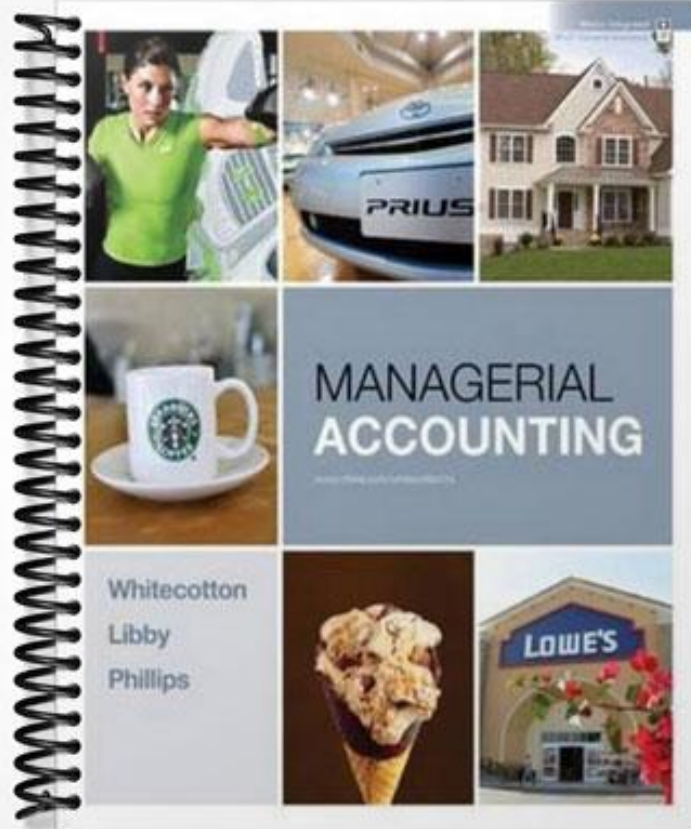


TEST BANK



The notebook cover features a collage of images and text. At the top, a dark blue banner contains the text "TEST BANK" in white. Below this, the cover is divided into several sections:

- A row of three images: a woman in a green polo shirt, the front of a silver Toyota Prius, and a two-story house.
- A central grey box with the text "MANAGERIAL ACCOUNTING" in white.
- A white Starbucks coffee cup on a saucer.
- A list of names: "Whitecotton", "Libby", and "Phillips".
- An image of a chocolate ice cream cone.
- An image of a Lowe's store.

Chapter 02 Job Order Costing

True / False Questions

1. Process costing is used when all of the products produced are unique.

True False

2. A marketing consulting firm would most likely use process costing.

True False

3. A law firm would most likely use job order costing.

True False

4. A materials requisition form is used to authorize the purchase of direct materials.

True False

5. Direct labor costs are recorded using labor time tickets.

True False

6. A job cost sheet will record the direct materials and direct labor used by the job but not the manufacturing overhead applied.

True False

7. A predetermined overhead rate is calculated by dividing estimated total manufacturing overhead cost by estimated units in the allocation base.

True False

8. Direct materials cannot be directly or conveniently traced to a specific job.

True False

9. Manufacturing overhead includes all costs of producing a product except for indirect materials and indirect labor.

True False

10. When manufacturing overhead is applied to a job, a credit is made to the Work in Process account.

True False

11. When goods are completed, a debit is made to Work in Process Inventory and a credit is made to Finished Goods Inventory.

True False

12. When goods are completed, a debit is made to Finished Goods Inventory and a credit is made to Work in Process Inventory.

True False

13. If there is a debit balance in the Manufacturing Overhead account at the end of the period, overhead was underapplied.

True False

14. If there is a credit balance in the Manufacturing Overhead account at the end of the period, overhead was overapplied.

True False

15. If there is a debit balance in the Manufacturing Overhead account at the end of the period, overhead was overapplied.

True False

16. If there is a credit balance in the Manufacturing Overhead account at the end of the period, overhead was underapplied.

True False

17. To eliminate underapplied overhead at the end of the year, Manufacturing Overhead would be debited and Cost of Goods Sold would be credited.

True False

18. To eliminate underapplied overhead at the end of the year, Manufacturing Overhead would be credited and Cost of Goods Sold would be debited.

True False

19. The total amount of cost assigned to jobs that were completed during the year is the cost of goods sold.

True False

20. The total amount of cost assigned to jobs that were completed during the year is the cost of goods manufactured.

True False

Multiple Choice Questions

21. Which of the following types of firms would most likely use process costing?
- A. Superior Auto Body & Repair
 - B. Crammond Custom Cabinets
 - C. Sunshine Soft Drinks
 - D. Jackson & Taylor Tax Service
22. Which of the following types of firms would most likely use job order costing?
- A. Happy-Oh Cereal Company
 - B. Huey, Lewey & Dewie, Attorneys
 - C. SoooSweet Beverage
 - D. C-5 Cement Company
23. Which of the following is a characteristic of a manufacturing environment that would use job order costing?
- A. Standardized production process
 - B. Continuous manufacturing
 - C. Homogenous products
 - D. Differentiated products
24. The cost of materials used on a specific job is first captured on which source document?
- A. Cost driver sheet
 - B. Materials requisition form
 - C. Labor time ticket
 - D. Process cost sheet
25. The source document that captures how much time a worker has spent on various jobs during the period is a
- A. cost driver sheet.
 - B. materials requisition form.
 - C. labor time ticket.
 - D. job cost sheet.

26. All the costs assigned to an individual job are summarized on a
- A. cost driver sheet.
 - B. job cost sheet.
 - C. materials requisition form.
 - D. labor time ticket.
27. A predetermined overhead rate is calculated using which formula?
- A. Actual manufacturing overhead cost/estimated units in the allocation base
 - B. Estimated units in the allocation base/estimated manufacturing overhead cost
 - C. Estimated manufacturing overhead cost/actual units in the allocation base
 - D. Estimated manufacturing overhead cost/estimated units in the allocation base
28. Manufacturing overhead is applied to each job using which formula?
- A. Predetermined overhead rate \times actual value of the allocation base for the job
 - B. Predetermined overhead rate \times estimated value of the allocation base for the job
 - C. Actual overhead rate \times estimated value of the allocation base for the job
 - D. Predetermined overhead rate/actual value of the allocation base for the job
29. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, actual labor hours were 21,000. The predetermined manufacturing overhead rate would be
- A. \$20.00
 - B. \$0.05
 - C. \$20.75
 - D. \$19.05
30. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, actual labor hours were 21,000. The amount of manufacturing overhead applied to production would be
- A. \$400,000
 - B. \$415,000
 - C. \$420,000
 - D. \$435,750

31. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, actual labor hours were 21,000.

The predetermined overhead rate would be

- A. \$10.00
- B. \$1.05
- C. \$10.75
- D. \$10.24

32. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, actual labor hours were 21,000.

The amount of manufacturing overhead applied to production would be

- A. \$200,000
- B. \$215,000
- C. \$210,000
- D. \$225,750

33. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, actual direct labor hours were 19,000. The predetermined overhead rate would be

- A. \$11.25
- B. \$12.50
- C. \$11.84
- D. \$13.16

34. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, actual direct labor hours were 19,000. The amount of manufacturing overhead applied to production would be

- A. \$250,000
- B. \$225,000
- C. \$213,750
- D. \$237,500

35. Acme Company had the following information for the year:

Direct materials used	\$110,000
Direct labor incurred (5,000 hours)	\$150,000
Actual manufacturing overhead incurred	\$166,000

Acme Company used a predetermined overhead rate of \$35 per direct labor hour for the year. Assume the only inventory balance is an ending Work in Process balance of \$17,000. How much overhead was applied during the year?

- A. \$110,000
- B. \$150,000
- C. \$166,000
- D. \$175,000

36. Ajax Company had the following information for the year:

Direct materials used	\$190,000
Direct labor incurred (7,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$273,000

Ajax Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8,000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods balance of \$9,000. How much overhead was applied during the year?

- A. \$245,000
- B. \$273,000
- C. \$280,000
- D. \$320,000

37. Amelia Company had the following information for the year:

Direct materials used	\$295,000
Direct labor incurred (9,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$343,000

Amelia Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8,000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods balance of \$19,000. How much overhead was applied during the year?

- A. \$245,000
- B. \$343,000
- C. \$360,000
- D. \$320,000

38. Which of the following represents the cost of materials purchased but not yet issued to production?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

39. Which of the following represents the accumulated costs of jobs as yet incomplete?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

40. Which of the following represents the cost of jobs completed but not yet sold?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

41. Which of the following represents the cost of the jobs sold during the period?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

42. When manufacturing overhead is applied to production, which of the following accounts is debited?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

43. When materials are purchased, which of the following accounts is debited?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

44. When direct materials are used in production, which of the following accounts is debited?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

45. When direct materials are used in production, which of the following accounts is credited?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

46. When units are completed, the cost associated with the job is credited to which account?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

47. When units are sold, the cost associated with the units is credited to which account?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

48. When units are completed, the cost associated with the job is debited to which account?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

49. When units are sold, the cost associated with the units is debited to which account?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

50. When materials are placed into production,

- A. Raw Materials Inventory is debited if the materials are traced directly to the job.
- B. Work in Process Inventory is debited if the materials are traced directly to the job.
- C. Manufacturing Overhead is debited if the materials are traced directly to the job.
- D. Raw Materials Inventory is credited only if the materials are traced directly to the job, otherwise manufacturing overhead is credited.

51. If materials being placed into production are not traced to a specific job,

- A. Raw Materials Inventory would be debited.
- B. Work in Process Inventory would be debited.
- C. Manufacturing Overhead would be debited.
- D. Manufacturing Overhead would be credited.

52. In recording the purchase of materials that are not traced to any specific job, which of the following is correct?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited
- D. Manufacturing Overhead would be credited

53. Which of the following would be used to record the labor cost that is traceable to a specific job?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited
- D. Manufacturing Overhead would be credited

54. Which of the following would be used to record the labor cost that is not traceable to a specific job?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited
- D. Manufacturing Overhead would be credited

55. Which of the following would be used to record the usage of indirect manufacturing resources?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited
- D. Manufacturing Overhead would be credited

56. Which of the following would be used to record the depreciation of manufacturing equipment?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited
- D. Manufacturing Overhead would be credited

57. Which of the following would be used to record the lease expense for a factory building?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited
- D. Manufacturing Overhead would be credited

58. Which of the following would be used to record the factory supervisor's salary?
- A. Raw Materials Inventory would be debited
 - B. Work in Process Inventory would be debited
 - C. Manufacturing Overhead would be debited
 - D. Manufacturing Overhead would be credited
59. Which of the following would be used to apply manufacturing overhead to production for the period?
- A. Raw Materials Inventory would be debited
 - B. Work in Process Inventory would be debited
 - C. Manufacturing Overhead would be debited
 - D. Work in Process Inventory would be credited
60. Which of the following would be used to apply manufacturing overhead to production for the period?
- A. Credit to Raw Materials Inventory
 - B. Credit to Work in Process Inventory
 - C. Debit to Manufacturing Overhead
 - D. Credit to Manufacturing Overhead
61. Which of the following would be used to transfer the cost of completed goods during the period?
- A. Credit to Raw Materials Inventory
 - B. Credit to Work in Process Inventory
 - C. Debit to Manufacturing Overhead
 - D. Credit to Manufacturing Overhead
62. If a company uses a predetermined overhead rate, which of the following statements is correct?
- A. Manufacturing Overhead will be debited for estimated overhead
 - B. Manufacturing Overhead will be credited for estimated overhead
 - C. Manufacturing Overhead will be debited for actual overhead
 - D. Manufacturing Overhead will be credited for actual overhead

63. Which of the following accounts is not affected by applied manufacturing overhead?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

64. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, and actual labor hours were 21,000. The amount debited to the Manufacturing Overhead account would be

- A. \$400,000
- B. \$415,000
- C. \$420,000
- D. \$435,750

65. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, and actual labor hours were 21,000. The amount credited to the Manufacturing Overhead account would be

- A. \$400,000
- B. \$415,000
- C. \$420,000
- D. \$435,750

66. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, and actual labor hours were 21,000. The amount debited to the Manufacturing Overhead account would be

- A. \$200,000
- B. \$215,000
- C. \$210,000
- D. \$225,750

67. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, and actual labor hours were 21,000. The amount credited to the Manufacturing Overhead account would be

- A. \$200,000
- B. \$215,000
- C. \$210,000
- D. \$225,750

68. Overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual overhead was \$225,000, and actual direct labor hours were 19,000. The amount debited to the manufacturing overhead account would be

- A. \$250,000
- B. \$225,000
- C. \$213,750
- D. \$237,500

69. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, and actual direct labor hours were 19,000. The amount credited to the Manufacturing Overhead account would be

- A. \$250,000
- B. \$225,000
- C. \$213,750
- D. \$237,500

70. Overhead costs are overapplied if the amount applied to Work in Process is

- A. greater than estimated overhead.
- B. less than estimated overhead.
- C. greater than actual overhead incurred.
- D. less than actual overhead incurred.

71. Overhead costs are underapplied if the amount applied to Work in Process is

- A. greater than estimated overhead.
- B. less than estimated overhead.
- C. greater than actual overhead incurred.
- D. less than actual overhead incurred.

72. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, and actual labor hours were 21,000. Which of the following would be correct?

- A. Overhead is underapplied by \$15,000
- B. Overhead is underapplied by \$5,000
- C. Overhead is overapplied by \$5,000
- D. Overhead is overapplied by \$15,000

73. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, and actual labor hours were 21,000. Which of the following would be correct?

- A. Overhead is underapplied by \$15,000
- B. Overhead is underapplied by \$5,000
- C. Overhead is overapplied by \$5,000
- D. Overhead is overapplied by \$15,000

74. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, and actual direct labor hours were 19,000. Which of the following would be correct?

- A. Overhead is underapplied by \$25,000
- B. Overhead is underapplied by \$12,500
- C. Overhead is overapplied by \$12,500
- D. Overhead is overapplied by \$25,000

75. The most common method for disposing of over- or underapplied overhead is to
- A. recalculate the overhead rate for the period.
 - B. recalculate the overhead rate for the next period.
 - C. make a direct adjustment to Work in Process Inventory.
 - D. make a direct adjustment to Cost of Goods Sold.
76. When disposed of, overapplied manufacturing overhead will
- A. increase Cost of Goods Sold.
 - B. increase Finished Goods.
 - C. decrease Cost of Goods Sold.
 - D. decrease Finished Goods.
77. When disposed of, underapplied manufacturing overhead will
- A. increase Cost of Goods Sold.
 - B. increase Finished Goods.
 - C. decrease Cost of Goods Sold.
 - D. decrease Finished Goods.
78. Underapplied overhead means
- A. too little overhead was applied to raw materials.
 - B. actual overhead is greater than estimated overhead.
 - C. finished goods will need to be credited.
 - D. there is a debit balance remaining in the overhead account.
79. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, and actual labor hours were 21,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?
- A. Cost of Goods Sold would be credited for \$15,000
 - B. Cost of Goods Sold would be credited for \$5,000
 - C. Cost of Goods Sold would be debited for \$5,000
 - D. Cost of Goods Sold would be debited for \$15,000

80. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, and actual labor hours were 21,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Manufacturing Overhead would be credited for \$5,000
- B. Manufacturing Overhead would be credited for \$20,000
- C. Manufacturing Overhead would be debited for \$5,000
- D. Manufacturing Overhead would be debited for \$20,000

81. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, and actual labor hours were 21,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Cost of Goods Sold would be credited for \$15,000
- B. Cost of Goods Sold would be credited for \$5,000
- C. Cost of Goods Sold would be debited for \$5,000
- D. Cost of Goods Sold would be debited for \$15,000

82. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, and actual labor hours were 21,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Manufacturing Overhead would be credited for \$5,000
- B. Manufacturing Overhead would be credited for \$15,000
- C. Manufacturing Overhead would be debited for \$5,000
- D. Manufacturing Overhead would be debited for \$15,000

83. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, and actual direct labor hours were 19,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Cost of Goods Sold would be credited for \$25,000
- B. Cost of Goods Sold would be credited for \$12,500
- C. Cost of Goods Sold would be debited for \$12,500
- D. Cost of Goods Sold would be debited for \$25,000

84. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, and actual direct labor hours were 19,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Manufacturing Overhead would be credited for \$12,500
- B. Manufacturing Overhead would be credited for \$25,000
- C. Manufacturing Overhead would be debited for \$12,500
- D. Manufacturing Overhead would be debited for \$25,000

85. Cost of goods manufactured is the amount of cost transferred

- A. out of Finished Goods Inventory and into Cost of Goods Sold.
- B. out of Finished Goods Inventory and into Work in Process Inventory.
- C. out of Work in Process Inventory and into Manufacturing Overhead.
- D. out of Work in Process Inventory and into Finished Goods Inventory.

86. Cost of goods sold is the amount of cost transferred

- A. out of Finished Goods Inventory and into Cost of Goods Sold.
- B. out of Work in Process Inventory and into Cost of Goods Sold.
- C. out of Work in Process Inventory and into Manufacturing Overhead.
- D. out of Work in Process Inventory and into Finished Goods Inventory.

87. Acme Company had the following information for the year:

Direct materials used	\$110,000
Direct labor incurred (5,000 hours)	\$150,000
Actual manufacturing overhead incurred	\$166,000

Acme Company used a predetermined overhead rate of \$35 per direct labor hour for the year. Assume the only inventory balance is an ending Work in Process Inventory balance of \$17,000. What was cost of goods manufactured?

- A. \$260,000
- B. \$426,000
- C. \$435,000
- D. \$418,000

88. Acme Company had the following information for the year:

Direct materials used	\$110,000
Direct labor incurred (5,000 hours)	\$150,000
Actual manufacturing overhead incurred	\$166,000

Acme Company used a predetermined overhead rate of \$35 per direct labor hour for the year. Assume the only inventory balance is an ending Work in Process Inventory balance of \$17,000. What was adjusted cost of goods sold?

- A. \$435,000
- B. \$426,000
- C. \$418,000
- D. \$409,000

89. Ajax Company had the following information for the year:

Direct materials used	\$190,000
Direct labor incurred (7,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$273,000

Ajax Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8,000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods Inventory balance of \$9,000. What was cost of goods manufactured?

- A. \$715,000
- B. \$708,000
- C. \$755,000
- D. \$706,000

90. Ajax Company had the following information for the year:

Direct materials used	\$190,000
Direct labor incurred (7,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$273,000

Ajax Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods Inventory balance of \$9,000. What was adjusted cost of goods sold?

- A. \$715,000
- B. \$708,000
- C. \$706,000
- D. \$699,000

91. Amelia Company had the following information for the year:

Direct materials used	\$295,000
Direct labor incurred (9,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$343,000

Amelia Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8,000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods Inventory balance of \$19,000. What was cost of goods manufactured?

- A. \$841,000
- B. \$860,000
- C. \$883,000
- D. \$900,000

92. Amelia Company had the following information for the year:

Direct materials used	\$295,000
Direct labor incurred (9,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$343,000

Amelia Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods Inventory balance of \$19,000. What was adjusted cost of goods sold?

- A. \$900,000
- B. \$883,000
- C. \$881,000
- D. \$864,000

93. Alcatraz Corp has the following information:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$20,000	\$30,000
Work in Process Inventory	\$15,000	\$18,000
Finished Goods Inventory	\$30,000	\$20,000

Additional information for the year is as follows:

Raw materials purchases	\$100,000
Direct labor	\$75,000
Manufacturing overhead applied	\$80,000
Indirect materials	\$0

Compute the direct materials used in production.

- A. \$20,000
- B. \$30,000
- C. \$110,000
- D. \$90,000

94. Alcatraz Corp has the following information:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$20,000	\$30,000
Work in Process Inventory	\$15,000	\$18,000
Finished Goods Inventory	\$30,000	\$20,000

Additional information for the year is as follows:

Raw materials purchases	\$100,000
Direct labor	\$75,000
Manufacturing overhead applied	\$80,000
Indirect materials	\$0

Compute the current manufacturing costs.

- A. \$245,000
- B. \$255,000
- C. \$65,000
- D. \$68,000

95. Alcatraz Corp has the following information:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$20,000	\$30,000
Work in Process Inventory	\$15,000	\$18,000
Finished Goods Inventory	\$30,000	\$20,000

Additional information for the year is as follows:

Raw materials purchases	\$100,000
Direct labor	\$75,000
Manufacturing overhead applied	\$80,000
Indirect materials	\$0

Compute the cost of goods manufactured.

- A. \$248,000
- B. \$242,000
- C. \$265,000
- D. \$235,000

96. Alcatraz Corp has the following information:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$20,000	\$30,000
Work in Process Inventory	\$15,000	\$18,000
Finished Goods Inventory	\$30,000	\$20,000

Additional information for the year is as follows:

Raw materials purchases	\$100,000
Direct labor	\$75,000
Manufacturing overhead applied	\$80,000
Indirect materials	\$0

Compute the unadjusted cost of goods sold.

- A. \$133,000
- B. \$242,000
- C. \$252,000
- D. \$255,000

97. Carmella Inc had the following information for the preceding year:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$40,000	\$30,000
Work in Process Inventory	\$35,000	??
Finished Goods Inventory	\$30,000	??

Additional information for the year is as follows:

Direct materials used	\$200,000
Direct labor	\$150,000
Manufacturing overhead applied	\$160,000
Cost of goods manufactured	\$525,000
Cost of goods sold	\$544,000

What was the ending Work in Process Inventory balance on 12/31?

- A. \$20,000
- B. \$11,000
- C. \$50,000
- D. \$54,000

98. Carmella Inc had the following information for the preceding year:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$40,000	\$30,000
Work in Process Inventory	\$35,000	??
Finished Goods Inventory	\$30,000	??

Additional information for the year is as follows:

Direct materials used	\$200,000
Direct labor	\$150,000
Manufacturing overhead applied	\$160,000
Cost of goods manufactured	\$525,000
Unadjusted cost of goods sold	\$544,000

What was the ending Finished Goods Inventory balance on 12/31?

- A. \$20,000
- B. \$11,000
- C. \$50,000
- D. \$54,000

99. Homer Inc had the following information for the preceding year:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Work in Process Inventory	??	\$35,000
Finished Goods Inventory	??	\$30,000

Additional information for the year is as follows:

Direct materials used	\$200,000
Direct labor	\$150,000
Manufacturing overhead applied	\$160,000
Cost of goods manufactured	\$525,000
Cost of goods sold	\$544,000

What was the beginning Work in Process Inventory balance on 1/1?

- A. \$49,000
- B. \$65,000
- C. \$50,000
- D. \$69,000

100. Homer Inc had the following information for the preceding year:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Work in Process Inventory	??	\$35,000
Finished Goods Inventory	??	\$30,000

Additional information for the year is as follows:

Direct materials used	\$200,000
Direct labor	\$150,000
Manufacturing overhead applied	\$160,000
Cost of goods manufactured	\$525,000
Unadjusted cost of goods sold	\$544,000

What was the beginning Finished Goods Inventory balance on 1/1?

- A. \$49,000
- B. \$65,000
- C. \$50,000
- D. \$69,000

Chapter 02 – Job Order Costing

Essay Questions

101. Irwin Inc. uses a job order costing system with manufacturing overhead applied to products at a rate of 150% of direct labor cost. Treating each case independently, find the missing amounts for a through l:

	Case #1	Case #2	Case #3
Direct materials used	\$20,000	e.	\$10,000
Direct labor	\$25,000	f.	i.
Manufacturing overhead applied	a.	\$45,000	j.
Total manufacturing costs	b.	\$95,000	\$35,000
Beginning Work in Process	\$10,000	g.	\$6,000
Ending Work in process	\$8,000	\$10,000	k.
Cost of goods manufactured	c.	\$93,000	\$36,000
Beginning Finished Goods	\$12,000	\$12,000	l.
Ending Finished Goods	\$15,500	h.	\$4,000
Cost of goods sold (unadjusted)	d.	\$91,000	\$37,000

102. Jacobs Inc. uses a job order costing system with manufacturing overhead applied to products at a rate of 100% of direct labor cost. Treating each case independently, find the missing amounts for a through l:

	Case #1	Case #2	Case #3
Direct materials used	\$20,000	e.	\$10,000
Direct labor	\$20,000	f.	i.
Manufacturing overhead applied	a.	\$30,000	j.
Total manufacturing costs	b.	\$80,000	\$30,000
Beginning Work in Process	\$10,000	g.	\$4,000
Ending Work in process	\$12,000	\$5,000	k.
Cost of goods manufactured	c.	\$79,000	\$28,000
Beginning Finished Goods	\$12,000	\$15,000	l.
Ending Finished Goods	\$9,000	h.	\$15,000
Cost of goods sold (unadjusted)	d.	\$81,000	\$26,000

103. Brisebois Inc. uses a job order costing system with manufacturing overhead applied to products at a rate of 80% of direct labor cost. Treating each case independently, find the missing amounts for a through l:

	Case #1	Case #2	Case #3
Direct materials used	\$20,000	e.	\$20,000
Direct labor	\$25,000	\$20,000	i.
Manufacturing overhead applied	a.	f.	j.
Total manufacturing costs	b.	\$46,000	\$38,000
Beginning Work in Process	\$9,000	g.	\$6,000
Ending Work in process	\$7,000	\$6,000	\$3,000
Cost of goods manufactured	c.	\$45,000	k.
Beginning Finished Goods	\$13,000	\$8,000	l.
Ending Finished Goods	\$14,000	h.	\$8,000
Cost of goods sold (unadjusted)	d.	\$48,000	\$43,000

104. Dallas Inc. uses a job order costing system with manufacturing overhead applied to products at a rate of 200% of direct labor cost. Treating each case independently, find the missing amounts for a through l:

	Case #1	Case #2	Case #3
Direct materials used	a.	e.	\$20,000
Direct labor	\$20,000	f.	\$30,000
Manufacturing overhead applied	b.	\$45,000	i.
Total manufacturing costs	\$70,000	\$90,000	j.
Beginning Work in Process	c.	g.	\$15,000
Ending Work in process	\$10,000	\$3,000	\$17,000
Cost of goods manufactured	\$67,000	\$94,000	k.
Beginning Finished Goods	\$12,000	\$14,000	l.
Ending Finished Goods	d.	\$12,000	\$15,000
Cost of goods sold (unadjusted)	\$63,000	h.	\$113,000

105. Sorrento Cabinets is a custom cabinet builder. They recently completed a set of kitchen cabinets (Job #1478), as summarized below:

Job Number: #1478							
Date started: 4/07/2008							
Date completed: 4/22/2008							
Description: Cherry kitchen cabinets							
Direct Materials		Direct Labor			Applied Manufacturing Overhead		
<u>Req #</u>	<u>Amount</u>	<u>Ticket</u>	<u>Hours</u>	<u>Amount</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
385	\$ 300	128	16	\$ 288			
391	225	130	23	426			
395	150	133	12	264			
401	215						
Total	\$ 890	Total	51	\$ 978			
Cost Summary							
Direct Material Cost					\$	890	
Direct Labor Cost						978	
Applied Manufacturing Overhead							
Total Cost							

Sorrento Cabinets applies overhead to jobs at a rate of \$12 per direct labor hour.

- a. How much overhead would be applied to Job #1478?
- b. What is the total cost of Job #1478?

106. LaPaz Cabinets is a custom cabinet builder. They recently completed a set of kitchen cabinets (Job #1887), as summarized below:

Job Number: #1887							
Date started: 4/17/2008							
Date completed: 4/29/2008							
Description: Pecan kitchen cabinets							
Direct Materials		Direct Labor			Applied Manufacturing Overhead		
<u>Req #</u>	<u>Amount</u>	<u>Ticket</u>	<u>Hours</u>	<u>Amount</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
385	\$ 400	128	18	\$ 396			
391	325	130	29	696			
395	250	133	15	390			
401	415						
Total	\$ 1,390	Total	62	\$ 1,482			
Cost Summary							
Direct Material Cost					\$ 1,390		
Direct Labor Cost					1,482		
Applied Manufacturing Overhead					_____		
Total Cost							

LaPaz applies overhead to jobs at a rate of \$18 per direct labor hour.

- a. How much overhead would be applied to Job #1887?
- b. What is the total cost of Job #1887?

107. Jorgensen Cabinets is a custom cabinet builder. They recently completed a set of kitchen cabinets (Job #12478), as summarized below:

Job Number: #12478							
Date started: 8/05/2008							
Date completed: 8/25/2008							
Description: Butternut kitchen cabinets							
Direct Materials		Direct Labor			Applied Manufacturing Overhead		
<u>Req #</u>	<u>Amount</u>	<u>Ticket</u>	<u>Hours</u>	<u>Amount</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
385	\$ 400	128	16	\$ 256			
391	324	130	23	390			
395	196	133	12	186			
401	455	141	15	330			
Total	\$ 1,375	Total	66	\$ 1,162			
Cost Summary							
Direct Material Cost					\$ 1,375		
Direct Labor Cost					1,162		
Applied Manufacturing Overhead					_____		
Total Cost							

Jorgensen applies overhead to jobs at a rate of \$15 per direct labor hour.

- a. How much overhead would be applied to Job #12478?
- b. What is the total cost of Job #12478?

108. Zetterberg Scandinavian Kitchens is a custom cabinet builder. They recently completed a set of kitchen cabinets (Job #3097), as summarized below:

Job Number: #3097						
Date started: 11/10/2008						
Date completed: 11/27/2008						
Description: Oak kitchen cabinets						
Direct Materials		Direct Labor			Applied Manufacturing Overhead	
<u>Req #</u>	<u>Amount</u>	<u>Ticket</u>	<u>Hours</u>	<u>Amount</u>	<u>Hours</u>	<u>Rate</u> <u>Amount</u>
1385	\$ 300	2128	18	\$ 396		
1391	225	2130	27	621		
1395	150	2133	14	308		
1401	215	2144	18	414		
Total	\$ 890	Total	77	\$ 1,739		
Cost Summary						
Direct Material Cost					\$ 890	
Direct Labor Cost					1,739	
Applied Manufacturing Overhead					_____	
Total Cost						

Zetterberg applies overhead to jobs at a rate of \$17 per direct labor hour.

- a. How much overhead would be applied to Job #3097?
- b. What is the total cost of Job #3097?

109. Wyse Corp uses a normal job order costing system with manufacturing overhead applied to products on the basis of direct labor hours. For the upcoming year, Wyse Corp estimated total manufacturing overhead cost at \$500,000 and total direct labor hours of 50,000. Wyse Corp started the year with no beginning balances in either Work in Process Inventory or Finished Goods Inventory. During the year actual manufacturing overhead incurred was \$512,500 and 49,000 direct labor hours were used.

- a. Calculate the predetermined overhead rate.
- b. Calculate how much manufacturing overhead will be applied to production.
- c. Is overhead over- or underapplied? By how much?
- d. What account should be adjusted for over- or underapplied overhead? Should the balance be increased or decreased?

110. Barron Corp uses a normal job order costing system with manufacturing overhead applied to products on the basis of direct labor hours. For the upcoming year, Barron Corp estimated total manufacturing overhead cost at \$250,000 and total direct labor hours of 50,000. During the year actual manufacturing overhead incurred was \$262,500 and 51,000 direct labor hours were used.

- a. Calculate the predetermined overhead rate.
- b. Calculate how much manufacturing overhead will be applied to production.
- c. Is overhead over- or underapplied? By how much?
- d. What account should be adjusted for over- or underapplied overhead? Should the balance be increased or decreased?

111. Baxter Corp uses a normal job order costing system with manufacturing overhead applied to products on the basis of direct labor hours. For the upcoming year, Baxter Corp estimated total manufacturing overhead cost at \$480,000 and total direct labor hours of 40,000. During the year actual manufacturing overhead incurred was \$462,500 and 41,000 direct labor hours were used.

- a. Calculate the predetermined overhead rate.
- b. Calculate how much manufacturing overhead will be applied to production.
- c. Is overhead over- or underapplied? By how much?
- d. What account should be adjusted for over- or underapplied overhead? Should the balance be increased or decreased?

112. Callen Corp uses a normal job order costing system with manufacturing overhead applied to products on the basis of machine hours. For the upcoming year, Callen Corp estimated total manufacturing overhead cost at \$270,000 and total machine hours of 45,000. During the year actual manufacturing overhead incurred was \$258,750 and 46,600 machine hours were used.

- a. Calculate the predetermined overhead rate.
- b. Calculate how much manufacturing overhead will be applied to production.
- c. Is overhead over- or underapplied? By how much?
- d. What account should be adjusted for over- or underapplied overhead? Should the balance be increased or decreased?

113. Perrault Inc uses a job order costing system. Manufacturing overhead is applied on the basis of direct labor cost. Total manufacturing overhead was estimated to be \$75,000 for the year; direct labor was estimated to total \$150,000.

	1/1	12/31
Raw Materials Inventory	\$10,000	\$13,000
Work in Process Inventory	\$22,000	\$19,000
Finished Goods Inventory	\$34,000	\$41,000
The following transactions have occurred during the year.		
Raw materials purchases		\$100,000
Direct materials used		\$91,000
Direct labor		\$145,000
Indirect materials used		\$6,000
Indirect labor		\$15,000
Factory equipment depreciation		\$24,000
Factory rent		\$18,000
Factory utilities		\$7,500
Other factory costs		\$6,500

- Calculate the predetermined overhead rate
- Calculate cost of goods manufactured
- Calculate the over- or underapplied overhead
- Calculate adjusted cost of goods sold

114. Bisson Inc uses a job order costing system. Manufacturing overhead is applied on the basis of direct labor cost. Total manufacturing overhead was estimated to be \$150,000 for the year; direct labor was estimated to total \$300,000.

	1/1	12/31
Raw Materials Inventory	\$20,000	\$26,000
Work in Process Inventory	\$44,000	\$38,000
Finished Goods Inventory	\$68,000	\$82,000

The following transactions have occurred during the year.

Raw materials purchases	\$200,000
Direct materials used	\$182,000
Direct labor	\$290,000
Indirect materials used	\$12,000
Indirect labor	\$30,000
Factory equipment depreciation	\$48,000
Factory rent	\$36,000
Factory utilities	\$15,000
Other factory costs	\$13,000

- Calculate the predetermined overhead rate
- Calculate cost of goods manufactured
- Calculate the over- or underapplied overhead
- Calculate adjusted cost of goods sold

115. Beaulieu Inc uses a job order costing system. Manufacturing overhead is applied on the basis of direct labor cost. Total manufacturing overhead was estimated to be \$120,000 for the year; direct labor was estimated to total \$150,000.

	1/1	12/31
Raw Materials Inventory	\$13,000	\$10,000
Work in Process Inventory	\$19,000	\$22,000
Finished Goods Inventory	\$41,000	\$32,000

The following transactions have occurred during the year.

Raw materials purchases	\$100,000
Direct materials used	\$91,000
Direct labor	\$125,000
Indirect materials used	\$12,000
Indirect labor	\$18,000
Factory equipment depreciation	\$28,000
Factory rent	\$22,000
Factory utilities	\$9,500
Other factory costs	\$8,500

- Calculate the predetermined overhead rate
- Calculate cost of goods manufactured
- Calculate the over- or underapplied overhead
- Calculate adjusted cost of goods sold

116. Lafleur Inc uses a job order costing system. Manufacturing overhead is applied on the basis of direct labor cost. Total manufacturing overhead was estimated to be \$120,000 for the year; direct labor was estimated to total \$150,000.

	1/1	12/31
Raw Materials Inventory	\$13,000	\$10,000
Work in Process Inventory	\$29,000	\$22,000
Finished Goods Inventory	\$41,000	\$32,000
The following transactions have occurred during the year.		
Raw materials purchases		\$100,000
Direct materials used		\$87,000
Direct labor		\$135,000
Indirect materials used		\$16,000
Indirect labor		\$19,000
Factory equipment depreciation		\$28,000
Factory rent		\$15,000
Factory utilities		\$11,500
Other factory costs		\$8,500

- Calculate the predetermined overhead rate
- Calculate cost of goods manufactured
- Calculate the over or under-applied overhead
- Calculate adjusted cost of goods sold

117. Misa Inc. has provided the following information for 2008:

- a. Purchased raw materials on account for \$120,000.
- b. Issued \$115,000 in raw materials to production (\$22,000 were not traceable to specific jobs).
- c. Incurred \$115,000 in direct labor costs (14,375 hours) and \$62,500 in supervision costs (paid in cash).
- d. Incurred the following additional manufacturing overhead costs: factory lease \$24,000 (paid in cash); depreciation on equipment \$20,000; custodial supplies \$7,500 (paid in cash).
- e. Incurred the following nonmanufacturing costs, both paid in cash: advertising \$75,000; sales commissions \$88,000.
- f. Applied manufacturing overhead to jobs in process at a rate of \$10 per direct labor hour.
- g. Completed jobs costing a total of \$345,000.
- h. Sold jobs for \$425,000 on account. The cost of the jobs was \$342,000.
- i. Closed the Manufacturing Overhead account balance.

Prepare the journal entries to record these transactions.

118. Baldwin Inc. has provided the following information for 2008:

- a. Purchased raw materials on account for \$240,000.
- b. Issued \$230,000 in raw materials to production (\$32,000 were not traceable to specific jobs).
- c. Incurred \$242,000 in direct labor costs (24,120 hours) and \$92,500 in supervision costs (paid in cash).
- d. Incurred the following additional manufacturing overhead costs: factory utilities \$24,000 (paid in cash); depreciation on equipment \$45,000; indirect supplies \$17,500 (paid in cash).
- e. Incurred the following nonmanufacturing costs, both paid in cash: advertising \$75,000; sales salaries \$88,000.
- f. Applied manufacturing overhead to jobs in process at a rate of \$9 per direct labor hour.
- g. Completed jobs costing a total of \$644,000.
- h. Sold jobs for \$856,000 on account. The cost of the jobs was \$642,000.
- i. Closed the manufacturing overhead account balance.

Prepare the journal entries to record these transactions.

119. St. Croix Inc. has provided the following information for 2008:

- a. Purchased raw materials on account for \$150,000.
- b. Issued \$130,000 in raw materials to production (\$34,000 were not traceable to specific jobs).
- c. Incurred \$144,000 in direct labor costs (14,120 hours) and \$62,500 in supervision costs (paid in cash).
- d. Incurred the following additional manufacturing overhead costs: factory lease \$36,000 (paid in cash); depreciation on equipment \$30,000; indirect supplies \$13,500 (paid in cash).
- e. Incurred the following nonmanufacturing costs, both paid in cash: advertising \$45,000; sales commissions \$48,000.
- f. Applied manufacturing overhead to jobs in process at a rate of \$13 per direct labor hour.
- g. Completed jobs costing a total of \$415,000.
- h. Sold jobs for \$625,000 on account. The cost of the jobs was \$422,000.
- i. Closed the Manufacturing Overhead account balance.

Prepare the journal entries to record these transactions.

120. Grand Traverse Inc. has provided the following information for 2008:

- a. Purchased raw materials on account for \$200,000.
- b. Issued \$185,000 in raw materials to production (\$12,000 were not traceable to specific jobs).
- c. Incurred \$155,000 in direct labor costs (14,750 hours), \$52,500 in supervision costs (paid in cash).
- d. Incurred the following additional manufacturing overhead costs: factory lease \$22,000 (paid in cash); depreciation on equipment \$26,000; factory utilities \$13,500 (paid in cash).
- e. Incurred the following nonmanufacturing costs, both paid in cash: advertising \$55,000; sales commissions \$58,000.
- f. Applied manufacturing overhead to jobs in process at a rate of \$9 per direct labor hour.
- g. Completed jobs costing a total of \$457,000.
- h. Sold jobs for \$735,000 on account. The cost of the jobs was \$441,000.
- i. Closed the manufacturing overhead account balance.

Prepare the journal entries to record these transactions.

121. Mille Lac Corp. applies manufacturing overhead to production at 125% of direct labor cost. During 2008, manufacturing overhead of \$100,000 was applied to production; actual manufacturing overhead was \$109,000. Beginning Work in Process Inventory was \$15,000 and beginning Finished Goods Inventory was \$35,000. Work in Process Inventory increased by 10% during the year and Finished Goods Inventory decreased by 20% during the year. Sales for 2008 were \$450,000, yielding a \$130,000 gross profit.

Complete the following schedule:

Direct materials used in production	
Direct labor	
Manufacturing overhead applied	_____
Current manufacturing costs	_____
Beginning Work in Process Inventory	
Ending Work in Process Inventory	_____
Cost of goods manufactured	_____
Beginning Finished Goods Inventory	
Ending Finished Goods Inventory	_____
Unadjusted Cost of Goods Sold	_____
Overhead adjustment	_____
Adjusted Cost of Goods Sold	_____

122. Nicolet Corp. applies manufacturing overhead to production at 150% of direct labor cost. During 2008, manufacturing overhead of \$180,000 was applied to production; actual manufacturing overhead was \$199,000. Beginning Work in Process Inventory was \$20,000 and ending Work in Process Inventory was \$24,000. Beginning Finished Goods Inventory was \$42,000, ending Finished Goods Inventory was \$39,000. Sales for 2008 were \$580,000, yielding a \$117,000 gross profit.

Complete the following schedule:

Direct materials used in production	
Direct labor	
Manufacturing overhead applied	_____
Current manufacturing costs	
Beginning Work in Process Inventory	
Ending Work in Process Inventory	_____
Cost of goods manufactured	
Beginning Finished Goods Inventory	
Ending Finished Goods Inventory	_____
Unadjusted Cost of Goods Sold	
Overhead adjustment	_____
Adjusted Cost of Goods Sold	

123. Couderay Corp. applies manufacturing overhead to production at 75% of direct labor cost. During 2008, manufacturing overhead of \$150,000 was applied to production; actual manufacturing overhead was \$156,000. Ending Work in Process Inventory was \$22,000 and ending Finished Goods Inventory was \$36,000. Work in Process Inventory increased by 10% during the year and Finished Goods Inventory increased by 20% during the year. Unadjusted Cost of Goods Sold was \$575,000.

Complete the following schedule:

Direct materials used in production	
Direct labor	
Manufacturing overhead applied	_____
Current manufacturing costs	
Beginning Work in Process Inventory	
Ending Work in Process Inventory	_____
Cost of goods manufactured	
Beginning Finished Goods Inventory	
Ending Finished Goods Inventory	_____
Unadjusted Cost of Goods Sold	_____
Overhead adjustment	_____
Adjusted Cost of Goods Sold	

124. Big Sandy Corp. applies manufacturing overhead to production at 80% of direct labor cost. During 2008, manufacturing overhead of \$200,000 was applied to production; actual manufacturing overhead was \$189,000. Beginning Work in Process Inventory was \$25,000, and beginning Finished Goods Inventory was \$45,000. Work in Process Inventory decreased by 20% during the year and Finished Goods Inventory decreased by 10% during the year. Adjusted Cost of Goods Sold was \$623,500 for 2008.

Complete the following schedule:

Direct materials used in production	
Direct labor	
Manufacturing overhead applied	_____
Current manufacturing costs	
Beginning Work in Process Inventory	
Ending Work in Process Inventory	_____
Cost of goods manufactured	
Beginning Finished Goods Inventory	
Ending Finished Goods Inventory	_____
Unadjusted Cost of Goods Sold	
Overhead adjustment	_____
Adjusted Cost of Goods Sold	

Chapter 02 Job Order Costing **Answer Key**

True / False Questions

1. Process costing is used when all of the products produced are unique.

FALSE

Process costing is used when each unit of the final product comes out identical to the next.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 1
Topic: Job order versus process costing*

2. A marketing consulting firm would most likely use process costing.

FALSE

A marketing consulting firm is more likely to use job order costing, which is used by companies that offer customized or unique products or services.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Easy
Learning Objective: 1
Topic: Job order versus process costing*

3. A law firm would most likely use job order costing.

TRUE

A law firm is likely to use job order costing, as each client receives a unique service from the firm.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Easy
Learning Objective: 1
Topic: Job order versus process costing*

4. A materials requisition form is used to authorize the purchase of direct materials.

FALSE

A materials requisition form is used to control the physical flow of materials out of inventory and into production, and record the cost of raw materials in the accounting system.

*AACSB: Communication
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2
Topic: Materials requisition form*

5. Direct labor costs are recorded using labor time tickets.

TRUE

A direct labor time ticket shows how much time a worker has spent on various jobs each week, and the cost of that time.

*AACSB: Communication
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2
Topic: Direct labor time ticket*

6. A job cost sheet will record the direct materials and direct labor used by the job but not the manufacturing overhead applied.

FALSE

A job cost sheet summarizes all of the costs incurred on a specific job.

*AACSB: Communication
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2
Topic: Job cost sheet*

7. A predetermined overhead rate is calculated by dividing estimated total manufacturing overhead cost by estimated units in the allocation base.

TRUE

This is the formula for the predetermined overhead rate.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 3
Topic: Predetermined overhead rates*

8. Direct materials cannot be directly or conveniently traced to a specific job.

FALSE

Direct materials are direct, and thus traceable.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: Manufacturing cost categories*

9. Manufacturing overhead includes all costs of producing a product except for indirect materials and indirect labor.

FALSE

Manufacturing overhead includes all manufacturing costs except direct materials and direct labor.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: Manufacturing cost categories*

10. When manufacturing overhead is applied to a job, a credit is made to the Work in Process account.

FALSE

Applied manufacturing overhead is credited to Work in Process inventory.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: Recording the flow of costs in job order costing*

11. When goods are completed, a debit is made to Work in Process Inventory and a credit is made to Finished Goods Inventory.

FALSE

When a job is completed, its total manufacturing cost is transferred out of Work in Process Inventory with a credit, and into Finished Goods Inventory with a debit.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: Recording the flow of costs in job order costing*

12. When goods are completed, a debit is made to Finished Goods Inventory and a credit is made to Work in Process Inventory.

TRUE

When a job is completed, its total manufacturing cost is transferred out of Work in Process Inventory with a credit, and into Finished Goods Inventory with a debit.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

13. If there is a debit balance in the Manufacturing Overhead account at the end of the period, overhead was underapplied.

TRUE

If there is a debit balance in the Manufacturing Overhead account at the end of the period, actual is greater than applied overhead, so overhead was underapplied.

AACSB: Analytic
AICPA: Measurement
Bloom's: Comprehension
Difficulty: Easy
Learning Objective: 5
Topic: Calculating overapplied and underapplied manufacturing overhead

14. If there is a credit balance in the Manufacturing Overhead account at the end of the period, overhead was overapplied.

TRUE

If there is a credit balance in the Manufacturing Overhead account at the end of the period, applied is greater than actual overhead, so overhead was overapplied.

AACSB: Analytic
AICPA: Measurement
Bloom's: Comprehension
Difficulty: Easy
Learning Objective: 5
Topic: Calculating overapplied and underapplied manufacturing overhead

15. If there is a debit balance in the Manufacturing Overhead account at the end of the period, overhead was overapplied.

FALSE

If there is a debit balance in the Manufacturing Overhead account at the end of the period, actual is greater than applied overhead, so overhead was underapplied.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Comprehension
Difficulty: Easy
Learning Objective: 5
Topic: Calculating overapplied and underapplied manufacturing overhead*

16. If there is a credit balance in the Manufacturing Overhead account at the end of the period, overhead was underapplied.

FALSE

If there is a credit balance in the Manufacturing Overhead account at the end of the period, applied is greater than actual overhead, so overhead was overapplied.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Comprehension
Difficulty: Easy
Learning Objective: 5
Topic: Calculating overapplied and underapplied manufacturing overhead*

17. To eliminate underapplied overhead at the end of the year, Manufacturing Overhead would be debited and Cost of Goods Sold would be credited.

FALSE

If manufacturing overhead is underapplied during the year, Manufacturing Overhead will need to be credited to bring the account balance to zero, while Cost of Goods Sold would be debited.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead*

18. To eliminate underapplied overhead at the end of the year, Manufacturing Overhead would be credited and Cost of Goods Sold would be debited.

TRUE

If manufacturing overhead is underapplied during the year, Manufacturing Overhead will need to be credited to bring the account balance to zero, while Cost of Goods Sold would be debited.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead*

19. The total amount of cost assigned to jobs that were completed during the year is the cost of goods sold.

FALSE

The total amount of cost assigned to jobs that were completed during the year is the cost of goods manufactured.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 6
Topic: Preparing the cost of goods manufactured report*

20. The total amount of cost assigned to jobs that were completed during the year is the cost of goods manufactured.

TRUE

This is the definition of cost of goods manufactured.

*AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 6
Topic: Preparing the cost of goods manufactured report*

Multiple Choice Questions

21. Which of the following types of firms would most likely use process costing?

- A. Superior Auto Body & Repair
- B. Crammond Custom Cabinets
- C. Sunshine Soft Drinks**
- D. Jackson & Taylor Tax Service

Process costing is used by companies that make standardized or homogeneous products or services, such as a soft drink company.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Easy
Learning Objective: 1
Topic: Job order versus process costing

22. Which of the following types of firms would most likely use job order costing?

- A. Happy-Oh Cereal Company
- B. Huey, Lewey & Dewie, Attorneys**
- C. SoooSweet Beverage
- D. C-5 Cement Company

Job order costing is used in companies that offer customized or unique products or services, such as a law firm.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Easy
Learning Objective: 1
Topic: Job order versus process costing

23. Which of the following is a characteristic of a manufacturing environment that would use job order costing?

- A. Standardized production process
- B. Continuous manufacturing
- C. Homogenous products
- D. Differentiated products**

Job order costing is used in companies that offer customized or unique products or services.

AACSB: Analytic

AICPA: Measurement

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 1

Topic: Job order versus process costing

24. The cost of materials used on a specific job is first captured on which source document?

- A. Cost driver sheet
- B. Materials requisition form**
- C. Labor time ticket
- D. Process cost sheet

The materials requisition form lists the quantity and cost of the direct materials used on a specific job.

AACSB: Communication

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 2

Topic: Materials requisition form

25. The source document that captures how much time a worker has spent on various jobs during the period is a

- A. cost driver sheet.
- B. materials requisition form.
- C. labor time ticket.**
- D. job cost sheet.

A direct labor time ticket shows how much time a worker has spent on various jobs each week, as well as the cost of that time.

AACSB: Communication
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2
Topic: Direct labor time ticket

26. All the costs assigned to an individual job are summarized on a

- A. cost driver sheet.
- B. job cost sheet.**
- C. materials requisition form.
- D. labor time ticket.

The job cost sheet is a document that summarizes all of the costs incurred on a specific job.

AACSB: Communication
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2
Topic: Job cost sheet

27. A predetermined overhead rate is calculated using which formula?
- A. Actual manufacturing overhead cost/estimated units in the allocation base
 - B. Estimated units in the allocation base/estimated manufacturing overhead cost
 - C. Estimated manufacturing overhead cost/actual units in the allocation base
 - D. Estimated manufacturing overhead cost/estimated units in the allocation base**

This is the formula for the predetermined overhead rate.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 3
Topic: Predetermined overhead rates

28. Manufacturing overhead is applied to each job using which formula?
- A. Predetermined overhead rate × actual value of the allocation base for the job**
 - B. Predetermined overhead rate × estimated value of the allocation base for the job
 - C. Actual overhead rate × estimated value of the allocation base for the job
 - D. Predetermined overhead rate/actual value of the allocation base for the job

This is the formula for applied manufacturing overhead.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 3
Topic: Predetermined overhead rates

29. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, actual labor hours were 21,000.

The predetermined manufacturing overhead rate would be

- A. \$20.00
- B. \$0.05
- C. \$20.75
- D. \$19.05

$$\$400,000/20,000 = \$20.00.$$

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Topic: Predetermined overhead rates

30. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, actual labor hours were 21,000.

The amount of manufacturing overhead applied to production would be

- A. \$400,000
- B. \$415,000
- C. \$420,000
- D. \$435,750

$$\text{Predetermined overhead rate} = \$400,000/20,000 = \$20.00. \text{ Applied manufacturing overhead} = \$20.00 \times 21,000 = \$420,000.$$

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Topic: Predetermined overhead rates

31. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, actual labor hours were 21,000.

The predetermined overhead rate would be

- A. \$10.00
- B. \$1.05
- C. \$10.75
- D. \$10.24

$$\$200,000/20,000 = \$10.00$$

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Topic: Predetermined overhead rates

32. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, actual labor hours were 21,000.

The amount of manufacturing overhead applied to production would be

- A. \$200,000
- B. \$215,000
- C. \$210,000
- D. \$225,750

$$\text{Predetermined overhead rate} = \$200,000/20,000 = \$10.00. \text{ Applied manufacturing overhead} = \$10.00 \times 21,000 = \$210,000.$$

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Topic: Predetermined overhead rates

33. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, actual direct labor hours were 19,000. The predetermined overhead rate would be

- A. \$11.25
- B. \$12.50**
- C. \$11.84
- D. \$13.16

$$\$250,000/20,000 = \$12.50$$

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Medium
Learning Objective: 3
Topic: Predetermined overhead rates

34. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, actual direct labor hours were 19,000. The amount of manufacturing overhead applied to production would be

- A. \$250,000
- B. \$225,000
- C. \$213,750
- D. \$237,500**

$$\text{Predetermined overhead rate} = \$250,000/20,000 = \$12.50. \text{ Applied manufacturing overhead} = \$12.50 \times 19,000 = \$237,500.$$

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Medium
Learning Objective: 3
Topic: Predetermined overhead rates

35. Acme Company had the following information for the year:

Direct materials used	\$110,000
Direct labor incurred (5,000 hours)	\$150,000
Actual manufacturing overhead incurred	\$166,000

Acme Company used a predetermined overhead rate of \$35 per direct labor hour for the year. Assume the only inventory balance is an ending Work in Process balance of \$17,000. How much overhead was applied during the year?

- A. \$110,000
- B. \$150,000
- C. \$166,000
- D.** \$175,000

$$\$35.00 \times 5,000 = \$175,000.$$

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Medium
Learning Objective: 3
Topic: Predetermined overhead rates

36. Ajax Company had the following information for the year:

Direct materials used	\$190,000
Direct labor incurred (7,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$273,000

Ajax Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8,000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods balance of \$9,000. How much overhead was applied during the year?

- A. \$245,000
- B. \$273,000
- C.** \$280,000
- D. \$320,000

$$\text{Predetermined overhead rate} = \$320,000 / 8,000 = \$40.00. \text{ Applied manufacturing overhead} = \$40.00 \times 7,000 = \$280,000.$$

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Medium
Learning Objective: 3
Topic: Predetermined overhead rates

37. Amelia Company had the following information for the year:

Direct materials used	\$295,000
Direct labor incurred (9,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$343,000

Amelia Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8,000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods balance of \$19,000. How much overhead was applied during the year?

- A. \$245,000
- B. \$343,000
- C. \$360,000**
- D. \$320,000

Predetermined overhead rate = $\$320,000 / 8,000 = \40.00 . Applied manufacturing overhead = $\$40.00 \times 9,000 = \$360,000$.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Medium
Learning Objective: 3
Topic: Predetermined overhead rates

38. Which of the following represents the cost of materials purchased but not yet issued to production?

- A. Raw Materials Inventory**
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

Raw Materials Inventory represents the cost of materials purchased from suppliers but not yet used in production.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

39. Which of the following represents the accumulated costs of jobs as yet incomplete?

- A. Raw Materials Inventory
- B. Work in Process Inventory**
- C. Finished Goods Inventory
- D. Cost of Goods Sold

Work in Process Inventory represents the total cost of jobs that are still in process.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

40. Which of the following represents the cost of jobs completed but not yet sold?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory**
- D. Cost of Goods Sold

Once goods are finished, their costs are transferred out of Work in Process Inventory and into Finished Goods Inventory until they are sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

41. Which of the following represents the cost of the jobs sold during the period?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D.** Cost of Goods Sold

Once a job is sold, its total cost is transferred out of Finished Goods Inventory and into Cost of Goods Sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Easy

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

42. When manufacturing overhead is applied to production, which of the following accounts is debited?

- A. Raw Materials Inventory
- B.** Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

When manufacturing overhead is applied to production, Work in Process Inventory is debited and the Manufacturing Overhead account is credited.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

43. When materials are purchased, which of the following accounts is debited?

- A.** Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

When materials are purchased, they are initially recorded in Raw Materials Inventory with a debit to the account.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

44. When direct materials are used in production, which of the following accounts is debited?

- A. Raw Materials Inventory
- B.** Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

When direct materials are used in production, the cost is transferred from Raw Materials Inventory (with a credit) to Work in Process Inventory (with a debit).

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

45. When direct materials are used in production, which of the following accounts is credited?

- A.** Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

When direct materials are used in production, the cost is transferred from Raw Materials Inventory (with a credit) to Work in Process Inventory (with a debit).

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

46. When units are completed, the cost associated with the job is credited to which account?

- A. Raw Materials Inventory
- B.** Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

When a job is completed, its cost is transferred from Work in Process Inventory (with a credit) to Finished Goods Inventory (with a debit).

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

47. When units are sold, the cost associated with the units is credited to which account?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory**
- D. Cost of Goods Sold

When units are sold, their cost is transferred from Finished Goods Inventory (with a credit) to Cost of Goods Sold (with a debit).

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

48. When units are completed, the cost associated with the job is debited to which account?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory**
- D. Cost of Goods Sold

When a job is completed, its cost is transferred from Work in Process Inventory (with a credit) to Finished Goods Inventory (with a debit).

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

49. When units are sold, the cost associated with the units is debited to which account?

- A. Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold**

When units are sold, their cost is transferred from Finished Goods Inventory (with a credit) to Cost of Goods Sold (with a debit).

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

50. When materials are placed into production,

- A. Raw Materials Inventory is debited if the materials are traced directly to the job.
- B. Work in Process Inventory is debited if the materials are traced directly to the job.**
- C. Manufacturing Overhead is debited if the materials are traced directly to the job.
- D. Raw Materials Inventory is credited only if the materials are traced directly to the job, otherwise manufacturing overhead is credited.

When direct materials are placed into production, the cost is transferred from Raw Materials Inventory with a credit, and debited to Work in Process Inventory.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

51. If materials being placed into production are not traced to a specific job,
- A. Raw Materials Inventory would be debited.
 - B. Work in Process Inventory would be debited.
 - C. Manufacturing Overhead would be debited.**
 - D. Manufacturing Overhead would be credited.

When indirect materials are placed into production, the cost is transferred from Raw Materials Inventory with a credit, and debited to Manufacturing Overhead.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

52. In recording the purchase of materials that are not traced to any specific job, which of the following is correct?
- A. Raw Materials Inventory would be debited**
 - B. Work in Process Inventory would be debited
 - C. Manufacturing Overhead would be debited
 - D. Manufacturing Overhead would be credited

When indirect materials are purchased, they are debited to raw materials inventory.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

53. Which of the following would be used to record the labor cost that is traceable to a specific job?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited**
- C. Manufacturing Overhead would be debited
- D. Manufacturing Overhead would be credited

As direct labor costs are incurred, they are debited to Work in Process Inventory.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

54. Which of the following would be used to record the labor cost that is not traceable to a specific job?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited**
- D. Manufacturing Overhead would be credited

Actual indirect labor costs are accumulated on the debit side of the Manufacturing Overhead account.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

55. Which of the following would be used to record the usage of indirect manufacturing resources?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited**
- D. Manufacturing Overhead would be credited

All actual indirect manufacturing costs are accumulated in the Manufacturing Overhead account on the debit side of the account.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

56. Which of the following would be used to record the depreciation of manufacturing equipment?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited**
- D. Manufacturing Overhead would be credited

Actual indirect manufacturing costs are accumulated in the Manufacturing Overhead account on the debit side of the account.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

57. Which of the following would be used to record the lease expense for a factory building?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited**
- D. Manufacturing Overhead would be credited

Actual indirect manufacturing costs are accumulated in the Manufacturing Overhead account on the debit side of the account.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

58. Which of the following would be used to record the factory supervisor's salary?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited
- C. Manufacturing Overhead would be debited**
- D. Manufacturing Overhead would be credited

Actual indirect manufacturing costs are accumulated in the Manufacturing Overhead account on the debit side of the account.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

59. Which of the following would be used to apply manufacturing overhead to production for the period?

- A. Raw Materials Inventory would be debited
- B. Work in Process Inventory would be debited**
- C. Manufacturing Overhead would be debited
- D. Work in Process Inventory would be credited

When manufacturing overhead is applied to production, Work in Process Inventory is debited and the Manufacturing Overhead account is credited.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

60. Which of the following would be used to apply manufacturing overhead to production for the period?

- A. Credit to Raw Materials Inventory
- B. Credit to Work in Process Inventory
- C. Debit to Manufacturing Overhead
- D. Credit to Manufacturing Overhead**

When manufacturing overhead is applied to production, Work in Process Inventory is debited and the Manufacturing Overhead account is credited.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

61. Which of the following would be used to transfer the cost of completed goods during the period?

- A. Credit to Raw Materials Inventory
- B. Credit to Work in Process Inventory**
- C. Debit to Manufacturing Overhead
- D. Credit to Manufacturing Overhead

When a job is completed, its total manufacturing cost is transferred out of Work in Process Inventory with a credit and into Finished Goods Inventory with a debit.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

62. If a company uses a predetermined overhead rate, which of the following statements is correct?

- A. Manufacturing Overhead will be debited for estimated overhead
- B. Manufacturing Overhead will be credited for estimated overhead
- C. Manufacturing Overhead will be debited for actual overhead**
- D. Manufacturing Overhead will be credited for actual overhead

Actual manufacturing overhead costs are accumulated on the debit side of the Manufacturing Overhead account.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

63. Which of the following accounts is not affected by applied manufacturing overhead?

- A.** Raw Materials Inventory
- B. Work in Process Inventory
- C. Finished Goods Inventory
- D. Cost of Goods Sold

Manufacturing overhead is applied to Work in Process inventory; the cost moves to Finished Goods when goods are finished, and Cost of Goods Sold when they are sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Comprehension

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

64. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, and actual labor hours were 21,000. The amount debited to the Manufacturing Overhead account would be

- A. \$400,000
- B.** \$415,000
- C. \$420,000
- D. \$435,750

Actual manufacturing overhead costs are debited to the Manufacturing Overhead account.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 4

Topic: Recording the flow of costs in job order costing

65. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, and actual labor hours were 21,000. The amount credited to the Manufacturing Overhead account would be

- A. \$400,000
- B. \$415,000
- C. \$420,000**
- D. \$435,750

Predetermined overhead rate = $\$400,000/20,000 = \20.00 . Applied manufacturing overhead = $\$20.00 \times 21,000 = \$420,000$, which is credited to Manufacturing Overhead.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

66. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, and actual labor hours were 21,000. The amount debited to the Manufacturing Overhead account would be

- A. \$200,000
- B. \$215,000**
- C. \$210,000
- D. \$225,750

Actual manufacturing overhead costs of \$215,000 are accumulated on the debit side of the Manufacturing Overhead account.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

67. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, and actual labor hours were 21,000. The amount credited to the Manufacturing Overhead account would be

- A. \$200,000
- B. \$215,000
- C. \$210,000**
- D. \$225,750

Predetermined overhead rate = $\$200,000/20,000 = \10.00 . Applied manufacturing overhead = $\$10.00 \times 21,000 = \$210,000$, which would be credited to Manufacturing Overhead.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

68. Overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual overhead was \$225,000, and actual direct labor hours were 19,000. The amount debited to the manufacturing overhead account would be

- A. \$250,000
- B. \$225,000**
- C. \$213,750
- D. \$237,500

Actual manufacturing overhead costs of \$225,000 are debited to the Manufacturing Overhead account.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

69. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, and actual direct labor hours were 19,000. The amount credited to the Manufacturing Overhead account would be

- A. \$250,000
- B. \$225,000
- C. \$213,750
- D.** \$237,500

Predetermined overhead rate = $\$250,000 / 20,000 = \12.50 . Applied manufacturing overhead = $\$12.50 \times 19,000 = \$237,500$, which is credited to Manufacturing Overhead.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Medium
Learning Objective: 4
Topic: Recording the flow of costs in job order costing

70. Overhead costs are overapplied if the amount applied to Work in Process is

- A. greater than estimated overhead.
- B. less than estimated overhead.
- C.** greater than actual overhead incurred.
- D. less than actual overhead incurred.

Overhead cost is overapplied if the amount applied is more than the actual overhead cost.

AACSB: Analytic
AICPA: Measurement
Bloom's: Comprehension
Difficulty: Medium
Learning Objective: 5
Topic: Calculating overapplied and underapplied manufacturing overhead

71. Overhead costs are underapplied if the amount applied to Work in Process is
- A. greater than estimated overhead.
 - B. less than estimated overhead.
 - C. greater than actual overhead incurred.
 - D.** less than actual overhead incurred.

Overhead cost is underapplied if the amount applied is less than the actual overhead cost.

AACSB: Analytic
AICPA: Measurement
Bloom's: Comprehension
Difficulty: Medium
Learning Objective: 5
Topic: Calculating overapplied and underapplied manufacturing overhead

72. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, and actual labor hours were 21,000. Which of the following would be correct?
- A. Overhead is underapplied by \$15,000
 - B. Overhead is underapplied by \$5,000
 - C.** Overhead is overapplied by \$5,000
 - D. Overhead is overapplied by \$15,000

Predetermined overhead rate = $\$400,000 / 20,000 = \20.00 . Applied manufacturing overhead = $\$20.00 \times 21,000 = \$420,000$. Overapplied overhead = $\$420,000 - \$415,000 = \$5,000$.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 5
Topic: Calculating overapplied and underapplied manufacturing overhead

73. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, and actual labor hours were 21,000.

Which of the following would be correct?

- A. Overhead is underapplied by \$15,000
- B. Overhead is underapplied by \$5,000**
- C. Overhead is overapplied by \$5,000
- D. Overhead is overapplied by \$15,000

Predetermined overhead rate = $\$200,000/20,000 = \10.00 . Applied manufacturing overhead = $\$10.00 \times 21,000 = \$210,000$. Underapplied overhead = $\$215,000 - \$210,000 = \$5,000$.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Hard

Learning Objective: 5

Topic: Calculating overapplied and underapplied manufacturing overhead

74. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, and actual direct labor hours were 19,000. Which of the following would be correct?

- A. Overhead is underapplied by \$25,000
- B. Overhead is underapplied by \$12,500
- C. Overhead is overapplied by \$12,500**
- D. Overhead is overapplied by \$25,000

Predetermined overhead rate = $\$250,000/20,000 = \12.50 . Applied manufacturing overhead = $\$12.50 \times 19,000 = \$237,500$. Overapplied overhead = $\$237,500 - \$225,000 = \$12,500$.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Hard

Learning Objective: 5

Topic: Calculating overapplied and underapplied manufacturing overhead

75. The most common method for disposing of over- or underapplied overhead is to
- A. recalculate the overhead rate for the period.
 - B. recalculate the overhead rate for the next period.
 - C. make a direct adjustment to Work in Process Inventory.
 - D.** make a direct adjustment to Cost of Goods Sold.

The most common method for disposing of the balance in Manufacturing Overhead is to make a direct adjustment to Cost of Goods Sold.

AACSB: Analytic
AICPA: Measurement
Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead

76. When disposed of, overapplied manufacturing overhead will
- A. increase Cost of Goods Sold.
 - B. increase Finished Goods.
 - C.** decrease Cost of Goods Sold.
 - D. decrease Finished Goods.

If manufacturing overhead is overapplied, Cost of Goods sold should be adjusted downward since too much overhead was put in during the period.

AACSB: Analytic
AICPA: Measurement
Bloom's: Comprehension
Difficulty: Medium
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead

77. When disposed of, underapplied manufacturing overhead will
- A.** increase Cost of Goods Sold.
 - B. increase Finished Goods.
 - C. decrease Cost of Goods Sold.
 - D. decrease Finished Goods.

If manufacturing overhead is underapplied, Cost of Goods sold should be adjusted upward since not enough overhead was put in during the period.

AACSB: Analytic
AICPA: Measurement
Bloom's: Comprehension
Difficulty: Medium
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead

78. Underapplied overhead means
- A. too little overhead was applied to raw materials.
 - B. actual overhead is greater than estimated overhead.
 - C. finished goods will need to be credited.
 - D.** there is a debit balance remaining in the overhead account.

If overhead is underapplied, there is a debit balance in the account.

AACSB: Analytic
AICPA: Measurement
Bloom's: Comprehension
Difficulty: Hard
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead

79. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, and actual labor hours were 21,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Cost of Goods Sold would be credited for \$15,000
- B. Cost of Goods Sold would be credited for \$5,000**
- C. Cost of Goods Sold would be debited for \$5,000
- D. Cost of Goods Sold would be debited for \$15,000

Predetermined overhead rate = $\$400,000/20,000 = \20.00 . Applied manufacturing overhead = $\$20.00 \times 21,000 = \$420,000$. Overapplied overhead = $\$420,000 - \$415,000 = \$5,000$, which is credited to cost of goods sold.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead

80. Manufacturing overhead was estimated to be \$400,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$415,000, and actual labor hours were 21,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Manufacturing Overhead would be credited for \$5,000
- B. Manufacturing Overhead would be credited for \$20,000
- C. Manufacturing Overhead would be debited for \$5,000**
- D. Manufacturing Overhead would be debited for \$20,000

Predetermined overhead rate = $\$400,000/20,000 = \20.00 . Applied manufacturing overhead = $\$20.00 \times 21,000 = \$420,000$. Overapplied overhead = $\$420,000 - \$415,000 = \$5,000$, which is debited to Manufacturing Overhead.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead

81. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, and actual labor hours were 21,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Cost of Goods Sold would be credited for \$15,000
- B. Cost of Goods Sold would be credited for \$5,000
- C. Cost of Goods Sold would be debited for \$5,000**
- D. Cost of Goods Sold would be debited for \$15,000

Predetermined overhead rate = $\$200,000/20,000 = \10.00 . Applied manufacturing overhead = $\$10.00 \times 21,000 = \$210,000$. Underapplied overhead = $215,000 - \$210,000 = \$5,000$, which is debited to Cost of Goods Sold.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead

82. Manufacturing overhead was estimated to be \$200,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$215,000, and actual labor hours were 21,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Manufacturing Overhead would be credited for \$5,000**
- B. Manufacturing Overhead would be credited for \$15,000
- C. Manufacturing Overhead would be debited for \$5,000
- D. Manufacturing Overhead would be debited for \$15,000

Predetermined overhead rate = $\$200,000/20,000 = \10.00 . Applied manufacturing overhead = $\$10.00 \times 21,000 = \$210,000$. Underapplied overhead = $\$215,000 - \$210,000 = \$5,000$, which is credited to Manufacturing Overhead.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead

83. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, and actual direct labor hours were 19,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Cost of Goods Sold would be credited for \$25,000
- B. Cost of Goods Sold would be credited for \$12,500**
- C. Cost of Goods Sold would be debited for \$12,500
- D. Cost of Goods Sold would be debited for \$25,000

Predetermined overhead rate = $\$250,000/20,000 = \12.50 . Applied manufacturing overhead = $\$12.50 \times 19,000 = \$237,500$. Overapplied overhead = $\$237,500 - \$225,000 = \$12,500$, which is credited to Cost of Goods Sold.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead

84. Manufacturing overhead was estimated to be \$250,000 for the year along with 20,000 direct labor hours. Actual manufacturing overhead was \$225,000, and actual direct labor hours were 19,000. To dispose of the balance in the Manufacturing Overhead account, which of the following would be correct?

- A. Manufacturing Overhead would be credited for \$12,500
- B. Manufacturing Overhead would be credited for \$25,000
- C. Manufacturing Overhead would be debited for \$12,500**
- D. Manufacturing Overhead would be debited for \$25,000

Predetermined overhead rate = $\$250,000/20,000 = \12.50 . Applied manufacturing overhead = $\$12.50 \times 19,000 = \$237,500$. Overapplied overhead = $\$237,500 - \$225,000 = \$12,500$, which is debited to Manufacturing Overhead.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 5
Topic: Disposing of overapplied or underapplied manufacturing overhead

85. Cost of goods manufactured is the amount of cost transferred

- A. out of Finished Goods Inventory and into Cost of Goods Sold.
- B. out of Finished Goods Inventory and into Work in Process Inventory.
- C. out of Work in Process Inventory and into Manufacturing Overhead.
- D.** out of Work in Process Inventory and into Finished Goods Inventory.

The total cost that is transferred out of Work in Process Inventory and into Finished Goods Inventory is called the cost of goods manufactured.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

86. Cost of goods sold is the amount of cost transferred

- A.** out of Finished Goods Inventory and into Cost of Goods Sold.
- B. out of Work in Process Inventory and into Cost of Goods Sold.
- C. out of Work in Process Inventory and into Manufacturing Overhead.
- D. out of Work in Process Inventory and into Finished Goods Inventory.

When goods are sold, their cost is transferred out of Finished Goods Inventory and into Cost of Goods Sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Knowledge

Difficulty: Medium

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

87. Acme Company had the following information for the year:

Direct materials used	\$110,000
Direct labor incurred (5,000 hours)	\$150,000
Actual manufacturing overhead incurred	\$166,000

Acme Company used a predetermined overhead rate of \$35 per direct labor hour for the year. Assume the only inventory balance is an ending Work in Process Inventory balance of \$17,000.

What was cost of goods manufactured?

- A. \$260,000
- B. \$426,000
- C. \$435,000
- D.** \$418,000

Applied manufacturing overhead = $\$35 \times 5,000 = \$175,000$. Cost of goods manufactured = $\$110,000 + \$150,000 + \$175,000 + \$0 - \$17,000 = \$418,000$.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Hard

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

88. Acme Company had the following information for the year:

Direct materials used	\$110,000
Direct labor incurred (5,000 hours)	\$150,000
Actual manufacturing overhead incurred	\$166,000

Acme Company used a predetermined overhead rate of \$35 per direct labor hour for the year. Assume the only inventory balance is an ending Work in Process Inventory balance of \$17,000.

What was adjusted cost of goods sold?

- A. \$435,000
- B. \$426,000
- C. \$418,000
- D.** \$409,000

Applied manufacturing overhead = $\$35 \times 5,000 = \$175,000$. Cost of goods manufactured = $\$110,000 + \$150,000 + \$175,000 + \$0 - \$17,000 = \$418,000$. Unadjusted cost of goods sold = $\$0 + \$418,000 - \$0 = \$418,000$. Adjusted cost of goods sold = $\$418,000 - \$9,000 = \$409,000$.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Hard

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

89. Ajax Company had the following information for the year:

Direct materials used	\$190,000
Direct labor incurred (7,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$273,000

Ajax Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8,000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods Inventory balance of \$9,000. What was cost of goods manufactured?

- A. \$715,000
- B. \$708,000
- C. \$755,000
- D. \$706,000

Predetermined overhead rate = $\$320,000 / 8,000 = \40 . Applied manufacturing overhead = $\$40 \times 7,000 = \$280,000$. Cost of goods manufactured = $\$190,000 + \$245,000 + \$280,000 + \$0 - \$0 = \$715,000$.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 6
Topic: Preparing the cost of goods manufactured report

90. Ajax Company had the following information for the year:

Direct materials used	\$190,000
Direct labor incurred (7,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$273,000

Ajax Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods Inventory balance of \$9,000. What was adjusted cost of goods sold?

- A. \$715,000
- B. \$708,000
- C. \$706,000
- D.** \$699,000

Predetermined overhead rate = $\$320,000 / 8,000 = \40 . Applied manufacturing overhead = $\$40 \times 7,000 = \$280,000$. Cost of goods manufactured = $\$190,000 + \$245,000 + \$280,000 + \$0 - \$0 = \$715,000$. Unadjusted cost of goods sold = $\$0 + \$715,000 - \$9,000 = \$706,000$. Adjusted cost of goods sold = $\$706,000 - \$7,000 = \$699,000$.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 6
Topic: Preparing the cost of goods manufactured report

91. Amelia Company had the following information for the year:

Direct materials used	\$295,000
Direct labor incurred (9,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$343,000

Amelia Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8,000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods Inventory balance of \$19,000. What was cost of goods manufactured?

- A. \$841,000
- B. \$860,000
- C. \$883,000
- D.** \$900,000

Predetermined overhead rate = $\$320,000 / 8,000 = \40 . Applied manufacturing overhead = $\$40 \times 9,000 = \$360,000$. Cost of goods manufactured = $\$295,000 + \$245,000 + \$360,000 + \$0 - \$0 = \$900,000$.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 6
Topic: Preparing the cost of goods manufactured report

92. Amelia Company had the following information for the year:

Direct materials used	\$295,000
Direct labor incurred (9,000 hours)	\$245,000
Actual manufacturing overhead incurred	\$343,000

Amelia Company used a predetermined overhead rate using estimated overhead of \$320,000 and 8000 estimated direct labor hours. Assume the only inventory balance is an ending Finished Goods Inventory balance of \$19,000. What was adjusted cost of goods sold?

- A. \$900,000
- B. \$883,000
- C. \$881,000
- D.** \$864,000

Predetermined overhead rate = $\$320,000 / 8,000 = \40 . Applied manufacturing overhead = $\$40 \times 9,000 = \$360,000$. Cost of goods manufactured = $\$295,000 + \$245,000 + \$360,000 + \$0 - \$0 = \$900,000$. Unadjusted cost of goods sold = $\$0 + \$900,000 - \$19,000 = \$881,000$. Adjusted cost of goods sold = $\$881,000 - \$17,000 = \$864,000$.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 6
Topic: Preparing the cost of goods manufactured report

93. Alcatraz Corp has the following information:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$20,000	\$30,000
Work in Process Inventory	\$15,000	\$18,000
Finished Goods Inventory	\$30,000	\$20,000

Additional information for the year is as follows:

Raw materials purchases	\$100,000
Direct labor	\$75,000
Manufacturing overhead applied	\$80,000
Indirect materials	\$0

Compute the direct materials used in production.

- A. \$20,000
- B. \$30,000
- C. \$110,000
- D.** \$90,000

Direct materials used = \$20,000 + \$100,000 - \$0 - \$30,000 = \$90,000.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 6
Topic: Preparing the cost of goods manufactured report

94. Alcatraz Corp has the following information:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$20,000	\$30,000
Work in Process Inventory	\$15,000	\$18,000
Finished Goods Inventory	\$30,000	\$20,000

Additional information for the year is as follows:

Raw materials purchases	\$100,000
Direct labor	\$75,000
Manufacturing overhead applied	\$80,000
Indirect materials	\$0

Compute the current manufacturing costs.

- A. \$245,000
- B. \$255,000
- C. \$65,000
- D. \$68,000

Direct materials used = \$20,000 + \$100,000 - \$0 - \$30,000 = \$90,000. Current manufacturing costs = \$90,000 + \$75,000 + \$80,000 = \$245,000.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Hard

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

95. Alcatraz Corp has the following information:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$20,000	\$30,000
Work in Process Inventory	\$15,000	\$18,000
Finished Goods Inventory	\$30,000	\$20,000

Additional information for the year is as follows:

Raw materials purchases	\$100,000
Direct labor	\$75,000
Manufacturing overhead applied	\$80,000
Indirect materials	\$0

Compute the cost of goods manufactured.

- A. \$248,000
- B. \$242,000**
- C. \$265,000
- D. \$235,000

Direct materials used = \$20,000 + \$100,000 - \$0 - \$30,000 = \$90,000. Current manufacturing costs = \$90,000 + \$75,000 + \$80,000 = \$245,000. Cost of goods manufactured = \$15,000 + \$245,000 - \$18,000 = \$242,000.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Hard

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

96. Alcatraz Corp has the following information:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$20,000	\$30,000
Work in Process Inventory	\$15,000	\$18,000
Finished Goods Inventory	\$30,000	\$20,000

Additional information for the year is as follows:

Raw materials purchases	\$100,000
Direct labor	\$75,000
Manufacturing overhead applied	\$80,000
Indirect materials	\$0

Compute the unadjusted cost of goods sold.

- A. \$133,000
- B. \$242,000
- C. \$252,000**
- D. \$255,000

Direct materials used = \$20,000 + \$100,000 - \$0 - \$30,000 = \$90,000. Current manufacturing costs = \$90,000 + \$75,000 + \$80,000 = \$245,000. Cost of goods manufactured = \$15,000 + \$245,000 - \$18,000 = \$242,000. Cost of goods sold = \$30,000 + \$242,000 - \$20,000 = \$252,000.

AACSB: Analytic
AICPA: Measurement
Bloom's: Application
Difficulty: Hard
Learning Objective: 6
Topic: Preparing the cost of goods manufactured report

97. Carmella Inc had the following information for the preceding year:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$40,000	\$30,000
Work in Process Inventory	\$35,000	??
Finished Goods Inventory	\$30,000	??

Additional information for the year is as follows:

Direct materials used	\$200,000
Direct labor	\$150,000
Manufacturing overhead applied	\$160,000
Cost of goods manufactured	\$525,000
Cost of goods sold	\$544,000

What was the ending Work in Process Inventory balance on 12/31?

- A. \$20,000
- B. \$11,000
- C. \$50,000
- D. \$54,000

Current manufacturing costs = \$200,000 + \$150,000 + \$160,000 = \$510,000. Cost of goods manufactured = 525,000 = \$35,000 + \$510,000 - ending Work in Process Inventory, so ending Work in Process Inventory = \$35,000 + \$510,000 - \$525,000 = \$20,000.

AACSB: Analytic
AICPA: Measurement
Bloom's: Analysis
Difficulty: Hard
Learning Objective: 6
Topic: Preparing the cost of goods manufactured report

98. Carmella Inc had the following information for the preceding year:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Raw Materials Inventory	\$40,000	\$30,000
Work in Process Inventory	\$35,000	??
Finished Goods Inventory	\$30,000	??

Additional information for the year is as follows:

Direct materials used	\$200,000
Direct labor	\$150,000
Manufacturing overhead applied	\$160,000
Cost of goods manufactured	\$525,000
Unadjusted cost of goods sold	\$544,000

What was the ending Finished Goods Inventory balance on 12/31?

- A. \$20,000
- B. \$11,000**
- C. \$50,000
- D. \$54,000

$\$544,000 = \$30,000 + \$525,000 - \text{ending Finished Goods Inventory}$. Ending Finished Goods Inventory = $\$30,000 + \$525,000 - \$544,000 = \$11,000$.

AACSB: Analytic

AICPA: Measurement

Bloom's: Analysis

Difficulty: Hard

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

99. Homer Inc had the following information for the preceding year:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Work in Process Inventory	??	\$35,000
Finished Goods Inventory	??	\$30,000

Additional information for the year is as follows:

Direct materials used	\$200,000
Direct labor	\$150,000
Manufacturing overhead applied	\$160,000
Cost of goods manufactured	\$525,000
Cost of goods sold	\$544,000

What was the beginning Work in Process Inventory balance on 1/1?

- A. \$49,000
- B. \$65,000
- C. \$50,000**
- D. \$69,000

Current manufacturing costs = \$200,000 + \$150,000 + \$160,000 = \$510,000. Cost of goods manufactured = \$525,000 = Beginning Work in Process Inventory + \$510,000 - \$35,000, so ending Work in Process Inventory = \$525,000 + \$35,000 - \$510,000 = \$50,000.

AACSB: Analytic

AICPA: Measurement

Bloom's: Analysis

Difficulty: Hard

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

100. Homer Inc had the following information for the preceding year:

	Beginning Inventory (1/1)	Ending Inventory (12/31)
Work in Process Inventory	??	\$35,000
Finished Goods Inventory	??	\$30,000

Additional information for the year is as follows:

Direct materials used	\$200,000
Direct labor	\$150,000
Manufacturing overhead applied	\$160,000
Cost of goods manufactured	\$525,000
Unadjusted cost of goods sold	\$544,000

What was the beginning Finished Goods Inventory balance on 1/1?

- A. \$49,000
- B. \$65,000
- C. \$50,000
- D. \$69,000

$\$544,000 = \text{Beginning Finished Goods Inventory} + \$525,000 - \$30,000$. Beginning Finished Goods Inventory = $\$544,000 + \$30,000 - \$525,000 = \$49,000$.

AACSB: Analytic

AICPA: Measurement

Bloom's: Analysis

Difficulty: Hard

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

Essay Questions

101. Irwin Inc. uses a job order costing system with manufacturing overhead applied to products at a rate of 150% of direct labor cost. Treating each case independently, find the missing amounts for a through l:

	Case #1	Case #2	Case #3
Direct materials used	\$20,000	e.	\$10,000
Direct labor	\$25,000	f.	i.
Manufacturing overhead applied	a.	\$45,000	j.
Total manufacturing costs	b.	\$95,000	\$35,000
Beginning Work in Process	\$10,000	g.	\$6,000
Ending Work in process	\$8,000	\$10,000	k.
Cost of goods manufactured	c.	\$93,000	\$36,000
Beginning Finished Goods	\$12,000	\$12,000	l.
Ending Finished Goods	\$15,500	h.	\$4,000
Cost of goods sold (unadjusted)	d.	\$91,000	\$37,000

	Case #1	Case #2	Case #3
Direct materials used	\$20,000	e. 20,000	\$10,000
Direct labor	\$25,000	f. 30,000	i. 10,000
Manufacturing overhead applied	a. 37,500	\$45,000	j. 15,000
Total manufacturing costs	b. 82,500	\$95,000	\$35,000
Beginning Work in Process	\$10,000	g. 8,000	\$6,000
Ending Work in process	\$8,000	\$10,000	k. 5,000
Cost of goods manufactured	c. 84,500	\$93,000	\$36,000
Beginning Finished Goods	\$12,000	\$12,000	l. 5,000
Ending Finished Goods	\$15,500	h. 14,000	\$4,000
Cost of goods sold (unadjusted)	d. 81,000	\$91,000	\$37,000

Feedback: Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing costs. Total manufacturing costs + Beginning WIP - Ending WIP = Cost of goods manufactured. Cost of goods manufactured + Beginning FG - Ending FG = Cost of goods sold (unadjusted).

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

102. Jacobs Inc. uses a job order costing system with manufacturing overhead applied to products at a rate of 100% of direct labor cost. Treating each case independently, find the missing amounts for a through l:

	Case #1	Case #2	Case #3
Direct materials used	\$20,000	e.	\$10,000
Direct labor	\$20,000	f.	i.
Manufacturing overhead applied	a.	\$30,000	j.
Total manufacturing costs	b.	\$80,000	\$30,000
Beginning Work in Process	\$10,000	g.	\$4,000
Ending Work in process	\$12,000	\$5,000	k.
Cost of goods manufactured	c.	\$79,000	\$28,000
Beginning Finished Goods	\$12,000	\$15,000	l.
Ending Finished Goods	\$9,000	h.	\$15,000
Cost of goods sold (unadjusted)	d.	\$81,000	\$26,000

	Case #1	Case #2	Case #3
Direct materials used	\$20,000	e. 20,000	\$10,000
Direct labor	\$20,000	f. 30,000	i. 10,000
Manufacturing overhead applied	a. 20,000	\$30,000	j. 10,000
Total manufacturing costs	b. 60,000	\$80,000	\$30,000
Beginning Work in Process	\$10,000	g. 4,000	\$4,000
Ending Work in process	\$12,000	\$5,000	k. 6,000
Cost of goods manufactured	c. 58,000	\$79,000	\$28,000
Beginning Finished Goods	\$12,000	\$15,000	l. 13,000
Ending Finished Goods	\$9,000	h. 13,000	\$15,000
Cost of goods sold (unadjusted)	d. 61,000	\$81,000	\$26,000

Feedback: Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing costs. Total manufacturing costs + Beginning WIP - Ending WIP = Cost of goods manufactured. Cost of goods manufactured + Beginning FG - Ending FG = Cost of goods sold (unadjusted).

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

103. Brisebois Inc. uses a job order costing system with manufacturing overhead applied to products at a rate of 80% of direct labor cost. Treating each case independently, find the missing amounts for a through l:

	Case #1	Case #2	Case #3
Direct materials used	\$20,000	e.	\$20,000
Direct labor	\$25,000	\$20,000	i.
Manufacturing overhead applied	a.	f.	j.
Total manufacturing costs	b.	\$46,000	\$38,000
Beginning Work in Process	\$9,000	g.	\$6,000
Ending Work in process	\$7,000	\$6,000	\$3,000
Cost of goods manufactured	c.	\$45,000	k.
Beginning Finished Goods	\$13,000	\$8,000	l.
Ending Finished Goods	\$14,000	h.	\$8,000
Cost of goods sold (unadjusted)	d.	\$48,000	\$43,000

	Case #1	Case #2	Case #3
Direct materials used	\$20,000	e. 10,000	\$20,000
Direct labor	\$25,000	\$20,000	i. 10,000
Manufacturing overhead applied	a. 20,000	f. 16,000	j. 8,000
Total manufacturing costs	b. 65,000	\$46,000	\$38,000
Beginning Work in Process	\$9,000	g. 5,000	\$6,000
Ending Work in process	\$7,000	\$6,000	\$3,000
Cost of goods manufactured	c. 67,000	\$45,000	k. 41,000
Beginning Finished Goods	\$13,000	\$8,000	l. 10,000
Ending Finished Goods	\$14,000	h. 5,000	\$8,000
Cost of goods sold (unadjusted)	d. 66,000	\$48,000	\$43,000

Feedback: Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing costs. Total manufacturing costs + Beginning WIP - Ending WIP = Cost of goods manufactured. Cost of goods manufactured + Beginning FG - Ending FG = Cost of goods sold (unadjusted).

AACSB: Analytic
 AICPA: Measurement
 Bloom's: Application
 Difficulty: Medium
 Learning Objective: 6
 Topic: Preparing the cost of goods manufactured report

104. Dallas Inc. uses a job order costing system with manufacturing overhead applied to products at a rate of 200% of direct labor cost. Treating each case independently, find the missing amounts for a through l:

	Case #1	Case #2	Case #3
Direct materials used	a.	e.	\$20,000
Direct labor	\$20,000	f.	\$30,000
Manufacturing overhead applied	b.	\$45,000	i.
Total manufacturing costs	\$70,000	\$90,000	j.
Beginning Work in Process	c.	g.	\$15,000
Ending Work in process	\$10,000	\$3,000	\$17,000
Cost of goods manufactured	\$67,000	\$94,000	k.
Beginning Finished Goods	\$12,000	\$14,000	l.
Ending Finished Goods	d.	\$12,000	\$15,000
Cost of goods sold (unadjusted)	\$63,000	h.	\$113,000

	Case #1	Case #2	Case #3
Direct materials used	a. 10,000	e. 22,500	\$20,000
Direct labor	\$20,000	f. 22,500	\$30,000
Manufacturing overhead applied	b. 40,000	\$45,000	i. 60,000
Total manufacturing costs	\$70,000	\$90,000	j. 110,000
Beginning Work in Process	c. 7,000	g. 7,000	\$15,000
Ending Work in process	\$10,000	\$3,000	\$17,000
Cost of goods manufactured	\$67,000	\$94,000	k. 108,000
Beginning Finished Goods	\$12,000	\$14,000	l. 20,000
Ending Finished Goods	d. 16,000	\$12,000	\$15,000
Cost of goods sold (unadjusted)	\$63,000	h. 96,000	\$113,000

Feedback: Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing costs. Total manufacturing costs + Beginning WIP - Ending WIP = Cost of goods manufactured. Cost of goods manufactured + Beginning FG - Ending FG = Cost of goods sold (unadjusted).

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 6

Topic: Preparing the cost of goods manufactured report

105. Sorrento Cabinets is a custom cabinet builder. They recently completed a set of kitchen cabinets (Job #1478), as summarized below:

Job Number: #1478						
Date started: 4/07/2008						
Date completed: 4/22/2008						
Description: Cherry kitchen cabinets						
Direct Materials		Direct Labor			Applied Manufacturing Overhead	
<u>Req #</u>	<u>Amount</u>	<u>Ticket</u>	<u>Hours</u>	<u>Amount</u>	<u>Hours</u>	<u>Rate</u> <u>Amount</u>
385	\$ 300	128	16	\$ 288		
391	225	130	23	426		
395	150	133	12	264		
401	215					
Total	\$ 890	Total	51	\$ 978		
Cost Summary						
	Direct Material Cost				\$ 890	
	Direct Labor Cost				978	
	Applied Manufacturing Overhead					
	Total Cost					

Sorrento Cabinets applies overhead to jobs at a rate of \$12 per direct labor hour.

- a. How much overhead would be applied to Job #1478?
- b. What is the total cost of Job #1478?

- a. $\$612 = 51 \text{ hours} \times \12
- b. $\$2,480 = \$890 + \$978 + \612

Feedback: To apply manufacturing overhead, multiply the predetermined overhead rate by the actual value of the allocation base. The total cost of the job is direct materials plus direct labor plus applied manufacturing overhead.

AACSB: Analytic
 AICPA: Measurement
 Bloom's: Application
 Difficulty: Medium
 Learning Objective: 2
 Learning Objective: 3
 Learning Objective: 4
 Topic: Job cost sheet, Predetermined overhead rates, Journal entries in job order costing

106. LaPaz Cabinets is a custom cabinet builder. They recently completed a set of kitchen cabinets (Job #1887), as summarized below:

Job Number: #1887							
Date started: 4/17/2008							
Date completed: 4/29/2008							
Description: Pecan kitchen cabinets							
Direct Materials		Direct Labor			Applied Manufacturing Overhead		
<u>Req #</u>	<u>Amount</u>	<u>Ticket</u>	<u>Hours</u>	<u>Amount</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
385	\$ 400	128	18	\$ 396			
391	325	130	29	696			
395	250	133	15	390			
401	415						
Total	\$ 1,390	Total	62	\$ 1,482			
Cost Summary							
	Direct Material Cost					\$	1,390
	Direct Labor Cost						1,482
	Applied Manufacturing Overhead						_____
	Total Cost						

LaPaz applies overhead to jobs at a rate of \$18 per direct labor hour.

- How much overhead would be applied to Job #1887?
- What is the total cost of Job #1887?

- $\$1,116 = 62 \text{ hours} \times \18
- $\$3,988 = \$1,390 + \$1,482 + \$1,116$

Feedback: To apply manufacturing overhead, multiply the predetermined overhead rate by the actual value of the allocation base. The total cost of the job is direct materials plus direct labor plus applied manufacturing overhead.

AACSB: Analytic
 AICPA: Measurement
 Bloom's: Application
 Difficulty: Medium
 Learning Objective: 2
 Learning Objective: 3
 Learning Objective: 4
 Topic: Job cost sheet, Predetermined overhead rates, Journal entries in job order costing

107. Jorgensen Cabinets is a custom cabinet builder. They recently completed a set of kitchen cabinets (Job #12478), as summarized below:

Job Number: #12478							
Date started: 8/05/2008							
Date completed: 8/25/2008							
Description: Butternut kitchen cabinets							
Direct Materials		Direct Labor			Applied Manufacturing Overhead		
<u>Req #</u>	<u>Amount</u>	<u>Ticket</u>	<u>Hours</u>	<u>Amount</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
385	\$ 400	128	16	\$ 256			
391	324	130	23	390			
395	196	133	12	186			
401	455	141	15	330			
Total	\$ 1,375	Total	66	\$ 1,162			
Cost Summary							
	Direct Material Cost					\$	1,375
	Direct Labor Cost						1,162
	Applied Manufacturing Overhead						<u> </u>
	Total Cost						

Jorgensen applies overhead to jobs at a rate of \$15 per direct labor hour.

- a. How much overhead would be applied to Job #12478?
- b. What is the total cost of Job #12478?

a. $\$990 = 66 \text{ hours} \times \15

b. $\$3,527 = \$1,375 + \$1,162 + \990

Feedback: To apply manufacturing overhead, multiply the predetermined overhead rate by the actual value of the allocation base. The total cost of the job is direct materials plus direct labor plus applied manufacturing overhead.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 2

Learning Objective: 3

Learning Objective: 4

Topic: Job cost sheet, Predetermined overhead rates, Journal entries in job order costing

108. Zetterberg Scandinavian Kitchens is a custom cabinet builder. They recently completed a set of kitchen cabinets (Job #3097), as summarized below:

Job Number: #3097							
Date started: 11/10/2008							
Date completed: 11/27/2008							
Description: Oak kitchen cabinets							
Direct Materials		Direct Labor			Applied Manufacturing Overhead		
<u>Req #</u>	<u>Amount</u>	<u>Ticket</u>	<u>Hours</u>	<u>Amount</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
1385	\$ 300	2128	18	\$ 396			
1391	225	2130	27	621			
1395	150	2133	14	308			
1401	215	2144	18	414			
Total	\$ 890	Total	77	\$ 1,739			
Cost Summary							
	Direct Material Cost						\$ 890
	Direct Labor Cost						1,739
	Applied Manufacturing Overhead						_____
	Total Cost						

Zetterberg applies overhead to jobs at a rate of \$17 per direct labor hour.

- a. How much overhead would be applied to Job #3097?
- b. What is the total cost of Job #3097?

- a. $\$1,309 = 77 \text{ hours} \times \17
- b. $\$3,938 = \$890 + \$1,739 + \$1,309$

Feedback: To apply manufacturing overhead, multiply the predetermined overhead rate by the actual value of the allocation base. The total cost of the job is direct materials plus direct labor plus applied manufacturing overhead.

AACSB: Analytic
 AICPA: Measurement
 Bloom's: Application
 Difficulty: Medium
 Learning Objective: 2
 Learning Objective: 3
 Learning Objective: 4
 Topic: Job cost sheet, Predetermined overhead rates, Journal entries in job order costing

109. Wyse Corp uses a normal job order costing system with manufacturing overhead applied to products on the basis of direct labor hours. For the upcoming year, Wyse Corp estimated total manufacturing overhead cost at \$500,000 and total direct labor hours of 50,000. Wyse Corp started the year with no beginning balances in either Work in Process Inventory or Finished Goods Inventory. During the year actual manufacturing overhead incurred was \$512,500 and 49,000 direct labor hours were used.

- a. Calculate the predetermined overhead rate.
- b. Calculate how much manufacturing overhead will be applied to production.
- c. Is overhead over- or underapplied? By how much?
- d. What account should be adjusted for over- or underapplied overhead? Should the balance be increased or decreased?

a. $\$10 = \$500,000/50,000$

b. $\$490,000 = 49,000 \times \10

c. $\$22,500$ underapplied = Actual $\$512,500$ - applied $\$490,000$

d. Cost of goods sold, increased

Feedback: Predetermined overhead rate = Estimated overhead/Estimated allocation base.

Applied overhead = Predetermined overhead rate \times Actual allocation base. Over- or

underapplied overhead = Actual - Applied Overhead. It is adjusted to cost of goods sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Learning Objective: 4

Learning Objective: 5

Topic: Predetermined overhead rates, Recording the flow of costs in job order costing, Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead

110. Barron Corp uses a normal job order costing system with manufacturing overhead applied to products on the basis of direct labor hours. For the upcoming year, Barron Corp estimated total manufacturing overhead cost at \$250,000 and total direct labor hours of 50,000. During the year actual manufacturing overhead incurred was \$262,500 and 51,000 direct labor hours were used.

- a. Calculate the predetermined overhead rate.
- b. Calculate how much manufacturing overhead will be applied to production.
- c. Is overhead over- or underapplied? By how much?
- d. What account should be adjusted for over- or underapplied overhead? Should the balance be increased or decreased?

a. $\$5 = \$250,000/50,000$

b. $\$255,000 = 51,000 \times \5

c. $\$7,500$ underapplied = Actual $\$262,500$ - applied $\$255,000$

d. Cost of goods sold, increased

Feedback: Predetermined overhead rate = Estimated overhead/Estimated allocation base.

Applied overhead = Predetermined overhead rate \times Actual allocation base. Over- or

underapplied overhead = Actual - Applied Overhead. It is adjusted to cost of goods sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Learning Objective: 4

Learning Objective: 5

Topic: Predetermined overhead rates, Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Journal entries for job order costing

111. Baxter Corp uses a normal job order costing system with manufacturing overhead applied to products on the basis of direct labor hours. For the upcoming year, Baxter Corp estimated total manufacturing overhead cost at \$480,000 and total direct labor hours of 40,000. During the year actual manufacturing overhead incurred was \$462,500 and 41,000 direct labor hours were used.

- a. Calculate the predetermined overhead rate.
- b. Calculate how much manufacturing overhead will be applied to production.
- c. Is overhead over- or underapplied? By how much?
- d. What account should be adjusted for over- or underapplied overhead? Should the balance be increased or decreased?

a. $\$12 = \$480,000/40,000$

b. $\$492,000 = 41,000 \times \12

c. $\$29,500$ over-applied = Actual \$462,500 - applied \$492,000

d. Cost of goods sold, decreased

Feedback: Predetermined overhead rate = Estimated overhead/Estimated allocation base.
Applied overhead = Predetermined overhead rate \times Actual allocation base. Over- or underapplied overhead = Actual - Applied Overhead. It is adjusted to cost of goods sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Learning Objective: 4

Learning Objective: 5

Topic: Predetermined overhead rates, Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Journal entries for job order costing

112. Callen Corp uses a normal job order costing system with manufacturing overhead applied to products on the basis of machine hours. For the upcoming year, Callen Corp estimated total manufacturing overhead cost at \$270,000 and total machine hours of 45,000. During the year actual manufacturing overhead incurred was \$258,750 and 46,600 machine hours were used.

- a. Calculate the predetermined overhead rate.
- b. Calculate how much manufacturing overhead will be applied to production.
- c. Is overhead over- or underapplied? By how much?
- d. What account should be adjusted for over- or underapplied overhead? Should the balance be increased or decreased?

a. $\$6 = \$270,000/45,000$

b. $\$279,600 = 46,600 \times \6

c. $\$20,850$ Over-applied = Actual $\$258,750$ - applied $\$279,600$

d. Cost of goods sold, increased

Feedback: Predetermined overhead rate = Estimated overhead/Estimated allocation base.
Applied overhead = Predetermined overhead rate \times Actual allocation base. Over- or underapplied overhead = Actual - Applied Overhead. It is adjusted to cost of goods sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Learning Objective: 4

Learning Objective: 5

Topic: Predetermined overhead rates, Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Journal entries for job order costing

113. Perrault Inc uses a job order costing system. Manufacturing overhead is applied on the basis of direct labor cost. Total manufacturing overhead was estimated to be \$75,000 for the year; direct labor was estimated to total \$150,000.

	1/1	12/31
Raw Materials Inventory	\$10,000	\$13,000
Work in Process Inventory	\$22,000	\$19,000
Finished Goods Inventory	\$34,000	\$41,000
The following transactions have occurred during the year.		
Raw materials purchases		\$100,000
Direct materials used		\$91,000
Direct labor		\$145,000
Indirect materials used		\$6,000
Indirect labor		\$15,000
Factory equipment depreciation		\$24,000
Factory rent		\$18,000
Factory utilities		\$7,500
Other factory costs		\$6,500

- Calculate the predetermined overhead rate
- Calculate cost of goods manufactured
- Calculate the over- or underapplied overhead
- Calculate adjusted cost of goods sold

Chapter 02 – Job Order Costing

a. $50\% = \$75,000/\$150,000$

b.

Direct materials used	\$91,000
Direct labor	145,000
Overhead applied $50\% \times 145,000$	72,500
Total manufacturing costs	<u>308,500</u>
+ beginning WIP	22,000
- ending WIP	19,000
Cost of goods manufactured	<u>\$311,500</u>

c.

Indirect materials	\$6,000
Indirect labor	15,000
Factory equipment depreciation	24,000
Factory rent	18,000
Factory utilities	7,500
Other factory costs	6,500
Actual manufacturing overhead	<u>\$77,000</u>
Applied overhead	72,500
Under-applied overhead	<u>\$4,500</u>

d.

Beginning finished goods	\$34,000
Cost of goods manufactured	311,500
Goods available for sale	<u>\$345,500</u>
- ending finished goods	41,000
Unadjusted Cost of goods sold	<u>\$304,500</u>
Under-applied overhead	4,500
Adjusted Cost of goods sold	<u>\$309,000</u>

Feedback: Predetermined overhead rate = Estimated overhead/Estimated allocation base.

Applied overhead = Predetermined overhead rate \times Actual allocation base. Cost of goods manufactured = Direct materials + Direct labor + Applied overhead + Beginning WIP - Ending WIP. Over- or underapplied overhead = Actual - Applied overhead. Adjusted cost of goods sold = Beginning finished goods + cost of goods manufactured - Ending finished goods +/- Under/overapplied overhead.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Learning Objective: 5

Learning Objective: 6

Topic: Predetermined overhead rates, Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Preparing the cost of goods manufactured report

114. Bisson Inc uses a job order costing system. Manufacturing overhead is applied on the basis of direct labor cost. Total manufacturing overhead was estimated to be \$150,000 for the year; direct labor was estimated to total \$300,000.

	1/1	12/31
Raw Materials Inventory	\$20,000	\$26,000
Work in Process Inventory	\$44,000	\$38,000
Finished Goods Inventory	\$68,000	\$82,000

The following transactions have occurred during the year.

Raw materials purchases	\$200,000
Direct materials used	\$182,000
Direct labor	\$290,000
Indirect materials used	\$12,000
Indirect labor	\$30,000
Factory equipment depreciation	\$48,000
Factory rent	\$36,000
Factory utilities	\$15,000
Other factory costs	\$13,000

- Calculate the predetermined overhead rate
- Calculate cost of goods manufactured
- Calculate the over- or underapplied overhead
- Calculate adjusted cost of goods sold

Chapter 02 – Job Order Costing

a. $50\% = \$150,000/\$300,000$

b.

Direct materials used	\$182,000
Direct labor	290,000
Overhead applied $50\% \times 290,000$	145,000
Total manufacturing costs	\$617,000
+ beginning WIP	44,000
- ending WIP	38,000
Cost of goods manufactured	\$623,000

c.

Indirect materials	\$12,000
Indirect labor	30,000
Factory equipment depreciation	48,000
Factory rent	36,000
Factory utilities	15,000
Other factory costs	13,000
Actual manufacturing overhead	\$154,000
Applied overhead	145,000
Under-applied overhead	\$9,000

d.

Beginning finished goods	\$68,000
Cost of goods manufactured	623,000
Goods available for sale	\$691,000
- ending finished goods	82,000
Unadjusted Cost of goods sold	\$609,000
Under-applied overhead	9,000
Adjusted Cost of goods sold	\$618,000

Feedback: Predetermined overhead rate = Estimated overhead/Estimated allocation base.
 Applied overhead = Predetermined overhead rate \times Actual allocation base. Cost of goods manufactured = Direct materials + Direct labor + Applied overhead + Beginning WIP - Ending WIP. Over- or underapplied overhead = Actual - Applied overhead. Adjusted cost of goods sold = Beginning finished goods + cost of goods manufactured - Ending finished goods +/- Under/overapplied overhead.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Learning Objective: 5

Learning Objective: 6

Topic: Predetermined overhead rates, Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Preparing the cost of goods manufactured report

115. Beaulieu Inc uses a job order costing system. Manufacturing overhead is applied on the basis of direct labor cost. Total manufacturing overhead was estimated to be \$120,000 for the year; direct labor was estimated to total \$150,000.

	1/1	12/31
Raw Materials Inventory	\$13,000	\$10,000
Work in Process Inventory	\$19,000	\$22,000
Finished Goods Inventory	\$41,000	\$32,000

The following transactions have occurred during the year.

Raw materials purchases	\$100,000
Direct materials used	\$91,000
Direct labor	\$125,000
Indirect materials used	\$12,000
Indirect labor	\$18,000
Factory equipment depreciation	\$28,000
Factory rent	\$22,000
Factory utilities	\$9,500
Other factory costs	\$8,500

- Calculate the predetermined overhead rate
- Calculate cost of goods manufactured
- Calculate the over- or underapplied overhead
- Calculate adjusted cost of goods sold

Chapter 02 – Job Order Costing

a. $80\% = \$120,000/\$150,000$

b.

Direct materials used	\$91,000
Direct labor	125,000
Overhead applied $80\% \times 125,000$	100,000
Total manufacturing costs	\$316,000
+ beginning WIP	19,000
- ending WIP	22,000
Cost of goods manufactured	\$313,000

c.

Indirect materials	\$12,000
Indirect labor	18,000
Factory equipment depreciation	28,000
Factory rent	22,000
Factory utilities	9,500
Other factory costs	8,500
Actual manufacturing overhead	\$98,000
Applied overhead	100,000
Over-applied overhead	\$2,000

d.

Beginning finished goods	\$41,000
Cost of goods manufactured	313,000
Goods available for sale	\$354,000
- ending finished goods	32,000
Unadjusted Cost of goods sold	\$322,000
Over-applied overhead	-2,000
Adjusted Cost of goods sold	\$320,000

Feedback: Predetermined overhead rate = Estimated overhead/Estimated allocation base.
 Applied overhead = Predetermined overhead rate \times Actual allocation base. Cost of goods manufactured = Direct materials + Direct labor + Applied overhead + Beginning WIP - Ending WIP. Over- or underapplied overhead = Actual - Applied overhead. Adjusted cost of goods sold = Beginning finished goods + cost of goods manufactured - Ending finished goods +/- Under/overapplied overhead.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Learning Objective: 5

Learning Objective: 6

Topic: Predetermined overhead rates, Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Preparing the cost of goods manufactured report

116. Lafleur Inc uses a job order costing system. Manufacturing overhead is applied on the basis of direct labor cost. Total manufacturing overhead was estimated to be \$120,000 for the year; direct labor was estimated to total \$150,000.

	1/1	12/31
Raw Materials Inventory	\$13,000	\$10,000
Work in Process Inventory	\$29,000	\$22,000
Finished Goods Inventory	\$41,000	\$32,000
The following transactions have occurred during the year.		
Raw materials purchases		\$100,000
Direct materials used		\$87,000
Direct labor		\$135,000
Indirect materials used		\$16,000
Indirect labor		\$19,000
Factory equipment depreciation		\$28,000
Factory rent		\$15,000
Factory utilities		\$11,500
Other factory costs		\$8,500

- Calculate the predetermined overhead rate
- Calculate cost of goods manufactured
- Calculate the over or under-applied overhead
- Calculate adjusted cost of goods sold

Chapter 02 – Job Order Costing

a. $80\% = \$120,000/\$150,000$

b.

Direct materials used	\$87,000
Direct labor	135,000
Overhead applied $80\% \times 135,000$	108,000
Total manufacturing costs	<u>\$330,000</u>
+ beginning WIP	29,000
- ending WIP	<u>22,000</u>
Cost of goods manufactured	\$337,000

c.

Indirect materials	\$16,000
Indirect labor	19,000
Factory equipment depreciation	28,000
Factory rent	15,000
Factory utilities	11,500
Other factory costs	8,500
Actual manufacturing overhead	<u>\$98,000</u>
Applied overhead	<u>108,000</u>
Over-applied overhead	\$10,000

d.

Beginning finished goods	\$41,000
Cost of goods manufactured	337,000
Goods available for sale	<u>\$378,000</u>
- ending finished goods	<u>32,000</u>
Unadjusted Cost of goods sold	\$346,000
Over-applied overhead	<u>-10,000</u>
Adjusted Cost of goods sold	\$336,000

Feedback: Predetermined overhead rate = Estimated overhead/Estimated allocation base.

Applied overhead = Predetermined overhead rate \times Actual allocation base. Cost of goods manufactured = Direct materials + Direct labor + Applied overhead + Beginning WIP - Ending WIP. Over- or underapplied overhead = Actual - Applied overhead. Adjusted cost of goods sold = Beginning finished goods + cost of goods manufactured - Ending finished goods +/- Under/overapplied overhead.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 3

Learning Objective: 5

Learning Objective: 6

Topic: Predetermined overhead rates, Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Preparing the cost of goods manufactured report

117. Misa Inc. has provided the following information for 2008:

- a. Purchased raw materials on account for \$120,000.
- b. Issued \$115,000 in raw materials to production (\$22,000 were not traceable to specific jobs).
- c. Incurred \$115,000 in direct labor costs (14,375 hours) and \$62,500 in supervision costs (paid in cash).
- d. Incurred the following additional manufacturing overhead costs: factory lease \$24,000 (paid in cash); depreciation on equipment \$20,000; custodial supplies \$7,500 (paid in cash).
- e. Incurred the following nonmanufacturing costs, both paid in cash: advertising \$75,000; sales commissions \$88,000.
- f. Applied manufacturing overhead to jobs in process at a rate of \$10 per direct labor hour.
- g. Completed jobs costing a total of \$345,000.
- h. Sold jobs for \$425,000 on account. The cost of the jobs was \$342,000.
- i. Closed the Manufacturing Overhead account balance.

Prepare the journal entries to record these transactions.

Chapter 02 – Job Order Costing

a.	Raw Materials Inventory	\$120,000	
	Accounts Payable		\$120,000
b.	Work in Process Inventory	\$93,000	
	Manufacturing Overhead	\$22,000	
	Raw Materials Inventory		\$115,000
c.	Work in Process Inventory	\$115,000	
	Manufacturing Overhead	\$62,500	
	Cash		\$177,500
d.	Manufacturing Overhead	\$51,500	
	Accumulated Depreciation		\$20,000
	Cash		\$31,500
e.	Advertising Expense	\$75,000	
	Commissions Expense	\$88,000	
	Cash		\$163,000
f.	Work in Process Inventory	\$143,750	
	Manufacturing Overhead		\$143,750
g.	Finished Goods Inventory	\$345,000	
	Work in Process Inventory		\$345,000
h.	Accounts Receivable	\$425,000	
	Sales Revenue		\$425,000
	Cost of Goods Sold	\$342,000	
	Finished Goods Inventory		\$342,000
i.	Manufacturing Overhead	\$7,750	
	Cost of Goods Sold		\$7,750

Feedback: When materials are purchased, Raw Materials Inventory is debited. When materials are placed into production, Work in Process Inventory (for direct materials) or Manufacturing Overhead (for indirect materials) is debited, and Raw Materials credited. Labor costs are debited to Work in Process Inventory (direct) or Manufacturing Overhead (indirect). Actual manufacturing overhead costs are debited to Manufacturing Overhead. Nonmanufacturing costs are debited to an expense account. Applied manufacturing overhead is debited to Work in Process Inventory and credited to Manufacturing Overhead. The cost of completed jobs should be debited to Finished Goods Inventory and credited to Work in Process Inventory. The cost of sold jobs should be debited to Cost of Goods Sold and credited to Finished Goods Inventory. Under/overapplied overhead is credited/debited to Manufacturing Overhead, with the other side of the entry to Cost of Goods Sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 4

Learning Objective: 5

Topic: Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Journal entries for job order costing

118. Baldwin Inc. has provided the following information for 2008:

- a. Purchased raw materials on account for \$240,000.
- b. Issued \$230,000 in raw materials to production (\$32,000 were not traceable to specific jobs).
- c. Incurred \$242,000 in direct labor costs (24,120 hours) and \$92,500 in supervision costs (paid in cash).
- d. Incurred the following additional manufacturing overhead costs: factory utilities \$24,000 (paid in cash); depreciation on equipment \$45,000; indirect supplies \$17,500 (paid in cash).
- e. Incurred the following nonmanufacturing costs, both paid in cash: advertising \$75,000; sales salaries \$88,000.
- f. Applied manufacturing overhead to jobs in process at a rate of \$9 per direct labor hour.
- g. Completed jobs costing a total of \$644,000.
- h. Sold jobs for \$856,000 on account. The cost of the jobs was \$642,000.
- i. Closed the manufacturing overhead account balance.

Prepare the journal entries to record these transactions.

Chapter 02 – Job Order Costing

a.	Raw Materials Inventory	\$240,000	
	Accounts Payable		\$240,000
b.	Work in Process Inventory	\$198,000	
	Manufacturing Overhead	\$32,000	
	Raw Materials Inventory		\$230,000
c.	Work in Process Inventory	\$242,000	
	Manufacturing Overhead	\$92,500	
	Cash		\$334,500
d.	Manufacturing Overhead	\$86,500	
	Accumulated Depreciation		\$45,000
	Cash		\$41,500
e.	Advertising Expense	\$75,000	
	Sales Salary Expense	\$88,000	
	Cash		\$163,000
f.	Work in Process Inventory	\$217,080	
	Manufacturing Overhead		\$217,080
g.	Finished Goods Inventory	\$644,000	
	Work in Process Inventory		\$644,000
h.	Accounts Receivable	\$856,000	
	Sales Revenue		\$856,000
	Cost of Goods Sold	\$642,000	
	Finished Goods Inventory		\$642,000
i.	Manufacturing Overhead	\$6,080	
	Cost of Goods Sold		\$6,080

Feedback: When materials are purchased, Raw Materials Inventory is debited. When materials are placed into production, Work in Process Inventory (for direct materials) or Manufacturing Overhead (for indirect materials) is debited, and Raw Materials credited. Labor costs are debited to Work in Process Inventory (direct) or Manufacturing Overhead (indirect). Actual manufacturing overhead costs are debited to Manufacturing Overhead. Nonmanufacturing costs are debited to an expense account. Applied manufacturing overhead is debited to Work in Process Inventory and credited to Manufacturing Overhead. The cost of completed jobs should be debited to Finished Goods Inventory and credited to Work in Process Inventory. The cost of sold jobs should be debited to Cost of Goods Sold and credited to Finished Goods Inventory. Under/overapplied overhead is credited/debited to Manufacturing Overhead, with the other side of the entry to Cost of Goods Sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 4

Learning Objective: 5

Topic: Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Journal entries for job order costing

119. St. Croix Inc. has provided the following information for 2008:

- a. Purchased raw materials on account for \$150,000.
- b. Issued \$130,000 in raw materials to production (\$34,000 were not traceable to specific jobs).
- c. Incurred \$144,000 in direct labor costs (14,120 hours) and \$62,500 in supervision costs (paid in cash).
- d. Incurred the following additional manufacturing overhead costs: factory lease \$36,000 (paid in cash); depreciation on equipment \$30,000; indirect supplies \$13,500 (paid in cash).
- e. Incurred the following nonmanufacturing costs, both paid in cash: advertising \$45,000; sales commissions \$48,000.
- f. Applied manufacturing overhead to jobs in process at a rate of \$13 per direct labor hour.
- g. Completed jobs costing a total of \$415,000.
- h. Sold jobs for \$625,000 on account. The cost of the jobs was \$422,000.
- i. Closed the Manufacturing Overhead account balance.

Prepare the journal entries to record these transactions.

a.	Raw Materials Inventory	\$150,000	
	Accounts Payable		\$150,000
b.	Work in Process Inventory	\$96,000	
	Manufacturing Overhead	\$34,000	
	Raw Materials Inventory		\$130,000
c.	Work in Process Inventory	\$144,000	
	Manufacturing Overhead	\$62,500	
	Cash		\$206,500
d.	Manufacturing Overhead	\$79,500	
	Accumulated Depreciation		\$30,000
	Cash		\$49,500
e.	Advertising Expense	\$45,000	
	Commissions Expense	\$48,000	
	Cash		\$93,000
f.	Work in Process Inventory	\$183,560	
	Manufacturing Overhead		\$183,560
g.	Finished Goods Inventory	\$415,000	
	Work in Process Inventory		\$415,000
h.	Accounts Receivable	\$625,000	
	Sales Revenue		\$625,000
	Cost of Goods Sold	\$422,000	
	Finished Goods Inventory		\$422,000
i.	Manufacturing Overhead	\$7,560	
	Cost of Goods Sold		\$7,560

Feedback: When materials are purchased, Raw Materials Inventory is debited. When materials are placed into production, Work in Process Inventory (for direct materials) or Manufacturing Overhead (for indirect materials) is debited, and Raw Materials credited. Labor costs are debited to Work in Process Inventory (direct) or Manufacturing Overhead (indirect). Actual manufacturing overhead costs are debited to Manufacturing Overhead. Nonmanufacturing costs are debited to an expense account. Applied manufacturing overhead is debited to Work in Process Inventory and credited to Manufacturing Overhead. The cost of completed jobs should be debited to Finished Goods Inventory and credited to Work in Process Inventory. The cost of sold jobs should be debited to Cost of Goods Sold and credited to Finished Goods Inventory. Under/overapplied overhead is credited/debited to Manufacturing Overhead, with the other side of the entry to Cost of Goods Sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 4

Learning Objective: 5

Topic: Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Journal entries for job order costing

120. Grand Traverse Inc. has provided the following information for 2008:

- a. Purchased raw materials on account for \$200,000.
- b. Issued \$185,000 in raw materials to production (\$12,000 were not traceable to specific jobs).
- c. Incurred \$155,000 in direct labor costs (14,750 hours), \$52,500 in supervision costs (paid in cash).
- d. Incurred the following additional manufacturing overhead costs: factory lease \$22,000 (paid in cash); depreciation on equipment \$26,000; factory utilities \$13,500 (paid in cash).
- e. Incurred the following nonmanufacturing costs, both paid in cash: advertising \$55,000; sales commissions \$58,000.
- f. Applied manufacturing overhead to jobs in process at a rate of \$9 per direct labor hour.
- g. Completed jobs costing a total of \$457,000.
- h. Sold jobs for \$735,000 on account. The cost of the jobs was \$441,000.
- i. Closed the manufacturing overhead account balance.

Prepare the journal entries to record these transactions.

Chapter 02 – Job Order Costing

a.	Raw Materials Inventory	\$200,000	
	Accounts Payable		\$200,000
b.	Work in Process Inventory	\$173,000	
	Manufacturing Overhead	\$12,000	
	Raw Materials Inventory		\$185,000
c.	Work in Process Inventory	\$155,000	
	Manufacturing Overhead	\$52,500	
	Cash		\$207,500
d.	Manufacturing Overhead	\$61,500	
	Accumulated Depreciation		\$26,000
	Cash		\$35,500
e.	Advertising Expense	\$55,000	
	Commissions Expense	\$58,000	
	Cash		\$113,000
f.	Work in Process Inventory	\$132,750	
	Manufacturing Overhead		\$132,750
g.	Finished Goods Inventory	\$457,000	
	Work in Process Inventory		\$457,000
h.	Accounts Receivable	\$735,000	
	Sales Revenue		\$735,000
	Cost of Goods Sold	\$441,000	
	Finished Goods Inventory		\$441,000
i.	Manufacturing Overhead	\$6,750	
	Cost of Goods Sold		\$6,750

Feedback: When materials are purchased, Raw Materials Inventory is debited. When materials are placed into production, Work in Process Inventory (for direct materials) or Manufacturing Overhead (for indirect materials) is debited, and Raw Materials credited. Labor costs are debited to Work in Process Inventory (direct) or Manufacturing Overhead (indirect). Actual manufacturing overhead costs are debited to Manufacturing Overhead. Nonmanufacturing costs are debited to an expense account. Applied manufacturing overhead is debited to Work in Process Inventory and credited to Manufacturing Overhead. The cost of completed jobs should be debited to Finished Goods Inventory and credited to Work in Process Inventory. The cost of sold jobs should be debited to Cost of Goods Sold and credited to Finished Goods Inventory. Under/overapplied overhead is credited/debited to Manufacturing Overhead, with the other side of the entry to Cost of Goods Sold.

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Medium

Learning Objective: 4

Learning Objective: 5

Topic: Calculating overapplied and underapplied manufacturing overhead, Disposing of overapplied or underapplied manufacturing overhead, Journal entries for job order costing

121. Mille Lac Corp. applies manufacturing overhead to production at 125% of direct labor cost. During 2008, manufacturing overhead of \$100,000 was applied to production; actual manufacturing overhead was \$109,000. Beginning Work in Process Inventory was \$15,000 and beginning Finished Goods Inventory was \$35,000. Work in Process Inventory increased by 10% during the year and Finished Goods Inventory decreased by 20% during the year. Sales for 2008 were \$450,000, yielding a \$130,000 gross profit.

Complete the following schedule:

Direct materials used in production	
Direct labor	
Manufacturing overhead applied	
Current manufacturing costs	
Beginning Work in Process Inventory	
Ending Work in Process Inventory	
Cost of goods manufactured	
Beginning Finished Goods Inventory	
Ending Finished Goods Inventory	
Unadjusted Cost of Goods Sold	
Overhead adjustment	
Adjusted Cost of Goods Sold	

Direct materials used in production	\$125,500
Direct labor	80,000
Manufacturing overhead applied	100,000
Current manufacturing costs	305,500
Beginning Work in Process Inventory	15,000
Ending Work in Process Inventory	16,500
Cost of goods manufactured	304,000
Beginning Finished Goods Inventory	35,000
Ending Finished Goods Inventory	28,000
Unadjusted Cost of Goods Sold	311,000
Overhead adjustment	9,000
Adjusted Cost of Goods Sold	\$320,000

Feedback: Cost of goods manufactured = Direct materials + Direct labor + Applied overhead + Beginning WIP - Ending WIP. Over- or underapplied overhead = Actual - Applied overhead. Adjusted cost of goods sold = Beginning finished goods + cost of goods manufactured - Ending finished goods +/- Under/overapplied overhead.

Chapter 02 – Job Order Costing

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Hard

Learning Objective: 5

Learning Objective: 6

Topic: Calculating overapplied and underapplied manufacturing overhead, Preparing the cost of goods manufactured report

122. Nicolet Corp. applies manufacturing overhead to production at 150% of direct labor cost. During 2008, manufacturing overhead of \$180,000 was applied to production; actual manufacturing overhead was \$199,000. Beginning Work in Process Inventory was \$20,000 and ending Work in Process Inventory was \$24,000. Beginning Finished Goods Inventory was \$42,000, ending Finished Goods Inventory was \$39,000. Sales for 2008 were \$580,000, yielding a \$117,000 gross profit.

Complete the following schedule:

Direct materials used in production	
Direct labor	
Manufacturing overhead applied	
Current manufacturing costs	
Beginning Work in Process Inventory	
Ending Work in Process Inventory	
Cost of goods manufactured	
Beginning Finished Goods Inventory	
Ending Finished Goods Inventory	
Unadjusted Cost of Goods Sold	
Overhead adjustment	
Adjusted Cost of Goods Sold	

Direct materials used in production	\$145,000
Direct labor	120,000
Manufacturing overhead applied	180,000
Current manufacturing costs	\$445,000
Beginning Work in Process Inventory	20,000
Ending Work in Process Inventory	24,000
Cost of goods manufactured	\$441,000
Beginning Finished Goods Inventory	42,000
Ending Finished Goods Inventory	39,000
Unadjusted Cost of Goods Sold	\$444,000
Overhead adjustment	19,000
Adjusted Cost of Goods Sold	\$463,000

Feedback: Cost of goods manufactured = Direct materials + Direct labor + Applied overhead + Beginning WIP - Ending WIP. Over- or underapplied overhead = Actual - Applied overhead. Adjusted cost of goods sold = Beginning finished goods + cost of goods manufactured - Ending finished goods +/- Under/overapplied overhead.

Chapter 02 – Job Order Costing

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Hard

Learning Objective: 5

Learning Objective: 6

Topic: Calculating overapplied and underapplied manufacturing overhead, Preparing the cost of goods manufactured report

123. Couderay Corp. applies manufacturing overhead to production at 75% of direct labor cost. During 2008, manufacturing overhead of \$150,000 was applied to production; actual manufacturing overhead was \$156,000. Ending Work in Process Inventory was \$22,000 and ending Finished Goods Inventory was \$36,000. Work in Process Inventory increased by 10% during the year and Finished Goods Inventory increased by 20% during the year. Unadjusted Cost of Goods Sold was \$575,000.

Complete the following schedule:

Direct materials used in production	
Direct labor	
Manufacturing overhead applied	_____
Current manufacturing costs	
Beginning Work in Process Inventory	
Ending Work in Process Inventory	_____
Cost of goods manufactured	
Beginning Finished Goods Inventory	
Ending Finished Goods Inventory	_____
Unadjusted Cost of Goods Sold	
Overhead adjustment	_____
Adjusted Cost of Goods Sold	

Direct materials used in production	\$233,000
Direct labor	200,000
Manufacturing overhead applied	150,000
Current manufacturing costs	\$583,000
Beginning Work in Process Inventory	20,000
Ending Work in Process Inventory	22,000
Cost of goods manufactured	\$581,000
Beginning Finished Goods Inventory	30,000
Ending Finished Goods Inventory	36,000
Unadjusted Cost of Goods Sold	\$575,000
Overhead adjustment	6,000
Adjusted Cost of Goods Sold	\$581,000

Feedback: Cost of goods manufactured = Direct materials + Direct labor + Applied overhead + Beginning WIP - Ending WIP. Over- or underapplied overhead = Actual - Applied overhead. Adjusted cost of goods sold = Beginning finished goods + cost of goods manufactured - Ending finished goods +/- Under/overapplied overhead.

Chapter 02 – Job Order Costing

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Hard

Learning Objective: 5

Learning Objective: 6

Topic: Calculating overapplied and underapplied manufacturing overhead, Preparing the cost of goods manufactured report

124. Big Sandy Corp. applies manufacturing overhead to production at 80% of direct labor cost. During 2008, manufacturing overhead of \$200,000 was applied to production; actual manufacturing overhead was \$189,000. Beginning Work in Process Inventory was \$25,000, and beginning Finished Goods Inventory was \$45,000. Work in Process Inventory decreased by 20% during the year and Finished Goods Inventory decreased by 10% during the year. Adjusted Cost of Goods Sold was \$623,500 for 2008.

Complete the following schedule:

Direct materials used in production	
Direct labor	
Manufacturing overhead applied	
Current manufacturing costs	<hr/>
Beginning Work in Process Inventory	
Ending Work in Process Inventory	<hr/>
Cost of goods manufactured	
Beginning Finished Goods Inventory	
Ending Finished Goods Inventory	<hr/>
Unadjusted Cost of Goods Sold	
Overhead adjustment	<hr/>
Adjusted Cost of Goods Sold	

Direct materials used in production	\$175,000
Direct labor	250,000
Manufacturing overhead applied	200,000
Current manufacturing costs	<hr/> \$625,000
Beginning Work in Process Inventory	25,000
Ending Work in Process Inventory	<hr/> 20,000
Cost of goods manufactured	\$630,000
Beginning Finished Goods Inventory	45,000
Ending Finished Goods Inventory	<hr/> 40,500
Unadjusted Cost of Goods Sold	\$634,500
Overhead adjustment	<hr/> -11,000
Adjusted Cost of Goods Sold	\$623,500

Feedback: Cost of goods manufactured = Direct materials + Direct labor + Applied overhead + Beginning WIP - Ending WIP. Over- or underapplied overhead = Actual - Applied overhead. Adjusted cost of goods sold = Beginning finished goods + cost of goods manufactured - Ending finished goods +/- Under/overapplied overhead.

Chapter 02 – Job Order Costing

AACSB: Analytic

AICPA: Measurement

Bloom's: Application

Difficulty: Hard

Learning Objective: 5

Learning Objective: 6

Topic: Calculating overapplied and underapplied manufacturing overhead, Preparing the cost of goods manufactured report