

Question 1

The following data are for Mamba Inc. The account balances are for 2015. All amounts are in Canadian Dollars.

Marketing, distribution and customer-service costs	34,000
Sales revenue	1,500,000
Finished goods inventory, January 1	21,000
Direct materials inventory, January 1	53,000
Work in Progress, January 1	33,000
General and administrative costs	49,000
Finished goods inventory, December 31	37,000
Direct materials Inventory, December 31	35,000
Work in Progress, December 31	55,000
Purchases of direct materials	158,000
Direct labor	215,000
Total Factory (Manufacturing) overhead	500,000

Required:

Use the appropriate **T-accounts** to calculate the following:

1. Cost of direct materials used (DM used)
2. Cost of goods manufactured (CoGM)
3. Cost of goods sold (CoGS)
4. Gross Margin (GM)
5. Operating Income (OI)

Raw Material (RM)

BB	
EB	

Work in Process (WIP)

BB	
EB	

Finished Goods (FG)

BB	
EB	

Factory Overhead

EB	

Wages Payable

	BB
EB	

Income Statement

Sales Revenues	\$-----
- CGS	(-----)
Gross Profit	-----
- Selling Exp.	(-----)
- Adm. Exp.	(-----)
Net Income	

Question 2

The following costs are incurred by Sungura Inc., a manufacturer of plastic rabbit toys.

1. Plastic used in the toys
2. Depreciation on machinery
3. Property taxes for the manufacturing plant
4. Labor costs to manufacture the toys
5. Packaging and distribution of the toys
6. Depreciation of equipment in distribution facility
7. Production supervisor's salary
8. Sales supervisor's salary
9. Insurance on selling and administration facility
10. Commissions paid to salespersons

Required

Classify each cost as either variable (V) or fixed (F), direct (D) or indirect (I), and product (C) or period (E)

True/False Questions

1. Management accounting has to strictly follow the rules of generally accepted accounting principles for the purposes of measurement and reporting.
 - a. True
 - b. False
2. Accounting information is considered relevant when it has the attributes of verifiability, neutrality, and predictive value.
 - a. True
 - b. False
3. "Cost" is defined by accountants as a resource sacrificed to achieve a specific objective.
 - a. True
 - b. False
4. Products, services, departments, and customers may be cost objects.
 - a. True
 - b. False

Multiple Choice Questions

1. All of the following illustrate purposes for allocating costs to cost objects **except**:
 - a. to provide information for economic decisions
 - b. to motivate managers and employees
 - c. to determine employee's wages
 - d. to measure income and assets for reporting to external parties
 - e. None of the above

2. Which of the following statements is/are **true**:
- a. A cost is said to be a step-function cost when it varies with the cost driver, but in discrete steps.
 - b. All non-manufacturing expenditures, for managing the firm and selling the product, are period costs.
 - c. Cost of goods manufactured is the cost of goods that were finished and transferred out of work-in-process this period.
 - d. Small materials used in the production process such as glue and nails which become part of the finished good can be classified as either a direct material or indirect material depending on how easy it is to calculate the amount used up by each unit produced from these items .
 - e. All of the above statements are true
3. Which of the following statements is/are **false**:
- a. Any product, service, or organizational unit to which costs are assigned for some management purpose is a cost driver.
 - b. The process of assigning costs to cost objects is known as cost assignment.
 - c. A cost that can be conveniently and economically traced directly to a cost object is a direct cost.
 - d. All of the above statements are false
 - e. Both a. and c. above are false
4. Which of the following statements is/are **true**:
- a. The assignment of indirect costs to cost objects is called cost allocation.
 - b. The cost drivers can be used as allocation bases to allocate indirect costs to cost objects.
 - c. Materials used in production that are not physically part of the finished product are direct materials.
 - d. All of the above statements are true
 - e. Only a. and b. above are true