

**Problem 3-22** (30 minutes)

1. Cost of Goods Manufactured

Direct materials:

Raw materials inventory, beginning* .....	\$ 50,000	
Add: Purchases of raw materials* .....	<u>260,000</u>	
Total raw materials available .....	310,000	
Deduct: Raw materials inventory, ending* ..	<u>40,000</u>	
Raw materials used in production .....		270,000
Direct labor .....		65,000
Manufacturing overhead applied to work in process inventory* .....		<u>340,000</u>
Total manufacturing costs* .....		675,000
Add: Beginning work in process inventory .....		<u>48,000</u>
		723,000
Deduct: Ending work in process inventory* .....		<u>33,000</u>
Cost of goods manufactured .....		<u>\$690,000</u>

2. Cost of Goods Sold

Finished goods inventory, beginning* .....	\$ 30,000
Add: Cost of goods manufactured .....	<u>690,000</u>
Cost of goods available for sale* .....	720,000
Deduct: Finished goods inventory, ending .....	<u>55,000</u>
Unadjusted cost of goods sold* .....	665,000
Add: Underapplied overhead .....	<u>10,000</u>
Adjusted cost of goods sold .....	<u>\$675,000</u>

3.

Valenko Company  
Income Statement

Sales .....		\$1,085,000
Cost of goods sold (\$665,000 + \$10,000) .....		<u>675,000</u>
Gross margin .....		410,000
Selling and administrative expenses:		
Selling expenses* .....	\$215,000	
Administrative expense* .....	<u>160,000</u>	<u>375,000</u>
Net operating income* .....		<u>\$ 35,000</u>

\* Given