

# ACCOUNTING in the headlines

## What items are product costs versus period costs at the U.S. PEZ Candy Inc. facilities in Connecticut?

PEZ Candy Inc. produces the popular small candy that is dispensed in collectible flip-top dispensers. In the United States, [PEZ candies](#) are produced in a factory in Connecticut. The Connecticut location also houses PEZ's US headquarters and a PEZ Visitors Center. PEZ candy is made from sugar, fruit flavoring, coloring, and corn syrup; the ingredients are put under pressure to form the hard tablets. About 95% of a PEZ tablet is sugar. The PEZ dispensers are popular with collectors; there are several PEZ collector conventions throughout the world.

In 2011, PEZ Candy Inc. opened a 6,000 square foot [Visitors Center](#) in Connecticut. The Visitors Center houses the world's largest collection of PEZ memorabilia on public display. Visitors can also view the factory through special viewing windows. The center also has a touch-screen PEZ trivia game and interactive reviews of PEZ history. Birthday party packages are also offered in the Visitors Center; partygoers receive goodie bags that include a blank customizable PEZ dispenser, PEZ candy, a PEZ lanyard, and discount coupons.

### Questions

1. Is the cost of sugar in PEZ candies a product or a period cost? How about the wrappers that the candy is packaged in?
2. Is the cost of quality control testing in the manufacturing process for PEZ candies a product or a period cost?
3. Is the cost of the labor to make PEZ candy in the factory a product or a period cost? How about the cost of the benefits (i.e., health care, payroll taxes, vacation pay) for those workers?
4. Is the cost of staffing the PEZ Visitor Center a product or a period cost? How about the cost of the benefits (i.e., health care, payroll taxes, vacation pay) for those workers who work in the Visitors Center?
5. Assume that PEZ purchased the touch-screen PEZ trivia game from a custom video game developer. Is the cost of that game a product or a period cost? What about the costs of maintaining and updating the software and hardware for the game?
6. Is food cost for a birthday party in the PEZ Visitor Center a product or a period cost? How about the cost of the items included in the goodie bags?