Acct 9

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| Heritage Company manufactures a beautiful bookcase that enjoys widespread popularity. The company has a backlog of orders that is large enough to keep production going indefinitely at the plant's full capacity of 3,900 bookcases per year. Annual cost data at full capacity follow: |

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|   Direct materials used (wood and glass) | $ | 430,000    |
|   Administrative office salaries | $ | 112,000    |
|   Factory supervision | $ | 72,000    |
|   Sales commissions | $ | 63,000    |
|   Depreciation, factory building | $ | 103,000    |
|   Depreciation, administrative office equipment | $ | 2,000    |
|   Indirect materials, factory | $ | 17,000    |
|   Factory labor (cutting and assembly) | $ | 92,000    |
|   Advertising | $ | 104,000    |
|   Insurance, factory | $ | 6,000    |
|   Administrative office supplies (billing) | $ | 5,000    |
|   Property taxes, factory | $ | 17,000    |
|   Utilities, factory | $ | 44,000    |
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| **Required:** |
| **1.** | Enter the dollar amount of each cost item under the appropriate headings. Note that each cost item is classified in two ways: first, as either variable or fixed with respect to the number of units produced and sold; and second, as either a selling and administrative cost or a product cost. (If the item is a product cost, it should also be classified as either direct or indirect.) **(Leave no cells blank - be certain to enter "0" wherever required. Omit the "$" sign in your response.)** |

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|   | Cost Behavior |      Selling or | Product Cost |
|     |  |     Administrative |  |
| Cost Item |         Variable |         Fixed |        Cost |        Direct |          Indirect |
|   Direct materials used (wood, glass) | $     | $     | $     | $     | $     |
|   Administrative office salaries |     |     |     |     |     |
|   Factory supervision |     |     |     |     |     |
|   Sales commissions |     |     |     |     |     |
|   Depreciation, factory building |     |     |     |     |     |
|   Depreciation, admin. office equipment |     |     |     |     |     |
|   Indirect materials, factory |     |     |     |     |     |
|   Factory labor (cutting and assembly) |     |     |     |     |     |
|   Advertising |     |     |     |     |     |
|   Insurance, factory |     |     |     |     |     |
|   Administrative office supplies (billing) |     |     |     |     |     |
|   Property taxes, factory |     |     |     |     |     |
|   Utilities, factory |     |     |     |     |     |
|   |  |  |  |  |  |
|   Total costs | $     | $     | $     | $     | $     |
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| **2.** | Compute the average product cost per bookcase. **(Round your answer to the nearest dollar amount. Omit the "$" sign in your response.)** |

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|   Average product cost | $  |  per bookcase |

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| **3.** | Due to a recession, assume that production drops to only 2,000 bookcases per year. Would you expect the average product cost per bookcase to increase, decrease, or remain unchanged? |
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|  | Remain unchanged |
|  | Increase |
|  | Decrease |

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