

**STUDY GUIDE QUESTIONS****PART 1 True/False**

For each of the following statements, circle T if the statement is true and F if the statement is false.

- |   |   |   |
|---|---|---|
| T | F | 1. Manufacturers use Factory Overhead as a controlling account.   |
| T | F | 2. The statement of cost of goods manufactured supports the income statement by providing the figure for cost of goods sold.  |
| T | F | 3. The Manufacturing Summary account is closed by an entry debiting the Income Summary account and crediting the Manufacturing Summary account.                                 |
| T | F | 4. The accountant adjusts Raw Materials and Work-in-Process Inventory using the Manufacturing Summary account.  |
| T | F | 5. The account Indirect Labor is closed into the Income Summary account.  |
| T | F | 6. On a work sheet, the difference between the debit and credit column totals of the Statement of Cost of Goods Manufactured columns represents the cost of goods manufactured. |
| T | F | 7. A manufacturing company maintains one type of inventory account, whereas a merchandising company uses three types of inventory accounts.                                     |
| T | F | 8. Supervisory salaries are part of factory overhead.   |
| T | F | 9. On a work sheet, the accountant enters the cost of goods manufactured in the Income Statement Debit column.  |
| T | F | 10. To determine the factory overhead rate based on direct labor cost, divide Direct Labor by Factory Overhead.   |

**PART 2 Completion—Language of Business**

Complete each of the following statements by writing the appropriate word(s) in the spaces provided.

- The factory overhead rate consists of factory overhead expressed as a percentage of \_\_\_\_\_.
- Cost of Goods Manufactured on the income statement of a manufacturing firm may be compared to \_\_\_\_\_ on the income statement of a merchandising firm.
- Raw materials and work-in-process inventories are adjusted using the \_\_\_\_\_ account.
- \_\_\_\_\_ represents the amount paid to those people who work, either with machines or hand tools, directly on the materials converted into finished products.

5. The three elements that make up the cost of goods manufactured are \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
6. The \_\_\_\_\_ consists of all manufacturing costs, except raw materials and direct labor, that cannot be traced directly to products being manufactured.
7. The raw materials used in manufacturing products are called \_\_\_\_\_.
8. That part of the cost of work performed by workers who keep the plant in operation is considered \_\_\_\_\_ labor.

### **PART 3      Recording Closing Entries**

Arrange the steps in the closing entries in sequential order by writing the letters A through F in the answer column.

- \_\_\_\_\_ 1. Close the Income Tax Expense account into the Income Summary account.
- \_\_\_\_\_ 2. Close the Income Summary account into the Retained Earnings account.
- \_\_\_\_\_ 3. Close the expense accounts into the Income Summary account.
- \_\_\_\_\_ 4. Close the revenue accounts into the Income Summary account.
- \_\_\_\_\_ 5. Close the Manufacturing Summary account into the Income Summary account.
- \_\_\_\_\_ 6. Close the costs that appear in the statement of cost of goods manufactured into the Manufacturing Summary account.