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Homework 1 - Due in Lab May 21st

KEY

1. Consider the following items

- A. Administrative salaries of executives employed by Southwest Airlines
- B. Wages of assembly-line workers at a Ford plant
- C. Marketing expenditures of the Los Angeles Dodgers baseball club
- D. Straight-line depreciation on manufacturing equipment owned by Dell Computer
- E. Shipping charges incurred by Office Depot on out-going orders
- F. Speakers used in Sony home-theater systems
- G. Insurance costs related to a Mary Kay Cosmetics' manufacturing plant
- H. Tomatoes used in the manufacture of Heinz ketchup
- I. Commissions paid to Coca-Cola's salespeople

Required:

Complete the table that follows and classify each of the costs listed as (1) a product or period cost and (2) a variable or fixed cost by placing an "X" in the appropriate column.

Item	<i>Product or Period Cost</i>		<i>Variable or Fixed Cost</i>	
	Product	Period	Variable	Fixed
A		X		X
B	X		X	
C		X		X
D	X			X
E		X	X	
F	X		X	
G	X			X
H	X		X	
I		X	X	

2. Please find the Missing values for Shrimpo Co. for February 20x1:

	<i>Materials</i>	<u>Work in Process</u>	<u>Finished Goods</u>
Purchases	\$150,000		
Beginning inventory	38,000	\$ 8,000	E= <u>167,000</u>
Ending inventory	A= <u>88,000</u>	20,000	40,000
Direct materials used		90,000	
Direct labor		B= <u>60,000</u>	
Manufacturing overhead (includes indirect materials used of \$10,000)		135,000	
Transferred to finished goods		C= <u>273,000</u>	
Cost of goods sold			D= <u>400,000</u>

Sales were \$560,000, with sales prices determined by adding a 40% markup to the firm's manufacturing cost. The total cost of direct materials used, direct labor, and manufacturing overhead during the month was \$285,000. Identify A-E.

Materials	
38,000	90,000
150,000	10,000
<hr/>	
88,000	

WIP	
8,000	
285,000	273,000
<hr/>	
20,000	

FG	
167,000	
273,000	400,000
<hr/>	
40,000	

DM	90,000
DL	x = 60,000
OH	<u>135,000</u>
	285,000

$$COGS = \frac{Sales}{1+MU}$$

$$= \frac{560,000}{1.4} = 400,000$$

3 The following selected information was extracted from the 20x3 accounting records of Charlie Tuna Products:

Raw materials used	\$240,000	DM
Direct labor	685,000	DL
Indirect labor	95,000	OH
Selling and administrative salaries	100,000	
Building depreciation*	300,000 × 70% = 210,000	OH
Other selling and administrative expenses	65,000	
Other factory costs	500,000	OH

*Seventy percent of the company's building was devoted to production activities; the remaining 30% was used for selling and administrative functions.

Charlie's beginning and ending work-in-process inventories amounted to \$290,000 and \$245,000, respectively. The company's beginning and ending finished-goods inventories were \$450,000 and \$475,000, respectively. (6 pts – 3 points each)

A. Calculate Charlie's manufacturing overhead for the year.

$$95,000 + 210,000 + 500,000 = \underline{805,000}$$

B. Calculate Charlie's total manufacturing cost.

$$\begin{aligned} & \text{DM} + \text{DL} + \text{OH} \\ & 240,000 + 685,000 + 805,000 = \underline{1,730,000} \end{aligned}$$

C. Calculate Charlie's total cost of goods manufactured.

	WIP	
	290,000	
→	1,730,000	1,775,000 = COGM
	245,000	