

a general ledger account. Assume Apple's subsidiary records for 2020 contain the following data:

1. Net delivered cost of materials purchased was **\$49,300**.
2. The cost of direct materials used in production was \$44,400.
3. Direct labor totaled \$17,500.
4. Manufacturing overhead consists of the following:

Indirect materials .....	\$ 5,000
Indirect labor .....	4,000
Various costs .....	62,500
Year-end adjustments .....	<b>\$36,159*</b>
	<b><u>\$107,659</u></b>

\*This is composed of **\$4,000** for manufacturing supplies and **\$32,159** for depreciation on factory machinery.

Based on this information, assume Apple records the following entries for 2020:

1. Acquisition of materials

Materials inventory	49,300	
Accounts payable		49,300
<i>To record the delivered cost of materials purchased.</i>		

2. Use of direct materials and indirect materials

Work-in-process inventory	44,400	
Manufacturing overhead	5,000	
Materials inventory		49,400
<i>To record the transfer of direct materials (\$44,400) to the work-in-process inventory and the transfer of indirect materials (\$5,000) to manufacturing overhead.</i>		

3. Incurrence of factory payroll

Work-in-process inventory	17,500	
Manufacturing overhead	4,000	
Wages payable		21,500
<i>To record the factory payroll as direct labor (\$17,500) to the work-in-process inventory and as indirect labor (\$4,000) to manufacturing overhead.</i>		

4. Incurrence of manufacturing overhead costs during year

Manufacturing overhead	62,500	
Accounts payable or cash		62,500
<i>To record various factory costs incurred during the year as manufacturing overhead.</i>		

5. Recognition of certain manufacturing overhead costs with year-end adjustments

Manufacturing overhead	36,159	
Manufacturing supplies		4,000
Accumulated depreciation—factory machinery		32,159
<i>To record cost of supplies used for and depreciation on factory machinery.</i>		



## DATA ANALYTICS, DATA VISUALIZATION, AND EXCEL ACTIVITIES

**Data Analytics, Data Visualization, and Excel Activities** are available in myBusinessCourse. These assignments develop Excel, Tableau, and Data Analytics skills, which will enhance students' career readiness. These exercises are assignable and auto graded by MBC. For an overview of data analytics, see the appendix at the end of this book.

### EXERCISES—SET A



LO1

**E2-1A. Cost Classification** Classify each of the following costs relative to the cost object “client project” for a CPA firm that specializes in audit:

	Product or Period	Variable, Fixed, or Mixed	Direct or Indirect
Staff auditor salaries . . . . .			
Receptionist salary . . . . .			
Depreciation on staff auditor laptop computers . . . . .			
Health insurance for administrative staff . . . . .			
Subscription to cloud backup service for project files . . . . .			
Office lease expense . . . . .			
Travel to client location . . . . .			



LO1

**E2-2A. Cost Classification** Classify each of the following costs relative to the cost object “customer” for a clothing retailer:

	Product or Period	Variable, Fixed, or Mixed	Direct or Indirect
Salesperson wages . . . . .			
Store manager salary . . . . .			
Depreciation on furniture and fixtures . . . . .			
Cost of merchandise . . . . .			
Online advertising . . . . .			
Cost of discount coupon . . . . .			
Store lease expense . . . . .			



LO2, 3

**E2-3A. Product Cost Flows** Complete the following T-accounts:

Materials Inventory	
320	
?	?
	18,120
250	

Finished Goods Inventory	
1,500	
?	
1,200	

Wages Payable	
	9,000
	300

Work-in-Process Inventory	
1,000	?
?	
9,000	
?	
500	

Manufacturing Overhead	
50	?
?	
18,000	
4,500	
	0

Cost of Goods Sold	
	?

**EXERCISES—SET B**

**E2-1B. Cost Classification** Classify each of the following costs relative to the cost object “patient” for a medical office:

**LO1**

	Product or Period	Variable, Fixed, or Mixed	Direct or Indirect
Nurse salaries . . . . .			
Receptionist salary . . . . .			
Depreciation on exam room computers . . . . .			
Health insurance for administrative staff . . . . .			
Subscription to patient management software service . . . . .			
Office lease expense . . . . .			
Gloves, swabs, and other medical supplies . . . . .			

**E2-2B. Cost Classification** Classify each of the following costs relative to the cost object “customer” for a new car dealer:

**LO1**

	Product or Period	Variable, Fixed, or Mixed	Direct or Indirect
Salesperson wages . . . . .			
Dealership manager salary . . . . .			
Depreciation on showroom furniture . . . . .			
Cost of automobiles . . . . .			
Online advertising . . . . .			
Cost of new car prep . . . . .			
Showroom lease expense . . . . .			

**E2-3B. Product Cost Flows** Complete the following T-accounts:

**LO2, 3**

<b>Materials Inventory</b> <div> <div>?</div> <div>20,000</div> <div>300</div> </div> <div> <div>?</div> <div>19,900</div> </div>		<b>Finished Goods Inventory</b> <div> <div>5,000</div> <div>?</div> <div>3,000</div> </div> <div></div>	
<b>Wages Payable</b> <div> <div></div> <div>15,000</div> <div>?</div> </div> <div></div>		<b>Work-in-Process Inventory</b> <div> <div>2,000</div> <div>?</div> <div>?</div> <div>32,000</div> <div>5,000</div> </div> <div>?</div>	
<b>Manufacturing Overhead</b> <div> <div>300</div> <div>?</div> <div>27,000</div> <div>3,900</div> </div> <div></div>		<b>Cost of Goods Sold</b> <div> <div>65,900</div> </div> <div></div>	
<div>0</div>			

**E2-4B. Prime Cost and Conversion Cost** Benton Engineering Services Company incurred the following during the year:

**LO2**

SERVICE AND MERCHANDISING

Direct labor . . . . .	\$ 60,000
Overhead . . . . .	110,000
Selling expenses . . . . .	56,000
Administrative expenses . . . . .	95,000



Calculate prime cost and conversion cost for Benton Engineering Services Company.