17. The Plastechnics Company began operations several years ago. The company purchased a building and, since only half of the space was needed for operations, the remaining space was rented to another firm for rental revenue of \$20,000 per year. The success of Plastechnics Company's product has resulted in the company needing more space. The renter's lease will expire next month and Plastechnics will not renew the lease in order to use the space to expand operations and meet demand.

The company's product requires materials that cost \$25 per unit. The company employs a production supervisor whose salary is \$2,000 per month. Production line workers are paid \$15 per hour to manufacture and assemble the product. The company rents the equipment needed to produce the product at a rental cost of \$1,500 per month. Additional equipment will be needed as production is expanded and the monthly rental charge for this equipment will be \$900 per month. The building is depreciated on the straight-line basis at \$9,000 per year.

The company spends \$40,000 per year to market the product. Shipping costs for each unit are \$20 per unit. The company plans to liquidate several investments in order to expand production. These investments currently earn a return of \$8,000 per year.

Required:

Complete the answer sheet below by placing an "X" under each heading that identifies the cost involved. The "Xs" can be placed under more than one heading for a single cost, e.g., a cost might be a sunk cost, an overhead cost, and a product cost. An "X" can thus be placed under each of these headings opposite the cost.

	Variable Cost	Fixed Cost	Direct Materials	Direct Labor	Manufacturing Overhead	Period Cost	Opportunity Cost	Sunk Cost
Rental								
Revenue								
Materials								
Costs								
Production								
Supervisory			,					
Salary			1					
Production								
Line Worker		1					,	
Wages								
Equipment								
Rental						ļ		
Building								
Depreciation								
Marketing								
Costs	-							
Shipping								
Costs								
Return on								
Present								ļ
nvestment								

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

Sales	\$950
	\$170
Purchases of raw materials	
Direct Labor	\$210
Manufacturing Overhead	\$200
Administrative Expenses	\$180
Selling Expenses	\$140
Raw Materials Inventory, Beginning	\$70
Raw Materials Inventory, Ending	\$80
Work in Process Inventory, Beginning	\$30
Work in Process Inventory, Ending	\$20
Finished Goods Inventory, Beginning	\$100
Finished Goods Inventory, Ending	\$70

Required:

- a. Prepare a Schedule of Cost of Goods Manufactured in good form.
- b. Compute the Cost of Goods Sold.
- c. Using data from your answers above as needed, prepare an Income Statement in good form
- 19. Indirect labor is a part of:
 - A. Prime cost.
 - B. Conversion cost.
 - C. Period cost.
 - D. Nonmanufacturing cost.
- 20. The cost of lubricants used to grease a production machine in a manufacturing company is an example of a(n):
 - A. period cost.
 - B. direct material cost.
 - C. indirect material cost.
 - D. none of the above.
- 21. The salary paid to the president of King Company would be classified on the income statement as a(n):
 - A. administrative expense.
 - B. direct labor cost.
 - C. manufacturing overhead cost.
 - D. selling expense.
- 22. A cost incurred in the past that is not relevant to any current decision is classified as a(n):
 - A. period cost.
 - B. opportunity cost.
 - C. sunk cost.
 - D. differential cost.

- 23. A process cost system is employed in those situations where:
 - A. many different products, jobs, or batches of production are being produced each period.
 - B. where manufacturing involves a single, homogeneous product that flows evenly through the production process on a continuous basis.
 - C. a service is performed such as in a law firm or an accounting firm.
 - D. full or absorption cost approach is not employed.
- 24. Juanita Corporation uses a job-order cost system and applies overhead on the basis of direct labor cost. At the end of October, Juanita had one job still in process. The job cost sheet for this job contained the following information:

Direct Materials	\$480
Direct Labor	\$150
Manufacturing Overhead Applied	\$600

An additional \$100 of labor was needed in November to complete this job. For this job, how much should Juanita have transferred to finished goods inventory in November when it was completed?

- A. \$1,330
- B. \$500
- C. \$1,230
- D. \$1,730
- 25. Wall Company uses a predetermined overhead rate based on direct labor hours to apply manufacturing overhead to jobs. The company's estimated costs for the next year are:

Direct Materials	\$3,000	
Direct Labor	\$20,000	
Depreciation on Factory Equipment	\$6,000	
Rent on Factory	\$12,000	
Sales Salaries	\$29,000	
Factory Utilities	\$15,000	
Indirect Labor	\$6,000	

It is estimated that 10,000 direct labor hours will be worked during the year. The predetermined overhead rate will be:

- A. \$3.90
- B. \$5.90
- C. \$6.80
- D. \$9.10