement.

- (F) The journal entry to record direct materials used debits Finished Goods and credits Raw Materials Inventory. *Dr WIP*
- (F) The collection of job cost sheets for jobs in production serves as a subsidiary ledger for the finished goods inventory account. *WIP*
- (T) Job costing concepts and procedures can be applied in a service business setting.
- (F) A job-order cost accounting system uses periodic inventory records. *perpetual*
- (T) A job cost sheet records the direct materials, direct labor, and overhead costs assigned to a specific job.
- (T) A materials requisition for direct materials causes entries to be recorded in a materials ledger card and a job-cost sheet.
- (F) Clock cards cause entries to be recorded on job cost sheets for direct labor costs. *bad question in & out time tickets*
- (F) The transfer of completed jobs to the finished goods inventory is recorded with a debit to the Work in Process Inventory account and a credit to the Finished Goods Inventory account. *Dr FG or WIP = jobs*
- (T) If the predetermined application rate caused too much overhead cost to be assigned to jobs during the year, the company faces a condition of overapplied overhead.

Multiple Choice:

You are given several words, phrases, or numbers to choose from in completing each of the following statements or in answering the following questions. In each case select the one that best completes the statement, or answers the question, and place the best answer in the space provided.

- E _____ 1. Which of the following source documents causes entries to be recorded on a job cost sheet?
- Materials ledger cards. _____
 - Materials requisitions. *
 - Clock cards.
 - Time tickets. *
 - Both materials requisitions and time tickets.
- C _____ 2. Which of the following journal entries would properly record the allocation of overhead costs to a specific job? *= applied.*
- Debit Factory Overhead; Credit Work in Process Inventory.
 - Debit Factory Overhead; Credit Finished Goods Inventory.
 - Debit Work in Process Inventory; Credit Factory Overhead. *Dr WIP*
 - Debit Finished Goods Inventory; Credit Factory Overhead. *Cr FGH*
 - None of the above.

Short problem #1:

SOLUTION:

1. Prepare the schedule of cost of goods manufactured for the year.

BECK MANUFACTURING	
Schedule of Cost of Goods Manufactured	
For Year Ended December 31, 2015	
Direct materials	\$47,000
Direct labor	34,300
Factory overhead costs	58,500
Total manufacturing costs	139,800
Add: work in process, December 31, 2014	17,600
Total cost of work in process	157,400
Less: work in process, December 31, 2015	13,800
Cost of goods manufactured	\$143,600

Show Details!

→ Beg Materials	\$ 11,500
Add: Purchased Mat	57,000
Materials Avail.	<u>68,500</u>
Less End. Mat.	21,500
Materials Used	<u>47,000</u>

2. Compute cost of goods sold for the year.

BECK MANUFACTURING	
Partial Income Statement	
For Year Ended December 31, 2015	
Cost of goods sold	
Finished goods inventory, December 31, 2014	\$19,300
Add: Cost of goods manufactured	143,600
Goods available for sale	162,900
Less: Finished goods inventory, December 31, 2015	19,400
Cost of goods sold	\$143,500

Short problem #2:

Alpine Furniture produces custom furniture products. Should Alpine use a job order or process costing system? Justify your answer.

Since Alpine Furniture produces custom furniture products, it should use a job order costing system.
Job order cost systems are best suited to companies that make custom products for customers.
By using a job order costing system, Alpine Furniture will be able to allocate direct materials, direct labor and factory overhead costs to each job.
This will enable them to calculate the cost of each job. This will also allow Alpine Furniture to
calculate and review the gross profit percentage earned by each job.
Alpine Furniture can also compare gross profit percentages between its cost estimators and job supervisors as a means of evaluating their performance.
Additionally, by having accurate cost records, Alpine Furniture will be able to prepare more accurate
bids for similar work in the future.

Short problem #3:

INSTRUCTIONS: Indicate the titles of the accounts to be debited and credited in recording the summarized operations presented below by inserting the letter or letters of the account titles listed in the appropriate columns.

ACCOUNTS

- | | | |
|------------------------|---------------------|--|
| A. Accounts Payable | E. Factory Overhead | I. Selling and Administrative Expenses |
| B. Accounts Receivable | F. Finished Goods | J. Wages Payable |
| C. Cash | G. Raw Materials | K. Work in Process |
| D. Cost of Goods Sold | H. Sales | |

		For		For
<u>TRANSACTIONS</u>	Debit	Scoring	Credit	Scoring
0. Cash paid on account	A	0. ____	C	0. ____
1-2. Materials requisitioned for use on specific jobs	K	1. ____	G	2. ____
3-4. Factory labor incurred on specific jobs	K	3. ____	J	4. ____
5-6. Applied factory overhead to jobs	K	5. ____	E	6. ____
7-8. Paid salary of vice-president of finance	I	7. ____	C	8. ____
9-10. Cash paid for overhead costs incurred	E	9. ____	C	10. ____
11-12. Recorded indirect labor in factory	E	11. ____	J	12. ____
13-14. Recorded indirect materials used in factory	E	13. ____	G	14. ____
15-16. Transferred small balance of under-applied overhead	D	15. ____	E	16. ____
17-18. Jobs completed	F	17. ____	K	18. ____

CHAPTER SIXTEEN

True-False:

The following statements are either true or false. Place a (T) in the parentheses before each true statement and an (F) before each false statement.

1. (F) In a process cost accounting system, the cost of each unique job is tracked while its production is in process. *(By Dept Jobs)*
2. (T) In process manufacturing operations, many units of identical products are fabricated by sending them through a series of processes. *homogenous*
3. (T) A production department in a process manufacturing system works directly on products.
4. (F) The costs of maintenance employee labor are always considered to be overhead, even if they work full-time in only one production department.
5. (F) Process cost accounting systems do not use predetermined overhead rates to assign overhead costs to products. *They do*
6. (T) Determining the equivalent units of production is necessary only if a production department in a process manufacturing system has a beginning or ending goods in process inventory.
7. (T) If materials are added to a process at a different rate than labor, separate calculations are required for ending goods in process materials equivalent units and labor equivalent units.
8. (F) A process cost summary lists nothing more than the total cost incurred during the month in the production department. *lots of info*
9. (T) A hybrid cost accounting system contains features of both job order and process costing.

Short problem #1:

Carmen Company uses weighted-average process costing to account for its production costs. Direct labor is added evenly throughout the process. Direct materials are added at the beginning of the process. During November, the company transferred 750,000 units of product to finished goods. At the end November, the goods in process inventory consists of 200,000 units that are 60% complete with respect to labor. Beginning inventory had \$494,000 of direct materials and \$130,500 of direct labor cost. The direct labor cost added in November is \$2,479,500, and the direct materials cost added is \$3,306,000.

REQUIRED: Answer the questions below. Show details of your work on a separate piece of paper and attach that paper to the back of this pre-quiz. Place your final answers in the boxes provided below.

Requirement 1:

Determine the equivalent units of production with respect to (a) direct materials and (b) direct labor.

(a) Equivalent units with respect to direct materials

950,000

(b) Equivalent units with respect to direct labor

870,000

} see below

① Track the units.

~~Beg~~
~~Start/comp~~
 Trans out \$ 750,000
 End WIP \$ 200,000

②

EUP	
DM	Conv
\$750,000 100%	750,000 100%
1 200,000 100%	120,000 60%
<u>Mat at beg</u>	
\$ 950,000	\$870,000

Requirement 2:

Compute both the direct materials cost and the direct labor cost per equivalent unit.

Direct Materials Cost per equivalent unit	\$ 4.00
Direct Labor Cost per equivalent unit	\$ 3.00

$\$ 494,000 + 3,306,000$
 $\#950,000 \text{ EUP}$
 $\$ 130,500 + 2,779,800$
 $\#870,000$

Requirement 3:

Compute both direct labor cost and direct materials cost assigned to (a) units completed and transferred out, and (b) ending work in process inventory.

	Equivalent Units	Cost Per Unit	Total Cost
Cost transferred out			
Direct materials	750,000	\$4.00	\$ 3,000,000
Direct labor	750,000	\$3.00	2,250,000
Total costs transferred out			<u>\$5,250,000</u>
Costs of ending goods in process			
Direct materials	200,000	\$4.00	800,000
Direct labor	120,000	\$3.00	360,000
Total costs of ending work in process			<u>1,160,000</u>
Total costs accounted for			<u>\$ 6,410,000</u>