 Listed below are selected data for South State Company for 20X5:

Selling expenses  $ 55,200
General expenses  45,600
Sales revenue  300,400
Work in process inventory, Jan. 1, 20X5  54,300
Materials inventory, January 1, 20X5  30,400
Finished goods inventory, January 1, 20X5  20,300
Direct materials purchased  40,500
Materials inventory, December 31, 20X5  10,600
Work in process inventory, December 31, 20X5  23,200
Finished goods inventory, December 31, 20X5  15,200
Insurance expired (75% factory)  10,000
Direct labor incurred  20,500
Indirect labor incurred  15,600
Depreciation-factory equipment  9,800
Indirect materials used  5,400
Factory utilities  4,300

Prepare a schedule of cost of goods manufactured for South State Company for the year ended December 31, 20X5.

South State Manufacturing Company
Schedule of Cost of Goods Manufactured
For the Year Ended December 31, 20X5

Beginning work in process inventory $ 54,300
Add: Direct materials used:
  Beginning materials inventory $30,400
  Purchases of direct materials 40,500
  Available for use 70,900
  Ending materials inventory (10,600)
Direct materials used $60,300
Direct labor 20,500
Manufacturing overhead:
  Insurance $ 7,500
  Indirect labor 15,600
  Depreciation-factory equipment 9,800
  Indirect materials used 5,400
  Factory utilities 4,300

Total manufacturing costs incurred during the year 123,400
Total manufacturing costs to account for 177,700
Less: Ending work in process inventory (32,000) (30,500) (23,200)
Cost of goods manufactured $145,700 

EASY - PAST EXAMS
4. Record the following journal entries in the space provided.

a. $52,000 of direct materials were requisitioned for jobs.
b. Direct labor costs of $22,600 were assigned to jobs.
c. Manufacturing overhead of $13,000 was allocated to jobs.
d. Four jobs having a total cost of $71,800 were completed.

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in Process Materials Inventory</td>
<td>52,000</td>
<td>52,000</td>
</tr>
<tr>
<td>Work in Process Manufacturing Wages</td>
<td>22,600</td>
<td>22,600</td>
</tr>
<tr>
<td>Work in Process Manufacturing Overhead</td>
<td>13,000</td>
<td>13,000</td>
</tr>
<tr>
<td>Finished Goods Work in Process</td>
<td>71,800</td>
<td>71,800</td>
</tr>
</tbody>
</table>

108. The Lighter Corporation prepared the following production cost report for Department 1 for December of the current year.

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in process inventory, December 1</td>
<td>0 units</td>
<td>0</td>
</tr>
<tr>
<td>Units started in production in December</td>
<td>7,600 units</td>
<td></td>
</tr>
<tr>
<td>Units transferred to finished goods inventory during December</td>
<td>7,100 units</td>
<td></td>
</tr>
<tr>
<td>Costs incurred in December</td>
<td></td>
<td>$24,000</td>
</tr>
<tr>
<td>Direct materials</td>
<td></td>
<td>$52,049</td>
</tr>
<tr>
<td>Direct labor and manufacturing overhead</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Work in process inventory on December 31 is 80% complete as to direct materials and 40% complete as to conversion.

Equivalent units:
- Direct materials: $1,100 + (500 X 0.80) = 7,500
- Conversion: $7,100 + (500 X 0.40) = 7,300

Cost per equivalent unit:
- Direct materials: $24,000/7,500 = $3.20
- Conversion: $52,049/7,300 = $7.13

Total cost of goods transferred to finished goods inventory:
$7,100 X ($3.20 + $7.13) = $73,343

Total cost of ending work in process inventory:
[((500 X 0.80) X $3.20) + ((500 X 0.40) X $7.13)] = $1,280 + $1,426 = $2,706

THIS TEST WAS:
101. State whether each company below would be more likely to use a job costing system or a process costing system:

Solution:

a) process costing
b) job costing
c) job costing
d) process costing
e) job costing
f) process costing
g) process costing

- paint manufacturer
- custom furniture manufacturer
- custom jewelry manufacturer
- concrete manufacturer
- home builder
- soft-drink bottler
- carpet manufacturer

20. The income statement, schedule of current account changes, and additional data for Spyke Garman Corporation follows:

Spyke Garman Corporation
Income Statement
For the Year Ended December 31, 2002

Revenues:
   Net sales revenue $702,500
   Dividend revenue 13,500
   $716,000

Expenses:
   Cost of goods sold 540,500
   Salary expense 64,500
   Other operating expense 15,500
   Depreciation expense 27,500
   Interest expense 32,500
   Amortization expense-patents 2,500
   $683,000

Net income $33,000

Additional data:

a. Collections exceeded sales by $3,500.

b. Dividend revenue equaled cash amounts received, $13,500.
c. Payments to suppliers were $9,000 less than cost of goods sold. Payments for other operating expense and interest expense were the same as Other Operating Expenses.
d. Payments to employees were less than salary expense by $2,000.
e. Acquisition of plant assets totaled $65,000. Of this amount, $10,000 was paid in cash and the balance was financed by signing a note payable.
f. Proceeds from the sale of land were $42,500.
g. Proceeds from the issuance of common stock were $25,000.
h. Full payment was made on a long-term note payable, $20,000.
i. Dividends were paid in the amount of $8,000.
j. A small parcel of land located in an industrial park was purchased for $37,000.
k. Current asset and liability activity changes were as follows:

<table>
<thead>
<tr>
<th>December 31</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>46,000</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>118,000</td>
<td>121,500</td>
</tr>
<tr>
<td>(3,500)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>189,000</td>
<td>192,000</td>
</tr>
<tr>
<td>Prepaid expense</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>107,000</td>
<td>101,000</td>
</tr>
<tr>
<td>6,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary payable</td>
<td>5,500</td>
<td>3,500</td>
</tr>
<tr>
<td>Interest payable</td>
<td>1,600</td>
<td>1,600</td>
</tr>
</tbody>
</table>
prepare a statement of cash flows and accompanying schedule of noncash investing and financing activities using the indirect method.

**Indirect Method**

**Spyke Garman**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2002**

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (from income statement):</td>
</tr>
<tr>
<td>Add (subtract) items that affect net income and cash flow differently:</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Amortization</td>
</tr>
<tr>
<td>Decrease in accounts receivable</td>
</tr>
<tr>
<td>Decrease in inventory</td>
</tr>
<tr>
<td>Increase in accounts payable</td>
</tr>
<tr>
<td>Increase in salary payable</td>
</tr>
<tr>
<td><strong>Net cash inflow from operating activities</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of plant assets</td>
</tr>
<tr>
<td>Proceeds from sale of land</td>
</tr>
<tr>
<td>Acquisition of industrial park land</td>
</tr>
<tr>
<td><strong>Net cash outflow from investing activities</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from common stock issuance</td>
</tr>
<tr>
<td>Payment of long-term note payable</td>
</tr>
<tr>
<td>Dividends</td>
</tr>
<tr>
<td><strong>Net cash outflow from financing activities</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net increase in cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>$70,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash balance beginning of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>$112,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash balance end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>$116,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Noncash investing and financing activities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of plant assets by issuing note payable</td>
</tr>
</tbody>
</table>

---

2. Mathews Company had cost of goods sold of $200,000, an increase in Inventory of $5,000, and an increase in Accounts Payable of $9,000 in 2002. How much cash was paid to suppliers?

\[
200,000 + 5,000 - 9,000 = \$196,000
\]

3. (Not shown in the image)

4. Saern Company purchased equipment for $182,000, loaned $28,000 to a customer, borrowed $24,000, and sold securities that were not cash equivalents for $84,000. What was the net cash flow from investing activities?

\[
-182,000 \\
+28,000 \\
+84,000 \\
\text{Net Cash Flow from Investing Activities: } \$126,000
\]
Gadgets Company has two departments, X and Y. Manufacturing overhead is allocated based on direct labor cost in Department X and direct labor hours in Department Y. The following additional information is available:

<table>
<thead>
<tr>
<th>Estimated Amounts</th>
<th>Department X</th>
<th>Department Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct labor cost</td>
<td>$249,600</td>
<td>$427,500</td>
</tr>
<tr>
<td>Direct labor hours</td>
<td>24,960</td>
<td>45,000</td>
</tr>
<tr>
<td>Manufacturing overhead costs</td>
<td>$259,000</td>
<td>$262,000</td>
</tr>
</tbody>
</table>

Actual data for completed Job No. 140 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Department X</th>
<th>Department Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials requisitioned</td>
<td>$23,700</td>
<td>$48,600</td>
</tr>
<tr>
<td>Direct labor cost</td>
<td>$34,400</td>
<td>$38,800</td>
</tr>
<tr>
<td>Direct labor hours</td>
<td>4,300</td>
<td>3,800</td>
</tr>
</tbody>
</table>

a) Compute the predetermined manufacturing overhead rate for Department X.
b) Compute the predetermined manufacturing overhead rate for Department Y.
c) What is the total manufacturing overhead cost for Job. No. 140?
d) If Job No. 140 consists of 350 units of product, what is the average unit cost of this job?

Answer:

a) $259,000 / $249,600 = 104% of direct labor cost

b) $262,000 / 45,000 hours = $5.82 per direct labor hour

c) Dept. X = ($34,400 X 104%) = $35,776
   Dept. Y = ($5.82 X 3,800) = $22,116

d) $23,700 + $34,400 + $35,776 + $48,600 + $38,800 + $22,116 = $203,392

$203,392 / 350 units = $581.12 (rounded)

14. The following computations were made from Clay Co.'s 20X1 books:

Number of days' sales in inventory  61
Number of days' sales in trade accounts not yet collected  33
What was the number of days in Clay's 20X1 operating cycle?
Functions

a) Gives the amount of net income earned for each share of the company's common stock
b) Measures the number of times operating income can cover interest expense
c) Shows ability to pay all current liabilities if they come due immediately
d) Shows the percentage of a stock's market value returned to stockholders as dividends each period

e) Measures ability to collect cash from credit customers
f) Measures ability to pay current liabilities with current assets
g) Indicates the market price of $1 of earnings
h) Indicates the recorded accounting amount for each share of common stock outstanding
i) Indicates percentage of assets financed with debt
j) Shows the percentage of each sales dollar earned as net income

Ratios

1) __1) d Dividend yield
2) __2) j Rate of return on net sales
3) __3) e Accounts receivable turnover
4) __4) h Book value per share of common stock
5) __5) i Debt ratio
6) __6) f Current ratio
7) __7) g Price/earnings ratio
8) __8) b Times-interest-earned ratio

21.-25. Listed below are reporting classifications for a statement of cash flows using the indirect method for reporting operating cash flows. Indicate the reporting classification that would apply to each of the five transactions described below by placing the letter of the reporting classification in the space provided by each transaction.

Terms:
A. Operating activity, no adjustment to net income
B. Operating activity, negative adjustment to net income
C. Operating activity, positive adjustment to net income
D. Investing cash inflow
E. Investing cash outflow
F. Financing cash inflow
G. Financing cash outflow
H. N o n e c a s h f i n a n c i n g a n d i n v e s t i n g a c t i v i t y

Phrases:
1. Increase in inventory account.
2. Payment of cash dividends.
3. Cash sales.
4. Prepayment of an insurance premium for six months.
5. Cash proceeds from sale of equipment.

35. The following computations were made from Clay Co.'s 1991 books:

Number of days' sales in inventory 61
Number of days' sales in trade accounts receivable 33

What was the number of days in Clay's 1991 operating cycle?

EXPLAIN HOW LEVERAGE EFFECTED ORANGE COUNTY'S FINANCIAL CRISIS?