

13. Tina Burke is confused about the differences between a product cost and a period cost. Explain the differences to Tina.
14. Identify the differences in the cost of goods sold section of an income statement between a merchandising company and a manufacturing company.
15. The determination of the cost of goods manufactured involves the following factors: (A) beginning work in process inventory, (B) total manufacturing costs, and (C) ending work in process inventory. Identify the meaning of x in the following formulas:
 (a) $A + B = x$
 (b) $A + B - C = x$
16. Sealy Company has beginning raw materials inventory \$12,000, ending raw materials inventory \$15,000, and raw materials purchases \$170,000. What is the cost of direct materials used?
17. Tate Inc. has beginning work in process \$26,000, direct materials used \$240,000, direct labor \$220,000, total manufacturing overhead \$180,000, and ending work in process \$32,000. What are the total manufacturing costs?
18. Using the data in Question 17, what are (a) the total cost of work in process and (b) the cost of goods manufactured?
19. In what order should manufacturing inventories be listed in a balance sheet?
20. How does the output of manufacturing operations differ from that of service operations?
21. Discuss whether the product costing techniques discussed in this chapter apply equally well to manufacturers and service companies.
22. What is the value chain? Describe, in sequence, the main components of a manufacturer's value chain.
23. What is an enterprise resource planning (ERP) system? What are its primary benefits?
24. Why is product quality important for companies that implement a just-in-time inventory system?
25. Explain what is meant by "balanced" in the balanced scorecard approach.
26. What is activity-based costing, and what are its potential benefits?

BRIEF EXERCISES

BE1-1 Complete the following comparison table between managerial and financial accounting.

Primary users of reports
 Types of reports
 Frequency of reports
 Purpose of reports
 Content of reports
 Verification process

Financial Accounting

Managerial Accounting

Distinguish between managerial and financial accounting.
 (LO 1), C

BE1-2 The Sarbanes-Oxley Act (SOX) has important implications for the financial community. Explain two implications of SOX.

Identify important regulatory changes.
 (LO 2), C

BE1-3 Listed below are the three functions of the management of an organization.

1. Planning 2. Directing 3. Controlling

Identify which of the following statements best describes each of the above functions.

- (a) _____ requires management to look ahead and to establish objectives. A key objective of management is to add value to the business.
- (b) _____ involves coordinating the diverse activities and human resources of a company to produce a smooth-running operation. This function relates to the implementation of planned objectives.
- (c) _____ is the process of keeping the activities on track. Management must determine whether goals are being met and what changes are necessary when there are deviations.

Identify the three management functions.
 (LO 2), C

BE1-4 Determine whether each of the following costs should be classified as direct materials (DM), direct labor (DL), or manufacturing overhead (MO).

- (a) _____ Frames and tires used in manufacturing bicycles.
- (b) _____ Wages paid to production workers.
- (c) _____ Insurance on factory equipment and machinery.
- (d) _____ Depreciation on factory equipment.

Classify manufacturing costs.
 (LO 3), C

Classify manufacturing costs.
(LO 3), C

BE1-5 Indicate whether each of the following costs of an automobile manufacturer would be classified as direct materials, direct labor, or manufacturing overhead.

- (a) _____ Windshield. (e) _____ Factory machinery lubricants.
(b) _____ Engine. (f) _____ Tires.
(c) _____ Wages of assembly line worker. (g) _____ Steering wheel.
(d) _____ Depreciation of factory machinery. (h) _____ Salary of painting supervisor.

Identify product and period costs.
(LO 4), C

BE1-6 Identify whether each of the following costs should be classified as product costs or period costs.

- (a) _____ Manufacturing overhead. (d) _____ Advertising expenses.
(b) _____ Selling expenses. (e) _____ Direct labor.
(c) _____ Administrative expenses. (f) _____ Direct material.

Classify manufacturing costs.
(LO 3), C

BE1-7 Presented below are Dieker Company's monthly manufacturing cost data related to its personal computer products.

(a) Utilities for manufacturing equipment	\$116,000
(b) Raw material (CPU, chips, etc.)	\$ 85,000
(c) Depreciation on manufacturing building	\$880,000
(d) Wages for production workers	\$191,000

Enter each cost item in the following table, placing an "X" under the appropriate headings.

Product Costs		
Direct Materials	Direct Labor	Factory Overhead
(a)		
(b)		
(c)		
(d)		

Compute total manufacturing costs and total cost of work in process.
(LO 6), AP

BE1-8 Francum Company has the following data: direct labor \$209,000, direct materials used \$180,000, total manufacturing overhead \$208,000, and beginning work in process \$25,000. Compute (a) total manufacturing costs and (b) total cost of work in process.

Prepare current assets section.
(LO 7), AP

BE1-9 In alphabetical order below are current asset items for Ruiz Company's balance sheet at December 31, 2014. Prepare the current assets section (including a complete heading).

Accounts receivable	\$200,000
Cash	62,000
Finished goods	91,000
Prepaid expenses	38,000
Raw materials	73,000
Work in process	87,000

Determine missing amounts in computing total manufacturing costs.
(LO 6), AP

BE1-10 Presented below are incomplete manufacturing cost data. Determine the missing amounts for three different situations.

	Direct Materials Used	Direct Labor Used	Factory Overhead	Total Manufacturing Costs
(1)	\$40,000	\$61,000	\$ 50,000	?
(2)	?	\$75,000	\$140,000	\$296,000
(3)	\$55,000	?	\$111,000	\$310,000

Determine missing amounts in computing cost of goods manufactured.
(LO 6), AP

BE1-11 Use the same data from BE1-10 above and the data below. Determine the missing amounts.

	Total Manufacturing Costs	Work in Process (1/1)	Work in Process (12/31)	Cost of Goods Manufactured
(1)	?	\$120,000	\$82,000	?
(2)	\$296,000	?	\$98,000	\$321,000
(3)	\$310,000	\$463,000	?	\$715,000