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 | |  |  |  | |  |  |
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| 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 | |