

2-29 **Income statement and schedule of cost of goods manufactured.**

Howell Corporation
Income Statement for the Year Ended December 31,19_7
(in millions)

| | | |
|--|-----|-----|
| Revenue | | 950 |
| Cost of goods sold: | | |
| Beginning finished goods, Jan. 1,19_7 | 70 | |
| Cost of goods manufactured (below) | 645 | |
| Cost of goods available for sale | 715 | |
| Ending finished goods, December,31,19_7 | 55 | 660 |
| Gross margin | | 290 |
| Marketing,distribution, and customer-service costs | | 240 |
| Operating income | | 50 |

Howell Corporation
Schedule of Cost of Goods Manufactured
for the Year Ended December 31,19_7
(in millions)

| | | |
|---|-----|-----|
| Direct materials costs: | | |
| Beginning inventory, Jan. 1,19_7 | 15 | |
| Purchases of direct materials | 325 | |
| Cost of direct materials available for use | 340 | |
| Ending inventory, Dec. 31,19_7 | 20 | |
| Direct materials used | | 320 |
| Direct manufacturing labor costs | | 100 |
| Indirect manufacturing costs: | | |
| Indirect manufacturing labor | 60 | |
| Plant supplies used | 10 | |
| Plant utilities | 30 | |
| Depreciation-Plant,building,and equipment | 80 | |
| Plant supervisory salaries | 5 | |
| Miscellaneous plant overhead | 35 | 220 |
| Manufacturing costs incurred during 19_7 | | 640 |
| Add beginning work in process inventory, Jan.1,19_7 | | 10 |
| Total manufacturing costs to account for | | 650 |
| Deduct ending work in process, Dec31,19_7 | | 5 |
| Cost of goods manufactured | | 645 |

2-37 Budgeted income statement

| | | |
|---|---------------|-----------|
| 1. Target ending finished goods, Dec.31,19_8 | 12,000 units | |
| Forecasted Sales for 19_8 | 122,000 units | |
| Total finished goods required in 19_8 | 134,000 units | |
| Beginning finished goods, Jan.1,19_8 | 9,000 units | |
| Finished goods production required in 19_8 | 125,000 units | |
| 2 | | |
| Revenues(122,000 units sold * | \$4.80 | \$585,600 |
| Cost of units sold: | | |
| Beginning finished goods, Jan. 1,19_8 | 20,970 | |
| Cost of goods manufactured | 281,250 | |
| Cost of goods available for sale | 302,220 | |
| Ending finished goods, Dec. 31,19_8 | 27,000 | 275,220 |
| Gross margin | | 310,380 |
| Operating costs: | | |
| Marketing, distn., and customer-service costs | 204,700 | |
| Administrative costs | 50,000 | 254,700 |
| Operating income | | \$ 55,680 |

Supporting Computations

a.

Manufacturing Costs for 125,000 units

| | variable | Fixed | Total |
|------------------------------------|------------|-----------|------------|
| Direct materials costs | \$ 175,000 | \$ - | \$ 175,000 |
| Direct manufacturing labor costs | 37,500 | - | 37,500 |
| Plant energy costs | 6,250 | - | 6,250 |
| Indirect manufacturing labor costs | 12,500 | 16,000 | 28,500 |
| Other indirect manufacturing costs | 10,000 | 24,000 | 34,000 |
| Cost of goods manufactured | \$ 241,250 | \$ 40,000 | \$ 281,250 |

b.

Direct materials costs= 250,000 lbs * \$0.70 per lb.= \$175,000

c. The average unit manufacturing costs in 19_8 is

Finished goods, Dec. 31,19_8= $\frac{\$281,250}{12,000}$ * = units = \$ 2.25
 = \$ 27,000

d. Variable mktg., distn., and customer-service cost, 122,000 x \$1.35 \$164,700
 Fixed marketing, distn, and customer-service cost 40,000

Fixed administrative costs

50,000
\$254,700