

CHAPTER 2: Alternative Questions

Question 1.

Clark Company had the following activities during 2001:

Direct materials:

Beginning inventory	\$ 25,000
Purchases	77,000
Ending inventory	13,000
Direct manufacturing labor	20,000
Indirect manufacturing costs	15,000
Ending work-in-process inventory	5,000
Beginning work-in-process inventory	1,000
Ending finished goods inventory	20,000
Beginning finished goods inventory	30,000

Required:

- What is Clark's cost of direct materials used during 2001?
- What is Clark's cost of goods manufactured during 2001?
- What is Clark's cost of goods sold during 2001?

Question 2.

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

Sales	\$990
Raw materials inventory, beginning ..	40
Raw materials inventory, ending	70
Purchases of raw materials	120
Direct labor	200
Manufacturing overhead	230
Administrative expenses	150
Selling expenses	140
Work in process inventory, beginning	70
Work in process inventory, ending	50
Finished goods inventory, beginning ..	120
Finished goods inventory, ending	160

Required:

- The cost of the raw materials used in production during the year (in thousands of dollars)
- The cost of goods manufactured (finished) for the year (in thousands of dollars)
- The cost of goods sold for the year (in thousands of dollars)

Question 3.

Makuson Company had the following account balances:

For specific date		For year 2002	
Direct materials, December 31 2002	\$ 17,000	Administration salaries	\$ 14,000
Direct materials, January 1, 2002	22,000	Depreciation, factory building	17,000
Finished goods inventory, Dec. 31, 2002	16,500	Direct materials, purchased	81,000
Finished goods inventory, Jan. 1, 2002	13,000	Factory utilities	7,500
Work-in-process, December 31, 2002	11,000	Indirect manufacturing labor	13,000
Work-in-process, January 1, 2002	9,000	Direct manufacturing labor	50,000
		Indirect materials	7,000
		Marketing expenses	35,000
		Miscellaneous factory overhead	4,000
		Revenues	225,000

Required:

Prepare the income statement and supporting schedule of cost of goods manufactured for Makuson Company for the year 2002?

Question 4. Consider the following data of the RM Company for the year 2004:

Administration costs	500,000
Advertising costs	300,000
Depreciation - machines	140,000
Direct manufacturing labor	1,360,000
Direct materials 1/1/2004	240,000
Direct materials 31/12/2004	172,000
Direct materials purchased	1,960,000
Finished goods, 1/1/2004	420,000
Finished goods, 31/12/2004	800,000
Fire insurance - plant	60,000
Indirect manufacturing labor	172,000
Leasing costs - plant	240,000
Sales	7,000,000
Sales commissions	400,000
Sales salaries	360,000
Work In Process, 1/1/2004	60,000
Work In Process, 31/12/2004	40,000

Required:

- Prepare a cost of goods manufactured schedule for the year.
- Prepare an income statement for the year

Question 5. Active Company had the following account balances for the year ending December 31, 2008:

Depreciation of manufacturing equipment ...	\$ 32,000
Depreciation of office equipment	7,500
Direct manufacturing labor	50,000
Direct materials used	78,000
Distribution costs	15,000
Factory utilities	8,500
Finished goods inventory (December 31)...	12,000
Finished goods inventory (January 1).....	24,000
General office expenses	12,000
Indirect manufacturing labor	10,000
Indirect materials used	3,000
Sales Revenue.....	260,000
Selling and marketing costs	18,000
Work-in-process inventory (December 31)...	15,000
Work-in-process inventory (January 1)	4,000

- Prepare a cost of goods sold schedule for the year.
- Prepare an income statement for the year.

Question 6. Using the following information find the unknown amounts. Assume each set of information is an independent case.

a. Direct Materials	Beginning balance	\$ 10,000
	Ending balance	28,000
	Purchases of direct material	86,000
	Direct materials used	?
b. Work-in-process Inventory	Ending balance	\$ 4,000
	Cost of goods manufactured	42,000
	Beginning balance	15,000
	Current manufacturing costs	?
c. Finished Goods Inventory	Cost of goods manufactured	\$122,000
	Ending balance	35,000
	Cost of goods sold	112,000
	Beginning balance	?