

Online Homework System

Assignment Worksheet

8/28/05 - 11:22 PM

Name: \_\_\_\_\_

Class: Management Accounting I - Ganguly

Class #: \_\_\_\_\_

Section #: \_\_\_\_\_

Instructor: Ananda R. Ganguly

Assignment: Due Tue August 30, 2:00pm

**Question 1: (4 points)**

The open ended questions will not be graded. You can do them for self-study. -ARG

The following cost data for the year just ended pertain to Heart Strings, Inc., a greeting card manufacturer:

Service department costs*	\$ 49,000
Direct labor: fringe benefits	49,000
Indirect labor: fringe benefits	12,250
Fringe benefits for production supervisor	4,400
Total overtime premiums paid	16,000
Cost of idle time: production employees	16,000
Administrative costs	79,000
Rental of office space for sales personnel†	6,500
Sales commissions	2,500
Product promotion costs	4,000
Direct material	1,045,000
Advertising expense	44,000
Depreciation on factory building	50,000
Direct labor: wages	195,000
Cost of finished goods inventory at year-end	47,500
Indirect labor: wages	68,500
Production supervisor's salary	21,500

\*All services are provided to manufacturing departments.

†The rental of sales space was made necessary when the sales offices were converted to storage space for raw material.

**Requirement 1:**

Compute each of the following costs for the year just ended (Omit the "\$" sign in your response):

a. Total prime costs	\$ _____
b. Total manufacturing overhead costs	\$ _____
c. Total conversion costs	\$ _____
d. Total product costs	\$ _____
e. Total period costs.	\$ _____

**Requirement 2:**

(a) Identify the opportunity cost from the dropdown list given below.

\_\_\_\_\_

(b) Explain why it is an opportunity cost.

**Requirement 3:**

(a) Identify the sunk cost from the dropdown list given below.

\_\_\_\_\_

(b) Explain why it is a sunk cost.

**Question 2: (3 points)**

Determine the missing amounts in each of the following independent cases (Omit the "\$" sign in your response).

	Case A	Case B	Case C
Sales	\$ _____	\$ _____	\$ 279,000
Beginning inventory, raw material	_____	59,000	8,000
Ending inventory, raw material	171,500	_____	11,500
Purchases of raw material	187,000	237,000	_____
Direct material used	125,000	290,000	_____
Direct labor	_____	215,000	63,000

Manufacturing overhead	400,000		66,000
Total manufacturing costs	1,043,000	906,000	184,000
Beginning inventory, work in process	63,000	53,000	
Ending inventory, work in process		103,000	2,500
Cost of goods manufactured	1,044,500		188,000
Beginning inventory, finished goods	185,000	120,000	
Cost of goods available for sale			211,000
Ending inventory, finished goods			11,000
Cost of goods sold	1,031,000	996,000	
Gross margin	459,000	458,000	
Selling and administrative expenses		245,000	
Income before taxes	299,000		36,000
Income tax expense	89,000	130,000	
Net income			23,000

**Question 3: (3 points)**

Alhambra Aluminum Company, a manufacturer of recyclable soda cans, had the following inventory balances at the beginning and end of 2001.

Inventory Classification	January 1, 2001	December 31, 2001
Raw material	\$ 58,500	\$ 58,500
Work in process	109,000	124,000
Finished goods	126,000	149,000

During 2001, the company purchased \$222,500 of raw material and spent \$355,000 on direct labor. Manufacturing overhead costs were as follows:

Indirect material	\$ 14,000
Indirect labor	17,500
Depreciation on plant and equipment	98,000

Utilities	16,500
Other	40,000

Sales revenue was \$1,127,000 for the year. Selling and administrative expenses for the year amounted to \$85,500. The firm's tax rate is 35 percent.

**Requirement 1:**

Prepare a schedule of cost of goods manufactured (Omit the "\$" sign in your response).

ALHAMBRA ALUMINUM COMPANY  
SCHEDULE OF COST OF GOODS MANUFACTURED  
FOR THE YEAR ENDED DECEMBER 31, 2001

Direct material:		
Raw-material inventory, January 1	\$ _____	
Add:	_____	
Raw material available for use	_____	
Deduct:	_____	
Raw material used		\$ _____
Direct labor		_____
Manufacturing overhead:		
Indirect material	_____	
	_____	
Depreciation on plant and equipment	_____	
Utilities	_____	
Other	_____	
Total manufacturing overhead		_____
Total manufacturing costs		_____
Add:	_____	
Subtotal		_____
Deduct:	_____	
Cost of goods manufactured		_____

**Requirement 2:**

Prepare a schedule of cost of goods sold (Omit the "\$" sign in your response).

ALHAMBRA ALUMINUM COMPANY  
SCHEDULE OF COST OF GOODS SOLD  
FOR THE YEAR ENDED DECEMBER 31, 2001

Finished-goods inventory, January 1	\$ _____
Add:	\$ _____
Cost of goods available for sale	\$ _____
Deduct:	\$ _____
Cost of goods sold	\$ _____

**Requirement 3:**

Prepare an income statement (Omit the "\$" sign in your response).

ALHAMBRA ALUMINUM COMPANY  
INCOME STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2001

Sales revenue	\$ _____
Less: Cost of goods sold	\$ _____
Gross margin	\$ _____

Selling and administrative expenses	\$ _____
Income before taxes	\$ _____
Income tax expense	\$ _____
Net income	\$ _____

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