

Crescendo Srl operates a large store in Milan. The store has both a film (video/ DVDs) section and a musical (compact discs and tapes) section. Crescendo reports revenues for the film section separately from the musical section.

**Required**

Classify each of the following cost items as:

- a Direct or indirect (D or I) costs with respect to the film section.
- b Variable or fixed (V or F) costs with respect to how the total costs of the film section change as the number of films sold changes. (If in doubt, select the cost type on the basis of whether the total costs will change substantially if a large number of films are sold.)

You will have two answers (D or I; V or F) for each of the following items:

Cost item	D or I	V or F
A Annual retainer paid to a film distributor		
B Electricity costs of Crescendo store (single bill covers entire store)		
C Costs of films purchased for sale to customers		
D Subscription to <i>Video-Novo</i> magazine		
E Leasing of computer software used for financial budgeting at Crescendo store		
F Cost of popcorn provided free to all customers of Crescendo		
G Earthquake insurance policy for Crescendo store		
H Freight-in costs of films purchased by Crescendo		

**Comprehensive problem on unit costs, product costs. (30 minutes)**

Overtoom International Nederland BV manufactures and sells metal shelving. It began operations on 1 January 2011. Costs incurred for 2011 (V stands for variable; F stands for fixed) are as follows:

Direct materials used costs	€280 000 V
Direct manufacturing labour costs	60 000 V
Plant energy costs	10 000 V
Indirect manufacturing labour costs	20 000 V
Indirect manufacturing labour costs	32 000 F
Other indirect manufacturing costs	16 000 V
Other indirect manufacturing costs	48 000 F
Marketing, distribution and customer-service costs	245 700 V
Marketing, distribution and customer-service costs	80 000 F
Administrative costs	100 000 F

Variable manufacturing costs are variable with respect to units produced. Variable marketing, distribution, and customer-service costs are variable with respect to units sold. Stock data are as follows:

	Opening 1 January 2011	Closing 31 December 2011
Direct materials	0 kg	2000 kg
Work in progress	0 units	0 units
Finished goods	0 units	? units

Production in 2011 was 100 000 units. Two kilograms of direct materials are used to make one unit of finished product.

Revenues in 2011 were €873 600. The selling price per unit and the purchase price per kilogram of direct materials were stable throughout the year. The company's ending stock of finished goods is carried at the average unit manufacturing costs for 2011. Finished goods stock, at 31 December 2011, was €41 940.

**Required**

- 1 Direct materials stock, total cost, 31 December 2011.
- 2 Finished goods stock, total units, 31 December 2011.
- 3 Selling price per unit 2011.
- 4 Operating profit 2011. Show your computations.