**Week 2 Folder: Product cost – manufacturing industry**

Weekly Schedule

This week is an exam week. Please pay close attention to the schedule, there are a few differences this week. Remember all assignments are due by 10:00 pm.

1) Read Lecture

2) DB 2 **Due Wed**

3) Collaborate online session**:**

I *will offer one online session per week. Attendance in these sessions (or viewing them) is a portion of your participation grade. You can log in up to 30 minutes before the session. I recommend you log in at least 15 minutes ahead in case you have problems. The link to the meeting is on the home page of this course.*

4) Hwk Assign #2 **Due: Thur**

5) Hwk Assign #3 **Due: Sat**

6) Exam #1 CengageNow Multiple Choice **Due: Sun**

7) Exam #1 Angel Written **Due: Sun**

Specific information about the exam will be posted in the current week’s folder on Friday at 6:00 am. The exams will be posted in CenageNow and Angel Friday at 6:00 am as well.

**Lecture / Reading**

**Read Chapter #2**

The critical factor in calculating product cost is determining what makes up the cost of a product. If you look at a chair you may be able to see some of the components but not all. For example can you see the wooden dowels or screws holding it together? What about the glue, stain, etc.

In looking at product cost we break cost into a couple of categories and must apply them consistently to each product manufactured: Direct Material, Direct Labor, and Manufacturing Overhead. We will look at this process from a traditional manufacturing standpoint, Just In Time manufacturing, and Lean Production process.

Think about your favorite coffee drink. Which of the components would be direct material, direct labor, indirect materials, indirect labor, and manufacturing overhead?

I love Irish Cream Latte’s. The milk, flavor, cup, and lid would be a direct material cost because they become an integral part of the finished product which can be directly traced to my Latte. Direct Labor would be a little harder to argue because the amount of labor per cup would depend on the number of drinks per hour. In order to classify it as direct labor you must be able to physically trace it to the creation of the latte. The straw, cup cozy, and maybe the whip cream would be indirect materials due to the fact not every drink has one AND they are small in cost. One could say the same for the flavor especially if it was not measured for each drink. Your indirect labor would be the cleaning crew that cleans the coffee stand.

Please remember that both indirect labor and indirect material is added to the manufacturing overhead. The rent, depreciation, property taxes, and other cost of the Coffee Stand itself would also be manufacturing overhead.

In addition to product cost you have period costs which are not tied directly to manufacturing. These are generally sales and administrative expense. If you don’t remember these a review of ACCT&201 may be in order.

We will also revisit Cost of Goods Sold (manufactured), Gross Profit, and Net Income. The process is very similar to a merchandising company but we have a few more inventory accounts: raw material, work in process, and finished goods.

Get started on the homework!

**Homework and Discussion Forum**

1) **DB 2**

*You only have ONE graded discussion this week so it is worth the total 16 points.*

You must have a MINIMUM of three posts. I expect a mix or original posts and response post. Make sure you have read the discussion forum policies.

**Topic**: Discuss the terminology, homework, and any other relevant material. Make sure you understand the discussion board policies in order to ensure a great discussion. I have posted some conversation starters for you.

**2)** **Assign #2** – CengageNow (12 questions)

**3) Assign #3**  - CengageNow (2 problems)

**Exam 1 Facts:**

Exam 1 Description

This exam will continue questions from Chapters 1 & 2.

Exam Facts:

The exam is a two part exam.

Due Sunday by 10PM.

Don’t wait until the last minute to begin the exam.

Part I: CengageNow

35 Multiple Choice

70 minutes

Part II: Angel

Need lockdown browser

SHOW ALL CALCUATIONS

4 Problems

90 minutes

See ACCT&203 Assements folder for the Written portion of the Exam.



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