### Brief Exercise 1-2

**Product cost:** All costs that are involved in the purchase or manufacture of goods. In the case of manufactured goods, these consist of direct materials, direct labor, and manufacturing overhead.

**Period cost:** Costs that are taken directly to the income statement as expenses in the period in which they are incurred or accrued.

1. Depreciation on salespersons’ cars – period cost.
2. Rent on equipment used in the factory – product cost (manufacturing overhead).
3. Lubricants used for maintenance of machines – product cost (manufacturing overhead).
5. Soap and paper towels used by factory workers – product cost (manufacturing overhead).
12. Wages of receptionist in the administrative offices – period cost.
13. Lease cost of the corporate jet used by the company’s executives – period cost.
14. Rent on the rooms at a Florida resort for the annual sales conference – period cost.
15. Attractively designed box for packaging the company’s product – product cost (direct materials).